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CAPITAL 2021

ANNUAL REPORT 2021 Annual Report Capital Securities Corporation

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

ANNUAL REPORT

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■ Auditors in the most recent year

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■ Overseas Securities Exchange

N/A

■ Corporate Website

Website: <http://www.capital.com.tw>

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I. Capital Securities Corps. / Letter to Shareholders (2021)

The global situation was turbulent in 2021. After US President Joe Biden took office, he actively planned for various large-scale economic and infrastructure projects and resumed international cooperation to implement his policies. The Chinese government's promotion of its "common prosperity" policy drastically increased the risk for investment and business operations in China. In addition, the financial issues faced by prominent real estate developers in China also highlighted the underlying risks of the country's imbalanced economic structure. In 4Q21, a power supply crisis was almost triggered by China's restriction on coal production. Furthermore, the US-China trade war escalated into a technology war while the tariff issue evolved into disputes over patents and corporate knowledge in the high-tech industry. Under the circumstances, Taiwan, centered in the first island chain, plays a critical role in the U.S.-China disputes.

On the global financial side, US stocks were boosted by global innovation, economic growth, and capital influx. Dow Jones, S&P, and other indices frequently hit record highs. Among Asian stock markets, Taiwan's stock market outperformed others whose performances appear relatively lukewarm.

Overall, the 2021 global economy had five features as follows:

1. The United States remained an economic superpower. Although the pandemic seriously impacted the tourism and catering industries, it still created several investment opportunities. Not only did the US stock market constantly hit record highs, but its real estate market also recovered. Despite the growing labor shortage after removing lockdowns, domestic demands still boosted the country's economic performance.
2. In 1H21, Europe was seriously affected by the pandemic. In 3Q21, thanks to the increasing vaccine penetration rate, its economy started to recover. However, due to incomprehensive disease prevention efforts, the pandemic hit Europe again in 4Q21, leading to new variables in the economic recovery and affecting the normalization of the ECB's monetary policy. Moreover, the relatively weak Euro has boosted the US Dollar Index to soar and weighed on emerging markets.
3. China also faced severe challenges. Its 3Q21 economic growth was only 4.9% and slowed down for two consecutive quarters, of which deceleration beat market expectations. The supply and demand in the manufacturing industry weakened while the unemployment rate in cities and among youth increased. In addition to the pressure of stagflation, the most concerned issue in China was the asset bubble. The Chinese government continued to restrain booming housing prices, which increased pressure on forming the housing bubble. Furthermore, due to strong regulation on digital start-ups, the stock prices of leading networking businesses fell drastically and Chinese stocks were also downgraded accordingly.
4. The global inflation pressure continued to increase. The Federal Reserve's low-interest-rate policy was the main driver of the rising global inflation. Apart from that, the COVID-19 pandemic caused the production and supply chain disruptions and the soaring freight rates, pushing up production costs. Notably, as the global economy was expected to recover gradually in 2H21, the international oil prices soared drastically due to OPEC member countries' bullish efforts, a strong contrast to the collapse in oil prices caused by the global air transportation halt after the outbreak of COVID-19 in 2020. At the end of 2021, the United States and several major oil consumers released oil from their strategic reserves to cap the soaring oil prices. Subsequent changes are expected to affect the global balance of political and economic forces.
5. Unexpected energy crisis aroused. In addition to the soaring oil prices, the trend of seeking environmental protection and green energy pushed governments and businesses to actively develop clean energy and alternative energy and reduce investment in oil, natural gas and coal mining industries, causing a sharp rise in natural gas prices in Europe. As Russia is one of the major suppliers of natural gas in Europe, NATO had concerns over Russia's political and economic influences on the EU system, which may fuel energy issues further. Although 2021 was called "the first year of carbon neutrality," energy issues remain complicated and may not be solved overnight by policy-led changes.

Taiwan's economic performance ranks at the top among emerging markets, outperforming its main competitor, South Korea. In addition, Taiwan's export was not affected by the pandemic, and its economic growth also exceeded 6%. Both have proved that Taiwan's development policy of strengthening its position in the global supply chain is the right decision. On the other hand, the domestic demand in Taiwan stayed relatively flat. Hence, Taiwan's government launched the Quintuple Stimulus Voucher program to stimulate the domestic economy. In 2021, TAIEX increased by 23.66% to 3,486.31 points. At the end of 2021, the total market value of listed companies increased by 25.34% YoY to NT\$56.28 trillion. Specifically, the shipping industry, semiconductor industry and steel industry enjoyed the highest market value growth among all industries.

Despite the volatile business environment, the Company's management team still adhered to our solid and conservative management philosophy and maintained its stable operating performance by carefully assessing risks and gains. Our FY21 pre-tax net profit was NT\$5.903583 billion, and FY21 after-tax net profit was NT\$5.249590 billion. FY earnings was ranked No.4 among domestic securities firms.

The FY21 operational results breakdown by business is as follows:

- I. Brokerage: The full-year centralized securities exchange market share was 4.06%, and the TPEX market share was 4.91%. The overall market share was 4.22%. The business scale ranked No.5 among domestic securities firms and No.1 among independent securities firms.
- II. Investment Banking: In 2021, the Company was the leading underwriter of Unictron Technologies Corporation's (UTC) IPO. We also assisted Laster in issuing new stocks and served as the leading underwriter of Laster's 3rd convertible bond (CB) issuance, Zenitron's 4th CB issuance, Megawin Technology's 1st CB issuance, CviLux's 4th CB issuance and other bellwether SPOs. Based on a wealth of experiences, our underwriting team has successfully assisted businesses of various scales in different cases to raise funds effectively and enhance their overall operations.
- III. Derivatives products: FY21 premium of call (put) warrants posted NT\$56.873billion. Warrants issuance totaled 6,137. The value and number of warrants issuance ranked No.3 in the industry. Annual structured products issuance totaled NT\$19.249billion.
- IV. Fixed income: The Company underwrote corporate bond issuance 11 times in 2021, enjoying a 9% market share and ranking No.4 among domestic securities firms. Underwritten corporate bonds totaled NT\$48.89billion. We claimed 8.91% of the market share and, again, ranked No.4 among domestic securities firms. In 2021, we underwrote corporate bond issuance with high fundraising levels for several well-known businesses in Taiwan, such as Taipower, TSMC, Chailase Finance, Fina Finance & Trading, Yang Ming Marine Transport.

Capital Securities always upholds the vision of "providing high value-added services beyond clients' expectations" and "serving as a long-term partner for clients aimed for growth." Hence, in 2021, with the joint efforts of the Company and all employees, Capital Securities received awards as the following:

- I. "Best Securities Firm Award" from Excellence Magazine in the 2021 Excellent Securities Firm Evaluation for Non-FHC securities firms.
- II. "Gold Award" and "Special Award" from 1111 Job Bank in the 2021 Happy Enterprise Election.
- III. "Sports Enterprise Certification" issued by the Sports Administration of the Ministry of Education.
- IV. "Quality Award" from the Commercial Times in the 2021 Wealth Management and Trust Innovation Evaluation at the 1st Trust Innovation Award.
- V. "Quality Award" from Commercial Times in the Digital Transformation Paradigm Evaluation, the Digital Inclusion Financial Services Evaluation, the Digital Business Optimization Evaluation and the Digital Service Evaluation at the 1st Digital Finance Award in 2021.
- VI. No.3 in the "Futures Introducing Brokers in Futures Trading Volume Diamond Award" by Taiwan Futures Exchange at the 7th Diamond Award in 2021.
- VII. No.1 in the Best Product Evaluation by Business Today in the 2021 Wealth Management Award.
- VIII. No.1 in the "Top Analyst for the Banking Sector," No.4 in the "Top Analyst for the Healthcare and Biomedical Sector," No.7 in the "Top Analyst for the Electronics Sector," the "Top Analyst for the Communication Sector" and in the "Top Analyst for the Automotive Sector" of the 2020 "Top Analyst Award in China" held by the East Money for our analysts from Shanghai Representative Office, CSC International Holdings.
- IX. "Best Business Team Award," "Best Digital Smart System Award," and "Best Charity Promotion Award" from Wealth Magazine in the 2021 Wealth Management Award.

"Capital Cares" represents the core value of Capital Securities, and we have been fulfilling our social responsibility as a corporate citizen for a long time. In 2021, we held several charity activities as follows:

- I. The blood donation charity activity, "Love from Capital for Charity." To encourage people to donate blood, the Group has purchased environmental-friendly bags and handcrafted soap made by FHL Center (Faith, Hope & Love, Center for Adults and Children with Disabilities) as gifts for blood donors. People donating blood at designated locations would receive a gift package with a bag and a soap.
- II. We promoted the "Capital Securities Love Reading Program" to care for rural education. The opening ceremony, "Capital Securities Love Reading," was held at Youmu Elementary School in New Taipei City.
- III. To promote rural education in Taiwan and close the gap between rural and urban resources, the Company has made donations to a total of 15 elementary schools.

Regarding the global economic and trade development in 2022, areas worth attention are as follows

- I. The US Economic Development, Inflationary Pressure and the Fed's Monetary Policy: Due to recurrent pandemic outbreaks, supply chains were disrupted, leading to high prices. More and more FOMC members see curbing inflation as the priority of their policy and may reach a consensus on

- tapering, increasing interest rates or reducing the balance sheet faster than the market's expectation. The market may reflect accordingly.
- II. The COVID-19 Pandemic: In 2021, European countries and the US attempted to coexist with the virus after the vaccine penetration rate increased. However, the Omicron variant raised market concerns and led to different views. The Fed Chair Jerome Powell warned that the Omicron variant might pose threats to the US economy, exacerbate supply chain disruption, and reduce workers' willingness to work, which may lead to wage increases and the worsening of inflation. Despite that, some have a contrary view that speculative trading may be damped down due to the slower pace of the pandemic recovery.
 - III. The Supply Chain Restructuring in the Global Technology Industry: While the US-China trade disputes mainly focused on advanced technology and intellectual property rights, the Biden administration is more willing than the former president Donald Trump to collaborate with European and Asian countries to contain China. Hence, supply chain restructuring is increasingly important. In addition, the United States, Japan and Germany all competed to invite TSMC to set up production bases in their countries. The underlying positive meaning is that Taiwanese semiconductor businesses started influence the global economy. On the other hand, it also shows mentioned countries' intention to avoid future supply chain disruptions caused by geopolitical risks.
 - IV. Uncertainties in China's Economy: The Chinese economy has encountered three obstacles as follows: (a) the impacts caused by significant local government debts and the real estate bubble; (b) India and ASEAN countries may replace China as the next manufacturing hub. Related industrial chains' moving out of China may cause domestic structural unemployment and social issues; (c) China's industrial development and resources allocation may be affected due to carbon neutrality requirements. Its planned economy may face related dilemmas. However, some foreign investors still believe that China's population of 1.4 billion and the enormous market offer great potential values for long-term investment.
 - V. The Development of Virtual Currencies: Since 2008, Blockchain and virtual currencies have undergone rapid development for more than 10 years. Bitcoins and Non-fungible tokens (NFT) have become hot topics of the new generation. They also serve as important foundations for the development of metaverse in 2021. However, virtual currencies do not enjoy equal legal status as lawful currency. The trading of virtual currencies may involve speculation, disrupting financial orders, and even money laundering. The wealthiest person in Taiwan, Terry Gou, believes that some virtual currencies may be a form of asset in the future, but global financial systems will not be replaced by decentralized finance.
 - VI. Russia-Ukraine War: On February 24, 2022, Russia invaded Ukraine. The international prices of oil, natural gas, wheat, soybeans, nickel, palladium and other raw materials soared accordingly. Due to the COVID-19 pandemic, the trend of promoting carbon reduction, the lack of finding new oil supply and decisions not to ramp up oil productions by OPEC member countries, global oil prices have exceeded US\$100, setting a new high since September 2008. It is also expected to increase the global inflationary pressure. In addition, in response to US President Biden's call, NATO showed unprecedented solidarity and agreed to remove some Russian banks from the SWIFT system and place bans on transactions with the Central Bank of Russia. The Russian stock and foreign exchange markets crumbled at once accordingly. However, not to be intimidated, Russian President Putin announced to put nuclear weapons in Russia on high alert in response. Every country in the world has been facing unpredictable political and economic challenges simultaneously.

As we are cautiously optimistic about the TAIEX outlook in 2022, Taiwan's economic momentum is expected to remain stable. Young people are actively participating in the capital market to accumulate investment experiences. FINI's influence on Taiwan's stock market is expected to decrease. Investing in the stock market has gradually become a major type of investment in Taiwan, thanks to the vast momentum generated by the domestic capital market. On the policy front, the Taiwanese government adopts practical policies while seeking growth opportunities. TAIEX-related policies are also more in line with investors' actual needs. For instance, the government's handling of transaction tax cut by half for day trading was competent and helped to reduce risks for investment.

As global economic volatility in 2022 may affect Taiwan's economy and financial market, it may not be easy for TAIEX to outperform itself in the past two years. However, thanks to Taiwan's resilient economy with a more comprehensive stock market mechanism, Taiwan's stock market is expected to grow further. To face various economic and financial challenges, the Company has prepared operation plans and business development strategies for 2022 as follows:

- I. Enhance coordination and create synergies among affiliates such as Capital Futures, Capital Investment Trust, CSC Venture Capital, Capital Investment Management and Capital Insurance Agency.

- II. Integrate sub-brokerage financing, foreign exchange securities firms, subsidiary accounts for foreign currency trading and real-time US stock market sentiment to strengthen the sub-brokerage business and better manage clients' foreign currency flow.
- III. Enhance the speed of warrant order deletion to provide the quickest service in the market and issue diverse derivatives (ELN/ PGN/OTC options) for business and profit diversification.
- IV. Provide digital application and high-frequency trading services, integrate smart orders of securities and futures, and improve system stability to attract clients trading with apps and focusing on high-frequency trading and increase our market share and profits of the brokerage business.
- V. Establish a security borrowing center under the Settlement and Clearing Department to maximize the efficiency of securities and increase the Company's profit.
- VI. Provide services of investing a specific amount or purchasing a specific number of shares in Taiwan's and the US stock market at fixed times to attract young clients.
- VII. Continue to carry on digital optimization and further digital transformation for specific sectors, such as brokerage and investment management businesses.
- VIII. Continue to optimize subsidiary accounts functions by combing saving accounts and trading accounts to increase the number of account holders and the amount of deposit for higher interest income and more wealth management business opportunities.
- IX. Seize the business opportunities of wealth management for high net worth clients and continue to develop new services and products available for them to diversify wealth management business with practical strategies and increase the amount of asset under management (AUM) for the Company.
- X. Pay attention to the adoption schedule on quantitative easing, balance sheet reduction and interest rate hikes and refer to market outlook analysis and fundamentals of individual stocks conducted by research institutions for profitable stock trading and related earnings growth.
- XI. Steadily increase foreign currency bond positions and develop new products and distribution networks to secure the opportunities for selling fixed-income products and issuing corporate bonds.
- XII. Focus on clients' needs in corporate finance businesses, and become a stable and profitable investment bank in conjunction with private equity funds and management and consulting companies for non-operating investments.
- XIII. In the post-pandemic era, CSC Securities (HK) is expected to expand its business more aggressively in Taiwan, Hong Kong, China and Southeast Asia to strive for profits.
- XIV. Continue to pay attention to the Russia-Ukraine war, the impacts of oil and raw material prices fluctuations and inflation on stock markets, and take necessary countermeasures.
- XV. Develop the app, e-Counter, with more comprehensive functions, including trading, account opening, data change and so forth; hence clients need not arrive at the counter in person for mentioned services.

While 2022 may still be full of opportunities and challenges, the control of the COVID-19 pandemic and every country's attitude towards inflation will be critical to future global development. Facing this situation, the Company will adhere to solid and conservative management philosophy, strengthen the resource integration in the Group, implement our vision and achieve sustainable development. We will also establish long-term partnerships with clients for common growth and continue to provide high-value-added financial services that exceed clients' expectations. Furthermore, we will actively use financial technology for digital transformation and integrate various systems of securities service to implement our operational plans and policies for higher profitability and excellent performances for our shareholders.

Alex Jiunn-Chih, Wang

Chairman

Capital Securities Corporation

II. Company Profile

1. Establishment and registration date: 1988/06/21
2. Paid-in capital: NT\$21.709 billion
3. Company history:

In view of the critical importance of the capital markets to raising capital and promoting industrial upgrades in the domestic market, the founder of the Company invited well-known individuals from domestic companies to jointly establish the Company in 1988. The Company started as a professional brokerage firm with initial paid-in capital of NT\$300 million. It has since developed into an integrated international securities firm with its business covering brokerage, proprietary trading, underwriting, registrar agency, bonds, credit transactions, derivatives and so forth, and outperformed its peers in the primary and secondary markets. To provide a full range of financial management services to domestic and foreign corporations and the general investing public, the Company successively established affiliates such as Capital Futures, Capital Investment Management, Capital Insurance Advisory, CSC Securities (HK) and CSC International Holdings. Subsequently, after 2016, the Company also set up CSC Venture Capital, CSC Capital Management and CSC Private Equity Fund I and extended the reach of its services to pre-listing companies. In addition to its affiliates and branches in all major cities in Taiwan, the Group also established operating locations in financial centers such as Hong Kong and Shanghai. With the full support of all shareholders and its directors, the Group has been able to expand its business and advance toward being a professional and international investment bank.

The Company continues to prosper, indebted to all employees and shareholders. In 1989, the Company's paid-in capital increased to NT\$1.6 billion. In the same year, the Company obtained its underwriting and proprietary trading licenses and was upgraded to a comprehensive securities brokerage firm. The Company started the OTC trading business at the end of the same year. In 1991, the Company increased its paid-in capital to NT\$2 billion and expanded its business scope to provide margin trading and short selling business. In 1993, the Company merged with Hongtai Securities and increased its paid-in capital to NT\$3.28 billion. In 1995, it increased the paid-in capital to NT\$4.08 billion. In the same year, the Company's shares were formally listed on the Taipei Exchange. In 2005, the Company's shares were officially listed on the Taiwan Stock Exchange. In 2010, the Company completed the merger with Antay Securities Finance, acquired shares of Taiwan International Securities, and increased the paid-in capital to NT\$23.057 billion. In 2011, the Company merged with Taiwan International Securities and increased its paid-in capital to NT\$23.691 billion from retained earnings. In 2015, 2016 and 2017, the Company repurchased treasury stocks and reduced its capital to NT\$21.691 billion, respectively. In 2018, the Company increased its paid-in capital to NT\$23.209 billion from retained earnings. In 2019, the Company repurchased treasury stocks and reduced its capital by NT\$1.5 billion to NT\$21.709 billion.

The Company's service quality has been well-received by investors. It has won several awards from competent authorities and organizations.

In 2017, the Company received awards as follows: (a) "Best Brand Image Award" from Excellence Magazine in the 2017 Excellent Financial Securities Service Evaluation for Non-FHC securities firms; (b) the "Best Financial Advisor Team Award" from Wealth Magazine in the 2017 Wealth Management Awards; (c) the "Quality Award" in the Best Securities Firms Image Evaluation in the 2017 Wealth Magazine's Financial Award; (d) the "Best Wealth Management Securities Excellence Award" and the "Best Wealth Management Award" from Business Today in the 2017 Wealth Management Bank and Securities Firm Evaluation.

In 2018, the Company received awards as follows: (a) "Best Warrant Award" from Excellence Magazine for Non-FHC securities firms; (b) the "Best Digital Service Award" and "Most Trusted Securities Firm Award" from Business Today in the 2018 Wealth Management Bank and Securities Firm Evaluation; (c) the "Best Business Team Award," and the "Best Charity Award" from Wealth Magazine in the 2018 Wealth Management Award.

In 2019, the Company received awards as follows: (a) "Best Digital Innovation Award" from Excellence Magazine for Non-FHC securities firms; (b) the "Best Wealth Management Award" from Business Today in the 2019 Wealth Management Bank and Securities Firm Evaluation; (c) the "Best Business Team Award" and the "Best Charity Promotion Award" from Wealth Magazine in the 2018 Wealth Management Award; (d) the "Corporate Social Responsibility Award" in the 15th Golden Goblet Award.

In 2020, the Company received awards as follows: (a) "Best Warrant Award" from Excellence Magazine in the 2020 Securities Evaluation; (b) the "Best Client Satisfaction Award" from Business Today; (c) the "Best Client Referral Award," the "Best Digital Finance Award" and the "Best Charity Promotion Award" from Wealth Magazine in the 2020 Wealth Management Award.

In 2021, the Company received awards as follows: (a) "Best Securities Firm Award" from Excellence Magazine in the 2021 Excellent Securities Firm Evaluation for Non-FHC securities firms; (b) "Gold Award" and "Special Award" from 1111 Job Bank in the 2021 Happy Enterprise Election; (c) "Sports Enterprise Certification" issued by the Sports Administration of the Ministry of Education; (d) "Quality Award" from the Commercial Times in the 2021 Wealth Management and Trust Innovation Evaluation at the 1st Trust Innovation Award; (e) "Quality Award" from Commercial Times in the Digital Transformation Paradigm Evaluation, the Digital Inclusion Financial Services Evaluation, the Digital Business Optimization Evaluation and the Digital Service Evaluation at the 1st Digital Finance Award in 2021; (f) No.3 in the "Futures Introducing Brokers in Futures Trading Volume Diamond Award" by Taiwan Futures Exchange at the 7th Diamond Award in 2021; (g) No.1 in the Best Product Evaluation by Business Today in the 2021 Wealth Management Award; (h) "Best Business Team Award," "Best Digital Smart System Award," and "Best Charity

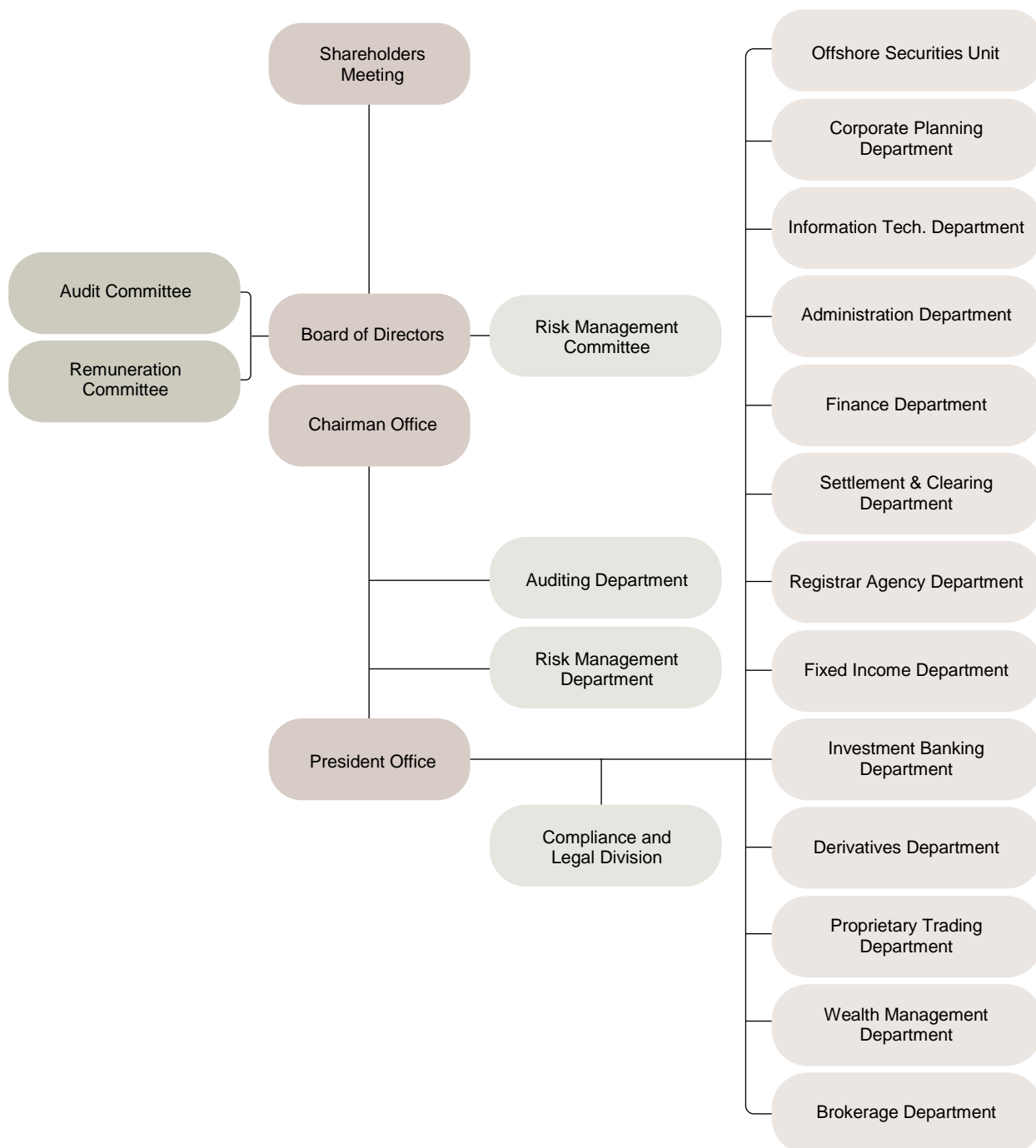
Promotion Award” from Wealth Magazine in the 2021 Wealth Management Award. Furthermore, the Company’s shares were selected as the constituent stock of the FTSE4Good TIP Taiwan ESG Index again in 2021.

Look forward to 2022, the Company will take advantage of FinTech, adhere to its management philosophy for sustainable development, implement our vision and care for our society, establish long-term partnerships with clients for common growth, and continue to provide high-value-added financial services that exceed clients’ expectations.

III. Corporate Governance Report

1. Organization chart

Capital Securities Corporation



2. Background information of directors, president, executive vice presidents, senior vice presidents, and heads of various departments and branches

(1) Background of directors (1)

March 31, 2022

Title (Note 1)	Nationality or place of registration	Name	Gender and Age (Note 2)	Date of appointment (start of office)	Service term	First elected/ appointed date(Note 3)	Shareholding at time of election		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements (Note 4)	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads			Remarks (Note 5)
							No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relationship	
Chairman	Republic of China	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN- CHIH	Male 61-70 years old	2019/06/24	3 Years	2013/06/25 2012/09/03	8,040,015 55,750	0.35% 0.00%	8,040,015 0	0.37% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Ph.D. in Technology Management, Chung Hua University Central Trust of China – President EnTie Commercial Bank Co., Ltd. - President Bankers Association of the Republic of China - Secretary General Hua Nan Commercial Bank, Ltd. - President	Capital Futures Corp. – Director CSC International Holdings Ltd. - Director CSC Securities (HK) Ltd.-Director CSC Futures (HK) Ltd. - Director CSC Venture Capital Corp. - Chairman	N/A	N/A	N/A	
Vice Chairman	Republic of China	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH- MING	Male 61-70 years old	2019/06/24	3 Years	2013/06/25 2011/10/27	8,040,015 0	0.35% 0.00%	8,040,015 0	0.37% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Department of General Commerce, Shixin Senior Commercial Vocational School Fu Tai Construction Corp. - Chairman Collins Co., Ltd. - Supervisor Run Hsiang Enterprise Co., Ltd. – Supervisor	Yu Chun Enterprise Co., Ltd. - Chairman Fu Tai Construction Corp. - Chairman Tai Min Constuction Co., Ltd. - Chairman Chuan Yi Investment Co., Ltd. - Chairman Cheng Da Investment Co., Ltd. - Chairman Qarnet Enterprise Co., Ltd. - Chairman Fornet Enterprise Co., Ltd. - Chairman Hong Tai Construction Co., Ltd. - Chairman Lian Mao Investment Co., Ltd. - Director CSC Capital Management Co. - Director CSC Private Equity Fund I Co. - Director Chen Chen Co., Ltd. - Supervisor Chao Long Investment Co., Ltd. - Supervisor Yu Bao Enterprise Co., Ltd. - Supervisor Hong Sheng Construction Co., Ltd. - Supervisor Tai Fa Investment Co., Ltd. - Supervisor	N/A	N/A	N/A	
Director	Republic of China	Yin Feng Enterprise Co., Ltd. Representative : LIU, CHING- TSUN	Male 71-80 years old	2019/06/24	3 Years	2013/06/25 1994/01/01	8,040,015 0	0.35% 0.00%	8,040,015 0	0.37% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	M.P.A., University of San Francisco, USA Taxation Administration, MOF - Sub-Chief, Audit Team Securities Commission, MOF - Deputy Chief Taiwan Securities Association - Managing Director, Supervisor Taipei Exchange - Director, Supervisor Capital Securities Corp. - Vice Chairman and Chairman	Capital Futures Corp. - Director Taiwan Oasis Technology Co., Ltd. - Director	N/A	N/A	N/A	

Title (Note 1)	Nationality or place of registration	Name	Gender and Age (Note 2)	Date of appointment (start of office)	Service term	First elected/ appointed date(Note 3)	Shareholding at time of election		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements (Note 4)	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads			Remarks (Note 5)
							No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relationship	
															Yan Fu Venture Capital Co., Ltd. - Director					
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG- TAO	Male 61-70 years old	2019/06/24	3 Years	2016/06/27 2019/06/24	50,871,288 80,000	2.19% 0.00%	50,871,288 80,000	2.34% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	EMBA, National Chengchi University Capital Securities Corp. - Executive Vice President and IT Supervisor Capital Futures Corp. - President Capital Futures Corp. -Vice Chairman Capital International Technology Corp. -Director, President Capital True Partner Technology Co., Ltd. - Director Capital Futures Technology (Shanghai) Co., Ltd. - Director	Capital Securities Corp. - President CSC Venture Capital Corp. - Director, President Ennocap Venture Inc. - Director	N/A	N/A	N/A	
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH- CHYI	Male 81-90 years old	2019/06/24	3 Years	2016/06/27 2010/06/15	50,871,288 186,391	2.19% 0.00%	50,871,288 1,391	2.34% 0.00%	0 5,531	0.00% 0.00%	0 0	0.00% 0.00%	B.A. in Cooperative Economics, National Taipei University Taiwan Cooperative Bank - Director and Deputy President Agricultural Credit Guarantee Fund - President EnTie Securities Finance Company - Chairman Bankers Association of the Republic of China - Secretary general Capital Securities Corp. - Supervisor	N/A	N/A	N/A	N/A	
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	Male 41-50 years old	2019/06/24	3 Years	2016/06/27 2012/03/05	50,871,288 9	2.19% 0.00%	50,871,288 9	2.34% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	LL.M., Soochow University The Chinese Commercial and Industrial Coordination Society - Deputy Secretary – General The Chinese Commercial & Industrial Service Co., Ltd.- Supervisor Taiwan Federation of Commerce – Deputy Secretary-General	Taiwan Federation of Commerce – Secretary-General	N/A	N/A	N/A	
Director	Republic of China	Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH- WEN	Male 51-60 years old	2019/06/24	3 Years	2001/04/03 2018/03/08	9,910,253 0	0.43% 0.00%	9,910,253 0	0.46% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Master of Finance and Economics, Cornell University KYMCO Private Equity Management Co., Ltd. - President / Partner	KYMCO Private Equity Management Co., Ltd. - President /Partner KYMCO Capital Fund I Co., Ltd. - Director Kwang Yang Motor Co., Ltd. - Director Ionx Inc. - Director Noodoe Corporation - Director Capital Investment Trust Corp. – Director Global Commercial Technology Co., Ltd. - Director Chunghwa SEA Holdings Co., Ltd. - Supervisor	N/A	N/A	N/A	

Title (Note 1)	Nationality or place of registration	Name	Gender and Age (Note 2)	Date of appointment (start of office)	Service term	First elected/ appointed date(Note 3)	Shareholding at time of election		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements (Note 4)	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads (Note 5)			Remarks (Note 5)
							No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relationship	
Director	Republic of China	Tai He Real Estate Management Co., Ltd. Representative:HUNG, TSUNG-YEN	Male 51-60 years old	2019/06/24	3 Years	2019/06/24 2019/06/24	1,885,766 0	0.08% 0.00%	1,885,766 0	0.09% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	LL.M., Fu Jen Catholic University Run Hsiang Enterprise Co., Ltd. -General Counsel Shang Wei Investment Co., Ltd. - Director	Hong Ce Venture Capital Co., Ltd. - Director Hwa Yi Medical Consultant Co., Ltd. - Supervisor Hong Chia Investment Co., Ltd. - Director	N/A	N/A	N/A	
Independent Director	Republic of China	SHEA, JIA-DONG	Male 71-80 years old	2019/06/24	3 Years	2016/06/27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Economics, Stanford University, USA Institute of Economics, Academia Sinica - Director Department of Economics, National Taiwan University - Professor Central Bank of the Republic of China - Deputy Governor Ministry of Finance, R.O.C - Minister Taiwan External Trade Development Council - Chairman Central Trust of China - Chairman Taiwan Academy of Banking and Finance - Chairman Capital Futures Corp. - Independent Director	Bio Preventive Medicine Corp. - Independent Director	N/A	N/A	N/A	
Independent Director	Republic of China	LEE, SHEN-YI	Male 71-80 years old	2019/06/24	3 Years	2019/06/24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. of law, Chinese Culture University Taiwan Business Bank Co., Ltd. - Officer Ministry of Economic Affairs - Officer Auditing Division, Ministry of Finance - Officer Chien Yeh Law Offices - Attorney Chien Yeh Law Offices - Managing Director Chien Yeh Law Offices - Honorary Managing Director Member of Fair Trade Commission, Executive Yuan 2nd and 3rd member of the Control Yuan Adjunct Associate Professor of National Chengchi University and Chinese Culture University	National Policy Advisor to the President One Eternity Foundation Co., Ltd. - Chairman One Eternity Foundation Co., Ltd. (Taiwan Branch) - Chairman Taiwan New Economy Foundation - Vice Chairman WIN Semiconductors Corp. - Independent Director, Remuneration Committee member Nan Ya Plastics Corp. - Director East-Tender optoelectronics Corp. - Director Chinese Culture University - Supervisor Taoyuan International Airport Services Co., Ltd. - Supervisor PharmaEssentia Corp. - Director Capital Futures Corp. - Remuneration Committee member	N/A	N/A	N/A	
Independent Director	Republic of China	SU, PING-CHANG	Male 61-70 years old	2019/06/24	3 Years	2019/06/24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master in Accounting, Chengchi University Senior Auditor of Deloitte & Touche Accountant, Managing Director of Horwath Chien Hsing CPAs	Crowe (TW) CPAs - Director General Jian Fu Technology Inc. - Chairman Kaifa Industry Co., Ltd. - Supervisor Nan Ho Industry Co., Ltd. - Supervisor	N/A	N/A	N/A	

Note 1: The corporate shareholders should list the name and representative respectively (the representative of the corporate shareholders should list the name), the following Table I shall be completed:

Note 2: The actual age should be listed, and may be expressed in a range, such as 41-50 years old or 51-60 years old.

Note 3: Fill in the time for serving as a director of the Company for the first time. If there is any interruption, it shall be indicated.

Note 4: For the experience related to the current position, such as having worked in a CPA firm or its affiliates during the said period, the job title and position shall be specified.

Note 5: Where the Chairman and the President or anyone holding an equivalent position (the top manager) of the Company are the same person or related in a spousal relationship or within the first degree of kinship, information concerning the reasons, reasonableness, necessity and actions taken in response (such as an increase in the number of independent directors, or the requirement that there must be over half of directors who are not also employees or managers) shall be described.

Table 1: Major shareholders of corporate shareholders

March 31, 2022

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Yin Feng Enterprise Co., Ltd.	Chuan Yi Investment Co., Ltd.	17.49%
	Hong Ye Investment Co., Ltd.	15.79%
	Feng Yang Investment Co., Ltd.	11.63%
	Wei Wang Investment Co., Ltd.	9.22%
	Tai Jian Investment Co., Ltd.	7.58%
	Tai Lian Investment Co., Ltd.	7.44%
	Chen Huei Enterprise Co., Ltd.	6.38%
	Bao Qing Investment Co., Ltd.	5.06%
	Cheng Da Investment Co., Ltd.	4.04%
	Fu Ding Investment Co., Ltd.	3.73%
Hung Lung Enterprise Co., Ltd.	Chuan Yi Construction Co., Ltd.	14.64%
	Qarnet Enterprise Co., Ltd.	14.24%
	Hong Yuan Construction Co., Ltd.	12.84%
	Yu Bao Enterprise Co., Ltd.	12.71%
	Lian Mao Investment Co., Ltd.	11.92%
	Fu Tai Construction Co., Ltd.	11.70%
	Chen Huei Enterprise Co., Ltd.	9.23%
	Run Hsiang Enterprise Co., Ltd.	7.19%
	De Ye Apartment Building Management and Maintenance Co., Ltd.	3.18%
Han Bao Enterprise Co., Ltd.	2.34%	
Kwang Hsing Industrial Co., Ltd.	Kwang Yang Motor Co., Ltd.	100%
Tai He Real Estate Management Co., Ltd.	Qarnet Enterprise Co., Ltd.	19.61%
	Hung Lung Enterprise Co., Ltd.	18.75%
	Min Huei Enterprise Co., Ltd.	18.75%
	Fornet Enterprise Co., Ltd.	15.14%
	Sheng Hsiang Enterprise Co., Ltd.	15.14%
	Chung Lung Technology Co., Ltd.	12.50%

Note 1: Where a director is a representative of an institutional shareholder, the name of the institutional shareholder shall be entered.

Note 2: Fill in names and shareholding ratios of the major shareholders (whose shareholding ratios are in the top 10) of the corporate shareholder. If any of its major shareholders is a corporation, Table 2 below shall be filled in, too.

Note 3: Where the corporate shareholder is not incorporated, the aforesaid names and shareholdings of shareholders to be disclose, are the names and ratios of the investment or donation of these investors or donors (please inquiry from the Judicial Yuan); if the donor is deceased, please mark "deceased."

Table 2: Major shareholders of major corporate shareholders listed in Table 1

March 31, 2022

Corporate name (Note 1)	Major shareholders of the corporation (Note 2)	
Chuan Yi Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	28.62%
	Tai Hsiang Investment Co., Ltd.	21.74%
	Tai Fa Investment Co., Ltd.	11.76%
	Tai He Investment Co., Ltd.	11.59%
	Wang Hsing Enterprise Co., Ltd.	6.33%
	Chuan Yi Construction Co., Ltd.	5.98%
	Yu Chun Enterprise Co., Ltd.	4.57%
	Chen Huei Enterprise Co., Ltd.	3.44%
	Hung Lung Enterprise Co., Ltd.	3.35%
	Han Bao Enterprise Co., Ltd.	2.60%
Hong Ye Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	41.25%
	Tai Fa Investment Co., Ltd.	18.58%
	Tai Hsiang Investment Co., Ltd.	18.54%
	Tai He Investment Co., Ltd.	9.73%
	Hong Chia Investment Co., Ltd.	3.28%
	Tai He Real Estate Management Co., Ltd.	1.74%
	Tai Lian Investment Co., Ltd.	1.72%
	Bao Zuo Investment Co., Ltd.	1.52%
	Fu Ding Investment Co., Ltd.	1.52%
	Tai Chun Investment Co., Ltd.	0.93%
Feng Yang Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	38.73%
	Tai Hsiang Investment Co., Ltd.	18.23%
	Chao Lung Investment Co., Ltd.	18.23%
	Tai He Investment Co., Ltd.	11.26%
	Hong Tai Construction Co., Ltd.	2.44%
	Bao Zuo Investment Co., Ltd.	2.28%
	Tai Sheng Investment Co., Ltd.	2.28%
	Fu Tai Construction Co., Ltd.	2.22%
	Tai Chun Enterprise Co., Ltd.	2.19%
	Wang Hsing Enterprise Co., Ltd.	2.15%
Wei Wang Investment Co., Ltd.	Tai He Investment Co., Ltd.	36.76%
	Chao Lung Investment Co., Ltd.	26.10%
	Tai Fa Investment Co., Ltd.	12.87%
	Tai Hsiang Investment Co., Ltd.	8.20%
	Tseng Mao Investment Co., Ltd.	4.26%
	Bao Qing Investment Co., Ltd.	2.24%
	Hong Sheng Construction Co., Ltd.	2.05%
	Tai Chun Investment Co., Ltd.	1.86%
	Chuan Yi Investment Co., Ltd.	1.83%
Han Bao Enterprise Co., Ltd.	1.53%	

Corporate name (Note 1)	Major shareholders of the corporation (Note 2)	
Tai Jian Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	42.92%
	Tai Fa Investment Co., Ltd.	18.07%
	Tai Hsiang Investment Co., Ltd.	18.07%
	Tai He Investment Co., Ltd.	14.78%
	Tai Chun Enterprise Co., Ltd.	1.93%
	Min Huei Enterprise Co., Ltd.	1.56%
	Chen Huei Enterprise Co., Ltd.	1.34%
	Run Hsiang Enterprise Co., Ltd.	1.34%
Tai Lian Investment Co., Ltd.	Tai Hsiang Investment Co., Ltd.	43.02%
	Chao Lung Investment Co., Ltd.	16.65%
	Tai Fa Investment Co., Ltd.	15.27%
	Tai He Investment Co., Ltd.	14.85%
	Yin Feng Enterprise Co., Ltd.	3.26%
	Han Bao Enterprise Co., Ltd.	3.26%
	Fu Tai Construction Co., Ltd.	3.23%
	Hong Tai Construction Co., Ltd.	0.44%
Chen Huei Enterprise Co., Ltd.	Tai Lian Investment Co., Ltd.	16.82%
	Tai Chun Investment Co., Ltd.	14.22%
	Bao Qing Investment Co., Ltd.	9.88%
	Feng Yang Investment Co., Ltd.	9.88%
	Cheng Da Investment Co., Ltd.	9.45%
	Lian Mao Investment Co., Ltd.	8.64%
	Wei Wang Investment Co., Ltd.	8.64%
	Yu Bao Enterprise Co., Ltd.	8.43%
	Hong Ye Investment Co., Ltd.	5.00%
	Tai Sheng Investment Co., Ltd.	4.54%
Bao Qing Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	19.72%
	Tai Hsiang Investment Co., Ltd.	19.43%
	Chao Lung Investment Co., Ltd.	19.43%
	Chuan Yi Construction Co., Ltd.	6.93%
	Fu Tai Construction Co., Ltd.	6.93%
	Hung Lung Enterprise Co., Ltd.	5.51%
	Run Hsiang Enterprise Co., Ltd.	5.51%
	Tai He Investment Co., Ltd.	4.93%
	Bao Zuo Investment Co., Ltd.	4.35%
	Tai Sheng Investment Co., Ltd.	4.35%

Corporate name (Note 1)	Major shareholders of the corporation (Note 2)	
Cheng Da Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	39.58%
	Tai Hsiang Investment Co., Ltd.	32.56%
	Chao Lung Investment Co., Ltd.	19.07%
	Tai He Investment Co., Ltd.	4.65%
	Tai Jian Investment Co., Ltd.	1.81%
	Hung Lung Enterprise Co., Ltd.	0.92%
	Rui Cheng Construction Co., Ltd.	0.49%
	Feng Yang Investment Co., Ltd.	0.46%
	Bao Sheng Investment Co., Ltd.	0.46%
Fu Ding Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	24.73%
	Tai Fa Investment Co., Ltd.	13.02%
	Tai Hsiang Investment Co., Ltd.	9.76%
	Bao Qing Investment Co., Ltd.	6.51%
	Hong Chia Investment Co., Ltd.	6.51%
	Yu Chun Enterprise Co., Ltd.	6.03%
	Fu Tai Construction Co., Ltd.	5.80%
	Tai He Investment Co., Ltd.	5.21%
	Tai Chun Enterprise Co., Ltd.	4.28%
	Run Hsiang Enterprise Co., Ltd.	4.27%
Chuan Yi Construction Co., Ltd.	Tai Chun Investment Co., Ltd.	12.57%
	Lian Mao Investment Co., Ltd.	12.01%
	Wei Wang Investment Co., Ltd.	12.01%
	Tai Sheng Investment Co., Ltd.	10.32%
	Yu Chun Enterprise Co., Ltd.	9.66%
	Hong Ye Investment Co., Ltd.	9.35%
	Cheng Da Investment Co., Ltd.	9.35%
	Tai Lian Investment Co., Ltd.	8.04%
	Tai Jian Investment Co., Ltd.	3.97%
	Bao Zuo Investment Co., Ltd.	3.31%
Qarnet Enterprise Co., Ltd.	Rui Cheng Construction Co., Ltd.	18.14%
	Chuan Shun Construction and Development Co., Ltd.	18.14%
	Hong Yong Construction Co., Ltd.	17.05%
	Sheng Hsiang Enterprise Co., Ltd.	13.67%
	Hong Tai Construction Co., Ltd.	13.61%
	Han Bao Enterprise Co., Ltd.	11.17%
	Bao Zuo Investment Co., Ltd.	8.07%

Corporate name (Note 1)	Major shareholders of the corporation (Note 2)	
Hong Yuan Construction Co., Ltd.	Tai Chun Investment Co., Ltd.	13.16%
	Chuan Yi Investment Co., Ltd.	13.16%
	Hong Ye Investment Co., Ltd.	13.16%
	Bao Qing Investment Co., Ltd.	12.00%
	Feng Yang Investment Co., Ltd.	11.47%
	Tai Lian Investment Co., Ltd.	10.53%
	Cheng Da Investment Co., Ltd.	7.89%
	Bao Sheng Investment Co., Ltd.	5.53%
	Tai Jian Investment Co., Ltd.	5.26%
	Tai Ye Enterprise Co., Ltd.	2.95%
Yu Bao Enterprise Co., Ltd.	Tai Chun Investment Co., Ltd.	13.25%
	Lian Mao Investment Co., Ltd.	12.29%
	Wei Wang Investment Co., Ltd.	12.29%
	Chuan Yi Investment Co., Ltd.	10.46%
	Chuan Yi Construction Co., Ltd.	10.31%
	Cheng Da Investment Co., Ltd.	8.38%
	Hong Ye Investment Co., Ltd.	6.99%
	Feng Yang Investment Co., Ltd.	5.44%
	Bao Zuo Investment Co., Ltd.	4.90%
Fu Ding Investment Co., Ltd.	4.20%	
Lian Mao Investment Co., Ltd.	Tai He Investment Co., Ltd.	45.16%
	Chao Lung Investment Co., Ltd.	23.23%
	Tai Fa Investment Co., Ltd.	9.03%
	Tai Hsiang Investment Co., Ltd.	8.39%
	Tai Lian Investment Co., Ltd.	3.55%
	Hong Wei Construction Co., Ltd.	2.15%
	Tai Sheng Investment Co., Ltd.	1.84%
	Tai Jian Investment Co., Ltd.	1.45%
	Feng Yang Investment Co., Ltd.	1.45%
Tai Chun Enterprise Co., Ltd.	1.35%	
Fu Tai Construction Co., Ltd.	Bao Zuo Investment Co., Ltd.	16.88%
	Lian Mao Investment Co., Ltd.	16.50%
	Wei Wang Investment Co., Ltd.	16.50%
	Tseng Mao Investment Co., Ltd.	14.96%
	Chuan Yi Investment Co., Ltd.	10.33%
	Hong Chia Investment Co., Ltd.	4.67%
	Tai Chun Enterprise Co., Ltd.	4.48%
	Bao Sheng Investment Co., Ltd.	4.32%
	Tai Ye Enterprise Co., Ltd.	2.66%
Tai Jian Investment Co., Ltd.	2.66%	

Corporate name (Note 1)	Major shareholders of the corporation (Note 2)	
Run Hsiang Enterprise Co., Ltd.	Chuan Yi Investment Co., Ltd.	15.90%
	Hong Ye Investment Co., Ltd.	13.82%
	Cheng Da Investment Co., Ltd.	13.82%
	Yu Chun Enterprise Co., Ltd.	11.72%
	Tai Lian Investment Co., Ltd.	9.94%
	Feng Yang Investment Co., Ltd.	8.95%
	Lian Mao Investment Co., Ltd.	5.20%
	Tai Sheng Investment Co., Ltd.	5.07%
	Bao Zuo Investment Co., Ltd.	4.97%
	Wei Wang Investment Co., Ltd.	4.70%
De Ye Apartment Building Management and Maintenance Co., Ltd.	Wei Wang Investment Co., Ltd.	19.17%
	Hong Ye Investment Co., Ltd.	17.67%
	Lian Mao Investment Co., Ltd.	18.33%
	Hong Chia Investment Co., Ltd.	10.83%
	Chuan Yi Investment Co., Ltd.	10.83%
	Cheng Da Investment Co., Ltd.	10.17%
	Bao Zuo Investment Co., Ltd.	8.75%
Han Bao Enterprise Co., Ltd.	Chuan Yi Construction Co., Ltd.	4.08%
	Tai Jian Investment Co., Ltd.	16.21%
	Cheng Da Investment Co., Ltd.	14.60%
	Bao Zuo Investment Co., Ltd.	14.59%
	Lian Mao Investment Co., Ltd.	8.73%
	Feng Yang Investment Co., Ltd.	8.33%
	Tai Chun Investment Co., Ltd.	8.29%
	Hong Ye Investment Co., Ltd.	7.90%
	Bao Sheng Investment Co., Ltd.	5.85%
	Run Hsiang Enterprise Co., Ltd.	4.95%
Kwang Yang Motor Co., Ltd.	Tai Lian Investment Co., Ltd.	3.41%
	Hsin Sheng Investment Co., Ltd.	11.31%
	Hong Kuang Investment Co., Ltd.	7.99%
	Kuang Chou Investment Co., Ltd.	6.66%
	Da Ming Investment Co., Ltd.	6.33%
	Kwang Hsing Industrial Co., Ltd.	5.39%
	KO, CHIA-CHENG	1.05%
	KO, HUNG-MING	1.03%
	KO, WANG-SHU-YUAN	1.03%
	KO, HSING-LANG	1.00%
Hung Sheng Investment Co., Ltd.	1.00%	

Corporate name (Note 1)	Major shareholders of the corporation (Note 2)	
Min Huei Enterprise Co., Ltd.	Lian Mao Investment Co., Ltd.	16.54%
	Wei Wang Investment Co., Ltd.	14.75%
	Hong Chang Enterprise Co., Ltd.	13.66%
	Sheng Hsiang Enterprise Co., Ltd.	10.11%
	Tai Chun Investment Co., Ltd.	10.02%
	Tai Chun Enterprise Co., Ltd.	8.48%
	Han Bao Enterprise Co., Ltd.	8.47%
	Chen Huei Enterprise Co., Ltd.	6.42%
	Yu Bao Enterprise Co., Ltd.	5.80%
	Run Hsiang Enterprise Co., Ltd.	4.76%
Fonet Enterprise Co., Ltd.	Bao Qing Investment Co., Ltd.	18.83%
	Bao Sheng Investment Co., Ltd.	18.83%
	Sheng Hsiang Enterprise Co., Ltd.	18.01%
	Hong Chang Enterprise Co., Ltd.	18.00%
	Tai Sheng Investment Co., Ltd.	9.59%
	Bao Zuo Investment Co., Ltd.	8.11%
	Hong Yong Construction Co., Ltd.	3.35%
	Tai Lian Investment Co., Ltd.	2.34%
	Hong Tai Construction Co., Ltd.	2.31%
	Wei Wang Investment Co., Ltd.	0.56%
Sheng Hsiang Enterprise Co., Ltd.	Bao Sheng Investment Co., Ltd.	27.14%
	Hong Ye Investment Co., Ltd.	15.32%
	Cheng Da Investment Co., Ltd.	15.32%
	Chen Huei Enterprise Co., Ltd.	11.32%
	Bao Qing Investment Co., Ltd.	6.56%
	Hong Tai Construction Co., Ltd.	5.91%
	Feng Yang Investment Co., Ltd.	5.09%
	Lian Mao Investment Co., Ltd.	5.08%
	Wei Wang Investment Co., Ltd.	4.90%
	Run Hsiang Enterprise Co., Ltd.	1.76%
Chung Lung Technology Co., Ltd.	Fonet Enterprise Co., Ltd.	23.12%
	Hong Chang Enterprise Co., Ltd.	23.12%
	Sheng Hsiang Enterprise Co., Ltd.	23.12%
	Qarnet Enterprise Co., Ltd.	21.85%
	Hung Lung Enterprise Co., Ltd.	8.79%

Note 1: Where a director is a representative of an institutional shareholder, the name of the institutional shareholder shall be entered.

Note 2: Fill in names and shareholding ratios of the major shareholders (whose shareholding ratios are in the top 10) of the corporate shareholder.

Note 3: Where the corporate shareholder is not incorporated, the aforesaid names and shareholdings of shareholders to be disclose, are the names and ratios of the investment or donation of these investors or donors (please inquiry from the Judicial Yuan); if the donor is deceased, please mark "deceased."

(1) Background of directors (2)

A. Disclosure of professional qualifications of directors and independence of independent directors:

March 31, 2022

Name \ Criteria	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of positions as Independent Director in other public companies
Chairman Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	1. Possessing experience in operation and management, industrial background, finance/investment, and information/technology 2. Pleaser refer to page 9 "(I) Background of Directors (1)" for the major experience. 3. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (3) to (5) under the independence	0
Vice Chairman Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	1. Possessing experience in operation and management, industrial background, and finance/investment 2. Pleaser refer to page 9 "(I) Background of Directors (1)" for the major experience. 3. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (3) to (5) under the independence	0
Director Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	1. Possessing experience in operation and management, industrial background, and finance/investment 2. Pleaser refer to page 9 "(I) Background of Directors (1)" for the major experience. 3. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (1), (3) to (5) under the independence	0
Director Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	1. Possessing experience in operation and management, industrial background, finance/investment, and information/technology 2. Pleaser refer to page 10 "(I) Background of Directors (1)" for the major experience. 3. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (3) to (5) under the independence	0
Director Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	1. Possessing experience in operation and management, industrial background, and finance/investment 2. Pleaser refer to page 10 "(I) Background of Directors (1)" for the major experience. 3. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (1) to (5) under the independence	0
Director Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	1. Possessing experience in operation and management, industrial background, and law 2. Pleaser refer to page 10 "(I) Background of Directors (1)" for the major experience. 3. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (1) to (5) under the independence	0
Director Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN	1. Possessing experience in operation and management, industrial background, and finance/investment 2. Pleaser refer to page 10 "(I) Background of Directors (1)" for the major experience. 3. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (1), (3) to (5) under the independence	0
Director Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN	1. Possessing experience in operation and management, industrial background, and law 2. Pleaser refer to page 11 "(I) Background of Directors (1)" for the major experience. 3. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (1) to (5) under the independence	0

Independent Director SHEA, JIA-DONG	1. Possessing experience in operation and management, industrial background, and finance/investment 2. Convener of the Audit Committee 3. Holder of professor qualification approved by the Ministry of Education 4. Adjunct Professor, Department of Economics, National Taiwan University 5. Pleaser refer to page 11 "(I) Background of Directors (1)" for the major experience. 6. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (1) to (6) under the independence	1
Independent Director LEE, SHEN-YI	1. Possessing experience in operation and management, industrial background, finance/investment, and law. 2. The Audit Committee member and the Remuneration Committee convener 3. Holder of lawyer qualification of R.O.C 4. Served as adjunct Associate Professor of National Chengchi University and Chinese Culture University 5. Pleaser refer to page 11 "(I) Background of Directors (1)" for the major experience. 6. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (1) to (6) under the independence	1
Independent Director SU, PING-CHANG	1. Possessing experience in operation and management, industrial background, and finance/investment 2. The Audit Committee and the Remuneration Committee member 3. Holder of CPA qualification and CSIA 4. Pleaser refer to page 11 "(I) Background of Directors (1)" for the major experience. 5. None of the circumstance set forth in Article 30 of the Company Act and Article 53 of the Securities and Exchange Act	Conforming to (1) to (6) under the independence	0

Note 1: Professional Qualifications and Experience: The professional qualifications and experience of individual directors shall be described.

If a member of the Audit Committee with accounting or financial expertise, the accounting or financial background and work experience shall be described, and where there are circumstances under the provisions of Article 30 of the Company Act shall be stated.

Note 2: Independent directors shall state their status of independence, including but not limited to whether they, their spouses, their relatives within 2nd degree of kinship are directors, supervisors or employees of the Company or its affiliates; the number and percentage of shares held by them, their spouses, their relatives within 2nd degree of kinship (or by using the names of others); whether they are independent directors of a company that has a specific relationship with the Company (refer to subparagraph 5-8, paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The amount of remuneration received for business, legal, financial and accounting services provided to the Company or its affiliates in the last two years. The relevant "independent items" are reviewed as the following:

- (1) The director or supervisor is not an employee of the Company or any of its affiliates.
- (2) Independent director, the spouse, and relatives within 2nd degree of kinship are directors, supervisors or employees of the Company or its affiliates.
- (3) Not a natural-person shareholder who holds shares, together with those held by his/her spouse or minor children or held in the name of another person, in an aggregate amount of at least 1% of the total shares issued by the Company or is one of the top-10 shareholders of the Company.
- (4) The director was or is not in a spousal relationship nor a relative within the second degree of kinship.
- (5) No amount of remuneration received for business, legal, financial and accounting services provided to the Company or its affiliates in the last two years.
- (6) No circumstance set forth in subparagraph 5-8, paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies:
 - Subparagraph 5: A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or pursuant to Article 27, paragraph 1 of the Company Act (Where a government agency or a juristic person acts as a shareholder of a company, it may be elected as a director or supervisor of the company provided that it shall designate a natural person as its proxy to exercise, in its behalf, the duties of a shareholder.); or paragraph 2 (Where a government agency or a juristic person acts as a shareholder of a company, its authorized representative may also be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as the director or supervisor of the company.) that designates its representative to serve as a director, supervisor, or employee of the company
 - Subparagraph 6: If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
 - Subparagraph 7: If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
 - Subparagraph 8: A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

B. Diversity and Independence of the Board of Directors:

(A) Diversity of the Board of Directors:

The Company has established the "Procedures for Election of Directors," and in Article 2, it is set forth that the election of the Company's directors shall take the overall composition of the board of directors into account. Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole including: 1. The ability to make judgments about operations; 2. Accounting and financial analysis ability; 3. Business management ability; 4. Crisis management ability; 5. Knowledge of the industry; 6. An international market perspective; 7. Leadership ability; and 8. Decision-making ability.

There may not be more than half of the seats in the Board for which are held by anyone with the relationship of their spouses or a collateral blood relative within the second degree.

The Company has established a set of "Corporate Governance Principles", which require the board of directors to devise different strategies appropriate to the Company's operations, type of business, and development requirements. All board members are being required to possess the knowledge, skills and characters needed to perform their duties. Composition of the board has been diversified in a number of aspects including but limited to gender, age, culture, education background, and professional experience.

Pursuant to the "Articles of Incorporation," the candidate nomination system is adopted for the election of directors and independent directors; the election of the directors of the 11th Term was held in the AGM in June 2019. Currently, there are eight directors and three independent directors, with three-year term of office, from 2019.06.24 to 2022.06.23. For the age distribution, one director is 41-50 (inclusive) years old; two are 51-60 (inclusive) years old; four are 61-70 (inclusive) years old and four are 71 (inclusive) years old or older.

The board of directors currently possess the professional knowledge covering business administration, international businesses, information/technology, banking, securities, finance management, and legal studies. The members each possesses extensive academic achievements and strong industry background that are helpful to the Company's overall strategy and operational performance. Please refer to to Pages 9-11 and 19-20, "Background of Directors (1) and (2)" for their educational background, major experience, professional qualifications, and experience. Implementation of the board members diversity is as following:

Director	Gender	Independent Director Term and tenure	Operation Management	Industry Experience	Finance/Investment	Information/Technology	Law
WANG, JIUNN-CHIN	Male		√	√	√	√	
CHANG, CHIH-MING	Male		√	√	√		
LIU, CHING-TSUN	Male		√	√	√		
CHIA, CHUNG-TAO	Male		√	√	√	√	
KUO, YUH-CHYI	Male		√	√	√		
TSAI, I-CHING	Male		√	√			√
TING, HSUEH-WEN	Male		√	√	√		
HUNG, TSUNG-YEN	Male		√	√			√
SHEA, JIA-DONG (Independent Director)	Male	3 ~ 9 years	√	√	√		
LEE, SHEN-YI (Independent Director)	Male	Less than 3 years	√	√	√		√
SU, PING-CHANG (Independent Director)	Male	Less than 3 years	√	√	√		

(B) Independence of the board of directors:

Currently, there are eight directors and three independent directors; 27% of directors also serves as the Company's employees, and 27% are independent directors. Two independent directors have the tenure under three years, and one is under nine years.

All directors of the Company have no circumstance set forth in Paragraph 3, Article 26-3 of the Securities and Exchange Act, and they are not spouses or relatives within 2nd degree of kinship to each other.

To strengthen the corporate governance and enhance the functions and independence of the independent directors, the rigorous regulations are applied as required by laws. It is specified that an independent director must not be re-elected for more than three terms in row. None of the current independent director serve more than three terms in row.

The independent directors maintain their independence within the extent of performing duties, and they have no direct or indirect interest in the Company. Each director complies with the provision of Article 3, the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." No government agency or juristic person or a representative thereof is elected as a director under Article 27 of the Company Act.

(2) President, executive vice presidents, senior vice presidents, department heads & branch heads

March 31, 2022

Title	Nationality	Name	Gender	Date of appointment (start of office)	when elected		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks
					No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio			Title	Name	Relationship	
President	Republic of China	CHIA, CHUNG-TAO	Male	2018/10/17	80,000	0.00%	0	0.00%	2018/10/17	80,000	EMBA, National Chengchi University	CSC Venture Capital Corporation - Director CSC Venture Capital Corporation - President				
Senior Vice President	Republic of China	LIN, JING-HUA	Female	2007/01/01	262,798	0.01%	0	0.00%	2007/01/01	262,798	Master of Commerce, University of Washington	CSC International Holdings Ltd. Shanghai Representative Office - Representative				
Vice President	Republic of China	LAI, AI-WEN	Female	2015/01/01	21	0.00%	0	0.00%	2015/01/01	21	Department of Law, Soochow University					
Senior Vice President	Republic of China	CHANG, TUN-FU	Male	2011/05/02	149,197	0.01%	0	0.00%	2011/05/02	149,197	Department of Economics, National Taiwan University	CSC Securities (HK) - Director Capital Securities Nominee - Director CSC Futures (HK) - Director				
Executive Vice President	Republic of China	CHEN, MING-SHING	Male	2018/10/01	0	0.00%	0	0.00%	2018/10/01	0	Department of Law, National Taiwan University	Capital Insurance Advisory - Director Capital Insurance Agency - Director CSC Capital Management Co. - Director CSC Private Equity Fund I Co. - Director CSC International Holdings - Director CSC Securities (HK) - Director Capital Securities Nominee - Director CSC Futures (HK) - Director Taiwan International Securities (B.V.I.) - Director Taiwan International Capital (HK) - Director TIS Securities (HK) Limited - Director				
Senior Vice President	Republic of China	XIE, XIU-YING	Female	2013/05/02	0	0.00%	0	0.00%	2013/05/02	0	NTU-Fudan Overseas EMBA Program, National Taiwan University					
Executive Vice President	Republic of China	HUANG, CHI-MING	Male	2012/06/01	227,139	0.01%	0	0.00%	2012/06/01	227,139	EMBA, National Chengchi University EMBA Program for Financial Management					
Executive Vice President	Republic of China	FANG, CHIH-HUNG	Male	2018/04/01	0	0.00%	0	0.00%	2018/04/01	0	MBA, Baruch College, City University of New York	CSC Venture Capital Corp. - Director CSC Futures (HK) - Director				
Executive Vice President	Republic of China	ZHANG, PEI-WEN	Female	2013/09/01	0	0.00%	0	0.00%	2013/09/01	0	Department of Banking and Insurance, Ming Chuan University	Capital Insurance Advisory - Director Capital Insurance Agency - Director				
Senior Vice President	Republic of China	WANG, YA-FANG	Female	2010/04/01	0	0.00%	0	0.00%	2010/04/01	0	Department of Business Administration, Tamkang University					
Senior Vice President	Republic of China	LIN, BO-WEI	Male	2014/04/01	0	0.00%	0	0.00%	2014/04/01	0	Master of Industrial Management, National Taiwan University of Science and Technology					
Senior Vice President	Republic of China	CHANG, LI-FEN	Female	2017/04/01	0	0.00%	0	0.00%	2017/04/01	0	Graduate Institute of Society, National Chengchi University					

Title	Nationality	Name	Gender	Date of appointment (start of office)	when elected		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks
					No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio			Title	Name	Relationship	
Executive Vice President	Republic of China	QIU, JIAN-HUA	Male	2019/06/01	75,329	0.00%	0	0.00%	2019/06/01	75,329	Department of Statistics, National Chung Hsing University					
Senior Vice President	Republic of China	WU, YUN-WEN	Male	2014/04/01	0	0.00%	1,487	0.00%	2014/04/01	0	Department of Industrial Engineering, Feng Chia University					
Senior Vice President	Republic of China	LIU, SHU-RU	Female	2013/05/10	11,472	0.00%	0	0.00%	2013/05/10	11,472	Department of Information Management, National Central University					
Executive Vice President	Republic of China	CHOU, HSIEN-YANG	Male	2021/12/06	0	0.00%	0	0.00%	2021/12/06	0	Department of International Trade, Tamkang University					
Senior Vice President	Republic of China	HOU, LE-PING	Female	2000/07/01	588,524	0.03%	0	0.00%	2000/07/01	588,524	MBA, Armstrong University					
Senior Vice President	Republic of China	XIE, HUI-YA	Female	2019/04/01	5,435	0.00%	0	0.00%	2019/04/01	5,435	Master of Finance, Syracuse University					
Senior Vice President	Republic of China	LIN, CHAO-HSU	Male	2019/08/01	1,000	0.00%	0	0.00%	2019/08/01	1,000	Department of Public Finance, National Chengchi University	Capital Insurance Advisory – Supervisor				
												Capital Insurance Agency – Supervisor				
												CSC Venture Capital Supervisor				
												CSC Private Equity Fund I Co. Supervisor				
												CSC Capital Management Co., Supervisor				
Senior Vice President	Republic of China	YAO, MING-QING	Male	2015/04/01	0	0.00%	0	0.00%	2015/04/01	0	Master of Accounting, National Chung Cheng University					
Senior Vice President	Republic of China	KUO, NIEN-CHING	Male	2021/07/12	0	0.00%	0	0.00%	2021/07/12	0	Master of Business and Management, NYCU					
Senior Executive Vice President	Republic of China	YANG, JIE-BIN	Male	2002/11/01	609	0.00%	0	0.00%	2002/11/01	609	Master of Finance, University of London					
Senior Vice President	Republic of China	XU, TSU-YUN	Female	2016/04/01	3,323	0.00%	0	0.00%	2016/04/01	3,323	Master of Finance, Chaoyang University of Technology					
Senior Vice President	Republic of China	KAN, KAI-CHUNG	Male	2019/07/03	0	0.00%	0	0.00%	2019/07/03	0	Master of Finance, University of Illinois					
Executive Vice President	Republic of China	ZHANG, JIA-WEN	Female	2018/04/01	353	0.00%	0	0.00%	2018/04/01	353	MBA, Tarleton State University	CSC Capital Management Co., Director				
												CSC Capital Management Co., Director				
												CSC Private Equity Fund I Co. Director				
												CSC Private Equity Fund I Co. President				
Senior Vice President	Republic of China	CHIU, TSAN-HSI	Male	2017/04/01	0	0.00%	0	0.00%	2017/04/01	0	Master of Finance, Baruch College, City University of New York					
Senior Vice President	Republic of China	CHEN, YI-REN	Male	2015/04/01	700	0.00%	0	0.00%	2015/04/01	700	MBA, Baruch College, City University of New York					
Executive Vice President	Republic of China	LAI, JUN-FU	Male	2018/04/01	26,138	0.00%	0	0.00%	2018/04/01	26,138	Department of Electronic Engineering, Tunghan University					
Senior Vice President	Republic of China	TSENG, MEI-LING	Female	2019/04/01	0	0.00%	0	0.00%	2019/04/01	0	Department of Law, Chinese Culture University					
Executive Vice President	Republic of China	LIN, YAN-FEN	Male	2014/04/01	0	0.00%	0	0.00%	2014/04/01	0	MBA, Drexel University					
Senior Vice President	Republic of China	CHEN, PEI-QI	Female	2008/04/08	1,541	0.00%	0	0.00%	2008/04/08	1,541	Master of International Business Administration, University of St. Thomas - Minnesota					
Senior Vice President	Republic of China	ZHANG, JING-YAO	Male	2017/04/01	0	0.00%	0	0.00%	2017/04/01	0	Master of Banking and Finance, TamKang University					

Title	Nationality	Name	Gender	Date of appointment (start of office)	when elected		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks
					No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio			Title	Name	Relationship	
Senior Vice President	Republic of China	TU, TSUNG-EN	Male	2020/04/01	0	0.00%	0	0.00%	2020/04/01	0	Department of Economics, National Taiwan University					
Senior Vice President	Republic of China	CHANG, YU-CHING	Female	2020/04/01	7,411	0.00%	0	0.00%	2020/04/01	7,411	Master of Banking and Finance, TamKang University					
Executive Vice President	Republic of China	WANG, JUAN-HUI	Female	2019/04/01	8,235	0.00%	0	0.00%	2019/04/01	8,235	EMBA, Postgraduate Institute of International Commerce, Tamkang University					
Senior Vice President	Republic of China	YE, YU-ZHEN	Female	2018/04/01	692	0.00%	0	0.00%	2018/04/01	692	Department of Law, Soochow University					
Senior Vice President	Republic of China	ZHENG, SHU-FEN	Female	2000/08/25	258,855	0.01%	0	0.00%	2000/08/25	258,855	Department of Economics, Tunghai University					
Executive Vice President	Republic of China	MA, JIA-HUAN	Male	2009/09/01	540,000	0.02%	0	0.00%	2009/09/01	540,000	EMBA, National Chengchi University					
Senior Vice President	Republic of China	ZHENG, YU-LING	Female	2003/06/19	447,038	0.02%	0	0.00%	2003/06/19	447,038	EMBA, National Tsing Hua University					
Senior Vice President	Republic of China	HUANG, ZHI-HUA	Female	2014/04/01	301,876	0.01%	0	0.00%	2014/04/01	301,876	Department of International Trade, Tamkang University					
Senior Vice President	Republic of China	WENG, HE-MING	Male	2002/04/24	469	0.00%	0	0.00%	2002/04/24	469	EMBA, National Chengchi University					
Senior Vice President	Republic of China	ZHANG, XUE-HE	Male	2019/04/01	11,225	0.00%	0	0.00%	2019/04/01	11,225	Department of Political Study, Fu Hsing Kang College					
Senior Vice President	Republic of China	LIU, HSIANG-LI	Female	2022/03/01	0	0.00%	0	0.00%	2022/3/1	0	Master of Finance, National Sun Yat-sen University					
Senior Vice President	Republic of China	MA, SHAO-HONG	Female	2015/04/01	0	0.00%	0	0.00%	2015/04/01	0	MBA, Chung Yuan Christian University					
Senior Vice President	Republic of China	HUANG, YI-LIAN	Female	2022/03/15	0	0.00%	0	0.00%	2022/3/15	0	Department of Business Administration, Feng Chia University					
Vice President	Republic of China	WU, HONG-ZHI	Male	2003/05/01	0	0.00%	0	0.00%	2003/05/01	0	Department of Mechanical Engineering, Nanya Institute of Technology					
Vice President	Republic of China	ZHANG, TIAN-MU	Male	2003/07/28	526	0.00%	0	0.00%	2003/07/28	526	Department of Tourism Management, Chinese Culture University					
Assistant Vice President	Republic of China	LIU, PIN-CHEN	Female	2020/04/01	0	0.00%	0	0.00%	2020/04/01	0	Department of International Business Studies, National Chi Nan University					
Vice President	Republic of China	CHEN, ZHI-SHAN	Male	2014/03/03	0	0.00%	0	0.00%	2014/03/03	0	Department of Business Administration, Ming Chuan University					
Assistant Vice President	Republic of China	WU, QING-YAN	Male	2018/04/01	0	0.00%	0	0.00%	2018/04/01	0	Master of Information Management, Shu-Te University					
Vice President	Republic of China	CHANG, CHUN-FU	Male	2020/04/01	0	0.00%	0	0.00%	2020/04/01	0	Department of Business Administration, National Defense University					
Assistant Vice President	Republic of China	LIN, AN-TSE	Male	2019/04/01	0	0.00%	0	0.00%	2019/04/01	0	Department of Business Administration, Fu Jen Catholic University					
Vice President	Republic of China	ZHAO, ZHI-MING	Male	2003/07/28	6,861	0.00%	0	0.00%	2003/07/28	6,861	Department of Mechanical Engineering, Tatung University					
Vice President	Republic of China	ZHANG, REN-FANG	Male	2013/09/01	0	0.00%	0	0.00%	2013/09/01	0	Master of Business Administration, National Kaohsiung First University of Science and Technology					
Vice President	Republic of China	LI, XIANG-JUN	Male	2004/04/20	0	0.00%	0	0.00%	2004/04/20	0	Department of Banking and Finance, Tamkang University					

Title	Nationality	Name	Gender	Date of appointment (start of office)	when elected		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks
					No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio			Title	Name	Relationship	
Assistant Vice President	Republic of China	CHOU, YUN-AN	Female	2021/08/01	0	0.00%	0	0.00%	2021/08/01	0	Department of Banking and Finance, Chinese Culture University					
Vice President	Republic of China	WANG, WAN-QI	Female	2014/02/05	0	0.00%	0	0.00%	2014/02/05	0	Department of Finance, Southern Taiwan University of Science and Technology					
Assistant Vice President	Republic of China	TIEN, CHIH-MIN	Male	2021/06/01	0	0.00%	0	0.00%	2021/06/01	0	Department of Banking and Finance, Tamkang University					
Assistant Vice President	Republic of China	HUANG, SHIH-CHUNG	Male	2020/04/01	0	0.00%	0	0.00%	2020/04/01	0	Department of Insurance, Chaoyang University of Technology					
Vice President	Republic of China	PENG, GUJ-CONG	Male	2000/01/24	0	0.00%	0	0.00%	2000/01/24	0	Department of Business Administration, Tatung Institute of Technology					
Vice President	Republic of China	YU, XIAO-MEI	Female	2002/10/07	0	0.00%	0	0.00%	2002/10/07	0	Department of Tourism Management, Chinese Culture University					
Vice President	Republic of China	KAI, SHI-HUA	Male	2011/05/02	0	0.00%	0	0.00%	2011/05/02	0	Department of Statistics, Tunghai University					
Vice President	Republic of China	YEN, CHIA-YUEH	Female	2016/04/01	0	0.00%	0	0.00%	2016/04/01	0	Master of Applied Economics, National Taiwan Ocean University					
Assistant Vice President	Republic of China	CHUANG, YUNG-CHIEH	Male	2021/08/01	0	0.00%	0	0.00%	2021/08/01	0	MBA, Loyola University Chicago					
Assistant Vice President	Republic of China	LI, I-CHIH	Female	2020/04/01	0	0.00%	0	0.00%	2020/04/01	0	Master of Management, Ming Chuan University					
Assistant Vice President	Republic of China	KU, PEI-CHING	Female	2020/08/03	0	0.00%	0	0.00%	2020/08/03	0	Department of Banking and Finance, Ming Chuan University					
Vice President	Republic of China	CHEN, XUAN-ZHI	Male	2008/05/17	0	0.00%	0	0.00%	2008/05/17	0	EMBA, Yu Da University of Science and Technology					
Assistant Vice President	Republic of China	YANG, KUN-LONG	Male	2015/02/01	0	0.00%	0	0.00%	2015/02/01	0	Department of Psychology, Chung Yuan Christian University					
Assistant Vice President	Republic of China	YANG, YAN-QIU	Female	2013/09/01	12,169	0.00%	1,393	0.00%	2013/09/01	12,169	Department of Accounting, National Taichung University					
Assistant Vice President	Republic of China	TSAI, HSIN-TAI	Female	2021/06/01	0	0.00%	0	0.00%	2021/06/01	0	Department of Banking and Finance, National Chiayi University					
Assistant Vice President	Republic of China	LI, CHIH-CHIANG	Male	2019/04/01	0	0.00%	0	0.00%	2019/04/01	0	Department of Statistics, National Chengchi University					
Assistant Vice President	Republic of China	WU, FEN-FANG	Female	2021/08/01	0	0.00%	0	0.00%	2021/08/01	0	Department of Information Management, National Pingtung Institute of Commerce					
Vice President	Republic of China	XU, LI-FEN	Female	2003/03/31	502	0.00%	0	0.00%	03.31.2003	502	Department of Business Administration, Chihlee Institute of Technology					
Vice President	Republic of China	CAI, QING-FEN	Female	2006/11/15	5,787	0.00%	0	0.00%	2006/11/15	5,787	Master of Finance, On-job Master Program, National Taiwan University					
Assistant Vice President	Republic of China	CHIANG, JUNG-HUA	Male	2020/04/15	0	0.00%	0	0.00%	2020/04/15	0	Master of Business Administration, Long Island University					
Vice President	Republic of China	CHEN, LI-ZHUN	Female	2002/07/11	334,456	0.02%	1,015	0.00%	2002/07/11	334,456	EMBA, Fu Jen Catholic University					
Assistant Vice President	Republic of China	FU, CHENG-HUI	Male	2020/10/01	0	0.00%	0	0.00%	2020/10/01	0	Master of Finance and International Business, Fu Jen Catholic University					
Assistant Vice President	Republic of China	YEH, HSIEN-PENG	Male	2022/03/01	0	0.00%	0	0.00%	2022/3/1	0	Department of Banking and Finance, Tamkang University					

Title	Nationality	Name	Gender	Date of appointment (start of office)	when elected		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks
					No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio			Title	Name	Relationship	
Vice President	Republic of China	CHEN, MEI- RU	Female	2014/07/19	0	0.00%	0	0.00%	2014/07/19	0	Department of Accounting and Statistics, I-Lan Commercial Vocational Senior High School					
Assistant Vice President	Republic of China	WU, CHEN- YI	Male	2016/09/01	0	0.00%	0	0.00%	2016/09/01	0	EMBA, National Taipei College of Business School of Open Education					
Vice President	Republic of China	HUANG, XIU- YU	Female	2001/08/10	42,599	0.00%	0	0.00%	2001/08/10	42,599	Department of Economics, Fu Jen Catholic University					
Senior Vice President	Republic of China	ZHU, DE- REN	Male	2022/02/15	5,105	0.00%	0	0.00%	2022/02/15	5,105	Master of Business Administration, Tamkang University					
Vice President	Republic of China	TANG, WEN- JI	Female	2011/05/02	0	0.00%	0	0.00%	2011/05/02	0	Department of International Trade, Fu Jen Catholic University					
Assistant Vice President	Republic of China	HUANG, CHONG- JIE	Male	2018/08/01	0	0.00%	0	0.00%	2018/08/01	0	Department of Finance, Tunghai University					
Vice President	Republic of China	CAO, HOU- SHENG	Male	2004/08/02	0	0.00%	0	0.00%	2004/08/02	0	Master of Labour Research, National Chengchi University					
Senior Vice President	Republic of China	LI, MU- XIAN	Male	2022/02/15	0	0.00%	0	0.00%	2022/02/15	0	Department of Law, Fu Jen Catholic University					
Assistant Vice President	Republic of China	ZHANG, ZHE-MING	Male	2017/10/01	0	0.00%	0	0.00%	2017/10/01	0	Department of Information Engineering, University of Sydney					
Assistant Vice President	Republic of China	HUANG, MIAO-YIN	Female	2017/06/02	459	0.00%	0	0.00%	2017/06/02	459	Department of Accounting and Statistics, Overseas Chinese University					
Vice President	Republic of China	HAI, YAN	Female	2011/09/01	0	0.00%	0	0.00%	2011/09/01	0	Department of Banking & Insurance, Feng Chia University					
Assistant Vice President	Republic of China	LIN, YI- SHIANG	Male	2021/06/01	0	0.00%	0	0.00%	2021/06/01	0	Department of Business Administration, China University of Technology					
Assistant Vice President	Republic of China	LI, JEN- FENG	Female	2020/06/01	0	0.00%	0	0.00%	2020/06/01	0	Master of Finance and Information, National University of Kaohsiung					
Assistant Vice President	Republic of China	WANG, HSIANG	Male	2022/03/15	0	0.00%	0	0.00%	2022/3/15	0	Department of Money and Banking, National Kaohsiung University of Science and Technology					
Vice President	Republic of China	LIN, JING- WEN	Male	2011/06/28	0	0.00%	0	0.00%	2011/06/28	0	Department of Business Administration, National Taipei College of Business					
Vice President	Republic of China	ZHENG, YU- CHANG	Male	2003/06/23	1,082	0.00%	0	0.00%	2003/06/23	1,082	Department of Applied Mathematics, Chung Yuan Christian University					
Vice President	Republic of China	DENG, XUE- REN	Male	2015/01/07	0	0.00%	0	0.00%	2015/01/07	0	MBA, Central Missouri State University					
Senior Vice President	Republic of China	PAN, HUI- MEI	Female	1999/08/01	3,540	0.00%	0	0.00%	1999/08/01	3,540	MBA, University of South Carolina					

3. Remuneration for directors, supervisors, president and vice presidents in the most recent year

(1) Remuneration for directors (including independent directors), supervisors, president and vice presidents, names of the managers distributing employee remuneration, and the status of distribution

1. Remuneration for directors and independent directors (names and methods of remuneration are disclosed individually)

Title	Name	Director's remuneration								Compensation as Company employee								The sum of A, B, C, D, E, F and G as a percentage of net income after tax	Remuneration from reinvestment businesses or parents other than subsidiaries							
		Compensation (A)		Pension (B)		Directors' remuneration (C)		Fees for services rendered (D)		Salaries, bonuses, special allowances etc. (E)		Pension (F)		Employee remuneration (G)												
		The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	Cash Amount	Shares Amount			Cash Amount	Shares Amount					
Chairman	Yi Feng Enterprise Co., Ltd. Representative: WANG, JUNN-CHIH	29,880	29,880	-	-	22,607	22,607	1,136	1,176	53,623	53,663	1.02%	1.02%	-	-	-	-	679	-	679	-	54,302	54,342	1.03%	1.04%	N/A
Director	Yi Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	-	-	-	-	7,536	7,536	160	320	7,696	7,856	0.15%	0.15%	-	-	-	-	-	-	-	-	7,696	7,856	0.15%	0.15%	N/A
Vice Chairman	Yi Feng Enterprise Co., Ltd. Representative: CHANG, CHH-MING	1,392	1,392	33	33	9,951	9,951	1,220	1,220	12,596	12,596	0.24%	0.24%	-	-	-	-	679	-	679	-	13,275	13,275	0.25%	0.25%	N/A

2. Remuneration for directors and independent directors (names and methods are disclosed on a consolidated basis with the corresponding brackets)

NTD thousands

Title	Name	Director's remuneration								Compensation as Company employee								The sum of A, B, C, D, E, F, and G as a percentage of net income	Remuneration from reinvestment businesses or parents other than subsidiaries							
		Compensation (A)		Pension (B)		Directors' remuneration (C)		Fees for services rendered (D)		Salaries, bonuses, special allowances etc. (E)		Pension (F)		Employee remuneration (G)												
		The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	Cash amount	Shares amount			Cash amount	Shares amount					
Director	Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN	-	-	-	-	37,679	37,679	720	720	38,399	38,399	0.73%	0.73%	17,294	17,294	108	108	679	-	679	-	56,480	56,480	1.08%	1.08%	N/A
	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Independent Director SHEA, JIA-DONG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Independent Director LEE, SHEN-YI	1,800	1,800	-	-	22,607	22,607	610	645	25,017	25,052	0.48%	0.48%	-	-	-	-	-	-	-	-	25,017	25,052	0.48%	0.48%	N/A
	Independent Director SU, PING-CHANG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

1. Specify the policy, system, standards and structure for payment of remuneration to independent directors, and describe the relevance of the amount of paid remuneration to factors including the responsibility assumed, risk and time invested. Based on the market and industrial pay level, the remuneration paid to the independent directors of the Company is in principle on the general level in the industry. It also takes into account the personal performance of each independent director, the degree of his/her participation in and contribution to the operations of the Company and the responsibility assumed by him/her, the status of achievement of the Company's operational objectives and the financial condition of the Company in order to assess the reasonableness of the relevance between the overall operating performance and future risks on personal and company levels. The remuneration for independent directors has been reviewed by the Remuneration Committee and approved by the Board of Directors. The Remuneration Committee regularly assesses the remuneration for independent directors and reviews, whenever appropriate, the remuneration system depending on the actual operating status and applicable laws and regulations to achieve sustainable management of the Company and balanced risk control.

2. Remuneration other than as disclosed in the table above and received by the directors during the most recent year for services provided to the companies in the financial statements (e.g., acting as a non-employee advisor for the parent/all companies included in the financial services/ investees): NTS0.

Note 1: Remuneration paid to the driver was NT\$977,000

Remuneration bracket table

Range of remuneration paid to directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the consolidated statements H	The Company	All companies included in the consolidated statements I
Below NT\$1,000,000	-	-	-	-
NT\$1,000,000 (included) ~ NT\$2,000,000 (not included)	-	-	-	-
NT\$2,000,000 (included) ~ NT\$3,500,000 (not included)	-	-	-	-
NT\$3,500,000 (included) ~ NT\$5,000,000 (not included)	-	-	-	-
NT\$5,000,000 (included) ~ NT\$10,000,000 (not included)	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN, SHEA, JIA-DONG, LEE, SHEN-YI, SU, PING-CHANG	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN, SHEA, JIA-DONG, LEE, SHEN-YI, SU, PING-CHANG	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN, SHEA, JIA-DONG, LEE, SHEN-YI, SU, PING-CHANG	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN, SHEA, JIA-DONG, LEE, SHEN-YI, SU, PING-CHANG
NT\$10,000,000 (included) ~ NT\$15,000,000 (not included)	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING
NT\$15,000,000 (included) ~ NT\$30,000,000 (not included)	-	-	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO
NT\$30,000,000 (included) ~ NT\$50,000,000 (not included)	-	-	-	-
NT\$50,000,000 (included) ~ NT\$100,000,000 (not included)	Yin Feng Enterprise Co., Ltd. Representative: WANG, JUINN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JUINN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JUINN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JUINN-CHIH
NT\$ 100,000,000 and above	-	-	-	-
Total	11	11	11	11

3. Remuneration for president and vice presidents (names and methods are disclosed on a consolidated basis with the corresponding brackets)

Title	Name	Salary (A)		Pension (B)		Bonus and special allowance (C)		Employee remuneration (D)				The sum of A, B, C and D as a percentage of net income after tax (%)		Remuneration from reinvestment businesses or parents other than subsidiaries	
		The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Company		All companies included in the consolidated		The Company	All companies included in the consolidated		
								Cash amount	Shares	Cash amount	Shares				
CSO	WANG, JUINN- CHIH														
Chief of Staff	CHANG, CHIH-MING (Note 2)														
President	CHIA, CHUNG-TAO														
Executive Vice President	CHEN, MING-SHING														
Executive Vice President	HUANG, CHI-MING														
Executive Vice President	FANG, CHIH-HUNG														
Executive Vice President	ZHANG, PEI-WEN														
Executive Vice President	QIU, JIAN-HUA														
Executive Vice President	TAN, TE-CHENG	33,601	33,601	1,352	1,352	90,647	90,647	10,182	-	10,182	-	135,782 2.59%	135,782 2.59%	N/A	
Executive Vice President	CHOU, HSIEN-YANG (Note 3)														
Senior Executive Vice President	YANG, JIE-BIN														
Executive Vice President	ZHANG, JIA-WEN														
Executive Vice President	LAI, JUN-FU														
Executive Vice President	LIN, YAN-FEN														
Executive Vice President	WANG, JUAN-HUI														
Executive Vice President	MA, JIA-HUAN														

Note 1: Remuneration paid to the driver was NT\$709,000

Note 2: Took office on September 6, 2021

Note 3: Took office on December 6, 2021

Remuneration bracket table

Range of remunerations to the President and Executive Vice Presidents	Sum of the first 4 items (A+B+C+D)	
	The Company	All companies included in the consolidated statements E
Less than NT\$1,000,000	WANG, JIUNN-CHIH, CHANG, CHIH-MING, CHOU, HSIEN-YANG	WANG, JIUNN-CHIH, CHANG, CHIH-MING, CHOU, HSIEN-YANG
NT\$1,000,000 (included) ~ NT\$2,000,000 (not included)	-	-
NT\$2,000,000 (included) ~ NT\$3,500,000 (not included)	-	-
NT\$3,500,000 (included) ~ NT\$5,000,000 (not included)	LAI, JUN-FU	LAI, JUN-FU
NT\$5,000,000 (included) ~ NT\$10,000,000 (not included)	CHEN, MING-SHING, HUANG, CHI-MING, FANG, CHIH-HUNG, ZHANG, PEI-WEN, QIU, JIAN-HUA, TAN, TE-CHENG, YANG, JIE-BIN, WANG, JUAN-HUI	CHEN, MING-SHING, HUANG, CHI-MING, FANG, CHIH-HUNG, ZHANG, PEI-WEN, QIU, JIAN-HUA, TAN, TE-CHENG, YANG, JIE-BIN, WANG, JUAN-HUI
NT\$10,000,000 (included) ~ NT\$15,000,000 (not included)	ZHANG, JIA-WEN	ZHANG, JIA-WEN
NT\$15,000,000 (included) ~ NT\$30,000,000 (not included)	CHIA, CHUNG-TAO, MA, JIA-HUAN	CHIA, CHUNG-TAO, MA, JIA-HUAN
NT\$30,000,000 (included) ~ NT\$50,000,000 (not included)	LIN, YAN-FEN	LIN, YAN-FEN
NT\$50,000,000 (included) ~ NT\$100,000,000 (not included)	-	-
NT\$100,000,000 or more	-	-
Total	16	16

4. Names of the managers distributing employee remuneration, and the status of distribution

March 31, 2022

	Title	Name	Shares amount	Cash amount	Total	Total amount as a percentage of net income after tax (%)
Managers	CSO	WANG, JIUNN-CHIH	0	66,525	66,525	1.27%
	Chief of Staff	CHANG, CHIH-MING				
	President	CHIA, CHUNG-TAO				
	Senior Executive Vice President	YANG, JIE-BIN				
	Executive Vice President	CHEN, MING-SHING, HUANG, CHI-MING, FANG, CHIH-HUNG, ZHANG, PEI-WEN, QIU, JIAN-HUA, CHOU, HSIEN-YANG, ZHANG, JIA-WEN, LAI, JUN-FU, LIN, YAN-FEN, WANG, JUAN-HUI, MA, JIA-HUAN				
	Senior Vice President	CHANG, TUN-FU, PAN, HUI-MEI				
	Senior Vice President	LIN, JING-HUA, WANG, YA-FANG, WU, YUN-WEN, HOU, LE-PING, YAO, MING-QING, KUO, NIEN-CHING, XU, TSUI-YUN, CHEN, PEI-QI, ZHENG, SHU-FEN, ZHENG, YU-LING				
	Senior Vice President	XIE, XIU-YING, LIN, BO-WEI, CHANG, LI-FEN, LIU, SHURU, XIE, HUI-YA, LIN, CHAO-HSU, KAN, KAI-CHUNG, CHIU, TSAN-HSI, CHEN, YI-REN, TSENG, MEI-LING, ZHANG, JING-YAO, TU, TSUNG-EN, CHANG, YU-CHING, YE, YU-ZHEN, HUANG, ZHI-HUA, WENG, HE-MING, ZHANG, XUE-HE, LIU, HSIANG-LI, MA, SHAO-HONG, HUANG, YI-LIAN, ZHU, DE-REN, LI, MU-XIAN				
	Vice President	LAI, AI-WEN, WU, HONG-ZHI, ZHANG, TIAN-MU, CHEN, ZHI-SHAN, CHANG, CHUN-FU, ZHAO, ZHI-MING, ZHANG, REN-FANG, LI, XIANG-JUN, WANG, WAN-QI, PENG, GUI-CONG, YU, XIAO-MEI, KAI, SHI-HUA, YEN, CHIA-YUEH, CHEN, XUAN-ZHI, XU, LI-FEN, CAI, QING-FEN, CHEN, LI-ZHUN, CHEN, MEI-RU, HUANG, XIU-YU, TANG, WEN-JI, CAO, HOU-SHENG, HAI, YAN, LIN, JING-WEN, ZHENG, YU-CHANG, DENG, XUE-REN				
	Assistant Vice President	WU, QING-YAN, YANG, YAN-QIU, WU, CHEN-YI				
Assistant Vice President	LIU, PIN-CHEN, LIN, AN-TSE, CHOU, YUN-AN, TIEN, CHIH-MIN, HUANG, SHIH-CHUNG, CHUANG, YUNG-CHIEH, LI, I-CHIH, KU, PEI-CHING, YANG, KUN-LONG, TSAI, HSIN-TAI, LI, CHIH-CHIANG, WU, FEN-FANG, CHIANG, JUNG-HUA, FU, CHENG-HUI, YEH, HSIEN-PENG, HUANG, CHONG-JIE, ZHANG, ZHE-MING, HUANG, MIAO-YIN, LIN, YI-SHIANG, LI, JEN-FENG, WANG, HSIANG					

(4) Percentage of remuneration paid to the Company's Directors, Supervisors, President and Executive Vice Presidents relative to net income; describe the remuneration policy and association with business performance:

The total amounts of the remuneration paid by the Company to directors, the President and vice presidents in 2020 and 2021 accounted respectively for the following percentages of net income after tax:

- (1) The total amount of remuneration, travel allowance and attendance fee paid to the Company's directors in 2020 accounted for 2.67% of the annual net income after tax. The total amount of remuneration paid to the President and vice presidents in 2020 accounted for 2.25% of the annual net income after tax.
- (2) The total amount of remuneration, travel allowance and attendance fee paid to the Company's directors in 2021 accounted for 2.62% of the annual net income after tax. The total amount of remuneration paid to the President and vice presidents in 2021 accounted for 2.59% of the annual net income after tax.
- (3) The proportion of remuneration distributed to the directors and managerial officers of the Company is pursuant to Article 20 of the Company's Articles of Incorporation. If there is a profit of a year, 0.6% to 2% shall be appropriated as employee's remuneration, and no more than 3% shall be appropriated as directors' remuneration.
- (4) Based on the market and industrial pay level, the remuneration paid to the directors of the Company is in principle on the general level in the industry. It also takes into account the personal performance of each director, the degree of his/her participation in and contribution to the operations of the Company and the responsibility assumed by him/her, the status of achievement of the Company's operational objectives and the financial condition of the Company in order to assess the reasonableness of the relevance between the overall operating performance and future risks on personal and company levels. The remuneration for directors has been reviewed by the Remuneration Committee and processed by the Board of Directors. The Remuneration Committee regularly assesses the remuneration for directors and reviews, whenever appropriate, the remuneration system depending on the actual operating status and applicable laws and regulations to achieve sustainable management of the Company and balanced risk control.
- (5) The remuneration of the Company's managerial officers includes salary and bonuses. The salary is determined by referring to the level of the peers' level, and job title, rank, educational/industrial background, professional ability and job responsibilities. For the bonus, the managerial officers' performance evaluation is taken into account, including financial indicators (such as earnings achievement rate, earnings growth rate, securities market share growth rate, wealth management achievement rate, cumulative profit achievement rate, operating expense control rate) and non-financial indicators (such as business planning, leadership, working efficiency, professional knowledge, characters and working attitude, compliance with laws and regulations, and risk control). The managerial officers' remuneration are reviewed by the Remuneration Committee and deliberated by the Board of Directors.

4. Corporate governance

(1) Functionality of board of directors

1. Functionality of board of directors

A total of 12 meetings (A) were held in the last year (January 1, 2021 ~ March 31, 2022); directors' attendance records are summarized below:

Title	Name (Note 1)	Actual attendance (B)	Proxy attendance	Attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	12	0	100%	
Vice Chairman	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	12	0	100%	
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	12	0	100%	
Director and President	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	11	0	92%	
Director	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	12	0	100%	
Director	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	12	0	100%	
Director	Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN	4	7	33%	
Director	Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN	11	1	92%	
Independent Director	SHEA, JIA-DONG	12	0	100%	
Independent Director	LEE, SHEN-YI	12	0	100%	
Independent Director	SU, PING-CHANG	12	0	100%	

Note 1: Where a director is a corporate shareholder, the name of the corporate shareholder and the representatives shall be disclosed.

Note 2: (1) If any director resigns before the last date of the year, the date of resignation shall be indicated in remark field. The percentage of actual attendance (%) is calculated based on the number of board meetings held and the number of meetings actually attended during active duty.

(2) Where any election of directors has been held before the end of the year, both new and former directors shall be named. Each director shall be indicated as former, newly elected or re-elected in the remarks column, with the date of election thereof specified. The actual attendance rate (%) is calculated based on the board meetings during the term of office and the actual attendance.

Other relevant information:

1. Where any of the following circumstances occurs to any meeting of the Board of Directors, the date, term and proposal of the meeting as well as the opinions of all the independent directors and actions taken by the Company on the opinions shall be specified:
 - (1) Conditions described in Article 14-3 of the Securities and Exchange Act: the Company has established an Audit Committee, pursuant to Article 14-5 of the Securities and Exchange Act, this item is not applicable.
 - (2) In addition to the matters mentioned above, any resolution of the Board of Directors for which dissent or reservation has been expressed by any independent director and where such dissent or reservation has been recorded in the minutes or any written statement: None.
2. With respect to the status of recusal of any director with an interest in any proposal, the name of the director, title of the proposal, reasons for recusal, and participation in the voting shall be described:
 - (1) 11th meeting, 11th Board of Directors on January 21, 2021
 1. Agenda: The results of performance appraisal for officers at the level of manager or higher in 2020.
Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO had avoided involvement in this case due to status as stakeholders.
Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without objection.
 2. Agenda: The distribution of year-end bonuses to officers at the level of manager or higher in 2020.
Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO had avoided involvement in this case due to status as stakeholders.
Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without objection.
 3. Agenda: List of candidates nominated by the Company for the re-elected directors and independent directors of the 9th Board of Directors of Capital Futures Corp.
Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as stakeholders.
Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.
 4. Agenda: Proposal to re-appoint the directors, supervisors, and president of Capital True Partner Technology Co., Ltd., the re-investment with 51% stake held by the Capital International Technology Corp. the reinvestment enterprise of Capital Futures, the reinvestment enterprise of the Company.
Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as stakeholders.
Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.
 - (2) 12th meeting, 11th Board of Directors on March 25, 2021
 1. Agenda: CSC Securities (HK) Ltd., the Company's overseas reinvestment enterprise, plans to continue to apply to its parent CSC International Holdings Ltd. for short-term financing of an amount of US\$10,000,000.
Reason for avoidance: Chairman WANG, JIUNN-CHIH concurrently served as the representative of Capital Securities Corp., a corporate director of CSC International Holdings Ltd., and the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.
Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without objection.

2. Agenda: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC International Holdings Ltd.
Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of Capital Securities Corp., a corporate director of CSC International Holdings Ltd., and had avoided involvement in this case due to status as a stakeholder.
Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN)
The remaining directors were consulted and passed without objection.
3. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.
Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.
Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN)
The remaining directors were consulted and passed without objection.
4. Agenda: Proposal to add the investable type and scope for the re-investment, CSC Venture Capital Corp. to increase its investment channels.
Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO were the representatives of Capital Securities Corp., a corporate director of CSC Venture Capital Corp. and had avoided involvement in this case due to status as stakeholders.
Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN)
The remaining directors were consulted and passed without objection.
5. Agenda: Proposal to recommend the appointment of directors, supervisors, and president of “CSC Private Equity Fund I Co.” a 100% re-investment of the subsidiary “CSC Capital Management Co.”
Reason for avoidance: Director CHANG, CHIH-MING of the Company was one of the recipients, and had avoided involvement in this case due to status as a stakeholder.
Vote outcome: This proposal was adopted without objection upon consultation by the chairperson with the remaining directors present.
- (3) 13th meeting, 11th Board of Directors on May 13, 2021
1. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.
Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC International Holdings Ltd. a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.
Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN)
The remaining directors were consulted and passed without objection.
2. Agenda: 2020 directors’ remuneration distribution.
Reason of avoidance: All directors and independent directors have conflict of interest to this proposal; they recused themselves when proceeding to the part involved themselves individually.
Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.
3. Agenda: Distribution of the remuneration for employees (in cash) in 2020.
Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO had avoided involvement in this case due to status as stakeholders.
Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

(4) 4th extraordinary meeting, 11th Board of Directors on June 17, 2021

1. Agenda: Due to the business needs, the reinvestee, Capital Futures Corp. intended to appoint Chen, Wen-Liang of the President's Office of with Grade 8-2 in CSC Futures (HK) Ltd. as the director of CSC Futures (HK).

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

(5) 14th meeting, 11th Board of Directors on July 26, 2021

1. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without objection.

2. Agenda: Proposal of new acting managing director of CSC Futures (HK)

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of Capital Futures Corp., a corporate director of CSC Futures (HK) Ltd., and had recused himself due conflict of interest.

Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without objection.

(6) 5th extraordinary meeting, 11th Board of Directors on August 26, 2021

1. Agenda: Proposal to re-appoint the representative of the corporate shareholder of the reinvestee, Capital Futures Corp.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

(7) 15th meeting, 11th Board of Directors on August 26, 2021

1. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

2. Agenda: Proposal of distribution of holiday bonuses to officers at the level of manager or higher in the first half of 2021.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted

without any objection upon consultation by the chairperson with the directors present.

3. Agenda: To increase the investment channels for the reinvestees CSC Capital Management Co. (hereafter "CSC Capital") and CSC Private Equity Fund I Co. Ltd (hereafter "CSC I"), it is intended to add the categories and scopes of investments may be made for the two companies.

Reason for avoidance: Director, CHANG, CHIH-MING is the representative of Capital Securities Corporation, the corporate shareholder of CSC Capital Management Co. and CSC Private Equity Fund I Co. Ltd; and thus recused due to conflict of interests.

Vote outcome: This proposal was adopted without objection upon consultation by the chairperson with the remaining directors present.

(8) 6th extraordinary meeting, 11th Board of Directors on September 6, 2021

1. Agenda: Proposal to appoint the Vice Chairman to concurrently serve as the Chief of Staff, and his remuneration.

Reason for avoidance: Vice Chairman CHANG, CHIH-MING of the Company was one of the recipients, and had recused himself due to conflict of interest.

Vote outcome: This proposal was adopted without objection upon consultation by the chairperson with the remaining directors present.

2. Agenda: Proposal of new president for Capital Futures Corp.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and Vice Chairman, CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

3. Agenda: The reinvestee, Capital Futures Corp. intended to reappointed the representative of the corporate shareholder to its reinvestees, CSC Futures (HK) Ltd., Capital International Technology Corp. Capital Futures Technology (Shanghai) Co., Ltd. and Capital True Partner Technology Co., Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and Vice Chairman, CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

(9) 16th meeting, 11th Board of Directors on November 11, 2021

1. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without objection.

2. Agenda: Recommendation of appointees for the 3rd board of directors and supervisors for investee – CSC Venture Capital Corporation.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO were the representatives of Capital Securities Corp., a corporate director of CSC Venture Capital Corp. and had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and Vice Chairman, CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

3. Agenda: Due to the business needs, the reinvestee, Capital Futures Corp. intended to appoint CHANG, TUN-FU, the Managing Director of CSC Securities (HK) Ltd. as the director of CSC Futures (HK).

Reason for avoidance: Chairman WANG, JIUNN-CHIH concurrently served as the representative of Capital Securities Corporation, a corporate director of Capital Futures Corp., and the representative of Capital Futures Corp., a corporate director of CSC Futures (HK); Director, LIU, CHING-TSUN is the representative of Capital Securities Corp., the corporate shareholder of Capital Futures Corp. They recused themselves due to conflict

of interest.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and Vice Chairman, CHANG, CHIH-MING acted on his behalf) was adopted upon consultation by the chairperson with the directors present, without objection.

(10) 17th meeting, 11th Board of Directors on January 20, 2022

1. Agenda: The results of performance appraisal for officers at the level of manager or higher in 2021.

Reason for avoidance: Chairman WANG, JIUNN-CHIH, Vice Chairman, CHANG, CHIH-MING and director/President CHIA, CHUNG-TAO had avoided involvement in this case due to status as stakeholders.

Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without objection.

2. Agenda: The distribution of year-end bonuses to officers at the level of manager or higher in 2021.

Reason for avoidance: Chairman WANG, JIUNN-CHIH, Vice Chairman, CHANG, CHIH-MING and director/President CHIA, CHUNG-TAO had avoided involvement in this case due to status as stakeholders.

Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without objection.

(11) 18th meeting, 11th Board of Directors on March 14, 2022

1. Agenda: Approval of distribution of holiday bonuses to officers at the level of manager or higher in the second half of 2021.

Reason for avoidance: Chairman WANG, JIUNN-CHIH, Vice Chairman, CHANG, CHIH-MING and director/President CHIA, CHUNG-TAO had avoided involvement in this case due to status as stakeholders.

Vote outcome: The case was circumvented by the chairman (the chairman of the case, WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and approved for reference.

2. Agenda: CSC Securities (HK) Ltd., the Company's overseas reinvestment enterprise, plans to continue to apply to its parent CSC International Holdings Ltd. for shortterm financing of an amount of US\$10,000,000.

Reason for avoidance: Chairman WANG, JIUNN-CHIH concurrently served as the representative of Capital Securities Corporation, a corporate director of CSC International Holdings Ltd., and the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and Vice Chairman, CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

3. Agenda: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC International Holdings Ltd., for it to apply the renewal and expansion of the credit facility from Cathay United Bank.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of Capital Securities Corporation, a corporate director of CSC International Holdings Ltd., and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and Vice Chairman, CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

4. Agenda: The reinvestee, Capital Futures Corporation intended to reappoint the representative of corporate director and supervisor to its investees, including Capital International Technology Corp., Capital True Partner Technology Co., Ltd. and Capital Futures Technology (Shanghai) Co., Ltd..

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused himself, and Vice Chairman, CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

3. TWSE/TPEX listed company shall disclose the assessment cycle and period, scope of assessment, method and content of assessment for the self (or peer) appraisal of the Board of Directors, and list the following implementation of the Board of Director's appraisal in Table (2).
4. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements.
 - (1) To enhance the functions of the Board of Directors, the Company has established functional committees under the Board of Directors including the Remuneration Committee, Risk Management Committee and Audit Committee. In line with the international trend in corporate governance and the requirements of the competent authority, the Company will continue strengthening the structure and operations of the Board of Directors in relation to the aspect of corporate governance in order for the Directors to fully perform its professional and independent functions.
 - (2) To implement corporate governance and enhance the functions of the Board of Directors and functional committees, the 6th meeting of the 11th Board of Directors held on March 26, 2020 adopted the "Regulations for Appraisal of the Performance of the Board of Directors and Functional Committees". Starting from 2020, an appraisal of the performance of the Board of Directors will be conducted annually.

2. Implementation of the Board of Directors Appraisal

Assessment cycle (Note 1)	Once per year																
Assessment period (Note 2)	Performance assessment between January 1, 2021 to December 31, 2021																
Assessment scope (Note 3)	Board of Directors, individual board member, and functional committees (the Audit and Remuneration Committees)																
Assessment method (Note 4)	Internal self assessment in the Board of Directors, self-assessment by director, and internal self assessment in the functional committees																
Assessment content (Note 5) and results	<p>1. The measurements of the Board of Directors performance assessment include the following five major aspects for total 41 items; the self assessment is conducted by all the directors and independent directors (total 11 directors). The overall average score is 4.98 points (highest 5 points); the overall assessment result is positive. The assessment aspects and comprehensive comments are summarized as following:</p> <table border="1"> <thead> <tr> <th>Assessment aspect</th> <th>Assessment criteria</th> </tr> </thead> <tbody> <tr> <td>1. Participation in the operation of the company;</td> <td>Total 12 items</td> </tr> <tr> <td>2. Improvement of the quality of the board of directors' decision making;</td> <td>Total 12 items</td> </tr> <tr> <td>3. Composition and structure of the board of directors;</td> <td>Total 7 items</td> </tr> <tr> <td>4. Election and continuing education of the directors;</td> <td>Total 4 items</td> </tr> <tr> <td>5. Internal control</td> <td>Total 6 items</td> </tr> <tr> <td style="text-align: center;">Subtotal</td> <td style="text-align: center;">Total 41 items</td> </tr> </tbody> </table> <p>Comprehensive comment: 1. The board meetings are held regularly, and the proposals of each functional committee are fully discussed. In each meeting, the resolutions adopted in the previous meetings are tracked, to fully achieve the functions and performance of the board of directors. 2. Very regular operation of the Board of Directors and functions were exerted. 3. Operated well.</p>	Assessment aspect	Assessment criteria	1. Participation in the operation of the company;	Total 12 items	2. Improvement of the quality of the board of directors' decision making;	Total 12 items	3. Composition and structure of the board of directors;	Total 7 items	4. Election and continuing education of the directors;	Total 4 items	5. Internal control	Total 6 items	Subtotal	Total 41 items		
	Assessment aspect	Assessment criteria															
	1. Participation in the operation of the company;	Total 12 items															
	2. Improvement of the quality of the board of directors' decision making;	Total 12 items															
	3. Composition and structure of the board of directors;	Total 7 items															
	4. Election and continuing education of the directors;	Total 4 items															
	5. Internal control	Total 6 items															
	Subtotal	Total 41 items															
	<p>2. The measurements of the self-assessment by director include the following six major aspects for total 23 items; the self assessment is conducted by all the directors and independent directors (total 11 directors). The overall average score is 4.95 points (highest 5 points); the overall assessment result is positive. The assessment aspects and comprehensive comments are summarized as following:</p> <table border="1"> <thead> <tr> <th>Assessment aspect</th> <th>Assessment criteria</th> </tr> </thead> <tbody> <tr> <td>1. Alignment of the goals and missions of the company;</td> <td>Total 3 items</td> </tr> <tr> <td>2. Awareness of the duties of a director;</td> <td>Total 3 items</td> </tr> <tr> <td>3. Participation in the operation of the company;</td> <td>Total 8 items</td> </tr> <tr> <td>4. Management of internal relationship and communication;</td> <td>Total 3 items</td> </tr> <tr> <td>5. The director's professionalism and continuing education;</td> <td>Total 3 items</td> </tr> <tr> <td>6. Internal control</td> <td>Total 3 items</td> </tr> <tr> <td style="text-align: center;">Subtotal</td> <td style="text-align: center;">Total 23 items</td> </tr> </tbody> </table> <p>Comprehensive comment: 1. The Chairman fully understand and faithfully perform his duties; although he concurrently serves in the re-investees, but this is all based on the needs of consolidated supervision. 2. Good. 3. Fulfilled the duties of independent director. 4. In 2022, the hours of continuing education for each director and supervisor will be enhanced to improve the function of an individual director.</p>	Assessment aspect	Assessment criteria	1. Alignment of the goals and missions of the company;	Total 3 items	2. Awareness of the duties of a director;	Total 3 items	3. Participation in the operation of the company;	Total 8 items	4. Management of internal relationship and communication;	Total 3 items	5. The director's professionalism and continuing education;	Total 3 items	6. Internal control	Total 3 items	Subtotal	Total 23 items
	Assessment aspect	Assessment criteria															
1. Alignment of the goals and missions of the company;	Total 3 items																
2. Awareness of the duties of a director;	Total 3 items																
3. Participation in the operation of the company;	Total 8 items																
4. Management of internal relationship and communication;	Total 3 items																
5. The director's professionalism and continuing education;	Total 3 items																
6. Internal control	Total 3 items																
Subtotal	Total 23 items																
<p>3. The measurements of the Audit Committee performance assessment include the following five major aspects for total 22 items; the self assessment is conducted by all independent directors (total 3 directors). The overall average score is 5.00 points (highest 5 points); the overall assessment result is positive. The assessment aspects and comprehensive comments are summarized as following:</p> <table border="1"> <thead> <tr> <th>Assessment aspect</th> <th>Assessment criteria</th> </tr> </thead> <tbody> <tr> <td>1. Participation in the operation of the company;</td> <td>Total 4 items</td> </tr> <tr> <td>2. Awareness of the duties of the Audit Committee;</td> <td>Total 5 items</td> </tr> <tr> <td>3. Improvement of quality of decisions made by the Audit Committee;</td> <td>Total 7 items</td> </tr> </tbody> </table>	Assessment aspect	Assessment criteria	1. Participation in the operation of the company;	Total 4 items	2. Awareness of the duties of the Audit Committee;	Total 5 items	3. Improvement of quality of decisions made by the Audit Committee;	Total 7 items									
Assessment aspect	Assessment criteria																
1. Participation in the operation of the company;	Total 4 items																
2. Awareness of the duties of the Audit Committee;	Total 5 items																
3. Improvement of quality of decisions made by the Audit Committee;	Total 7 items																

	4. Makeup of the Audit Committee and election of its members;	Total 3 items
	5. Internal control	Total 3 items
	Subtotal	Total 22 items
	Comprehensive comment: Operated well, with sufficient discussions.	
	4. The measurements of the Remuneration Committee performance assessment include the following four major aspects for total 18 items; the self assessment is conducted by all members (total three members). The overall average score is 5.00 points (highest 5 points); the overall assessment result is positive. The assessment aspects and comprehensive comments are summarized as following:	
	Assessment aspect	Assessment criteria
	1. Participation in the operation of the company;	Total 4 items
	2. Awareness of the duties of the Remuneration Committee;	Total 4 items
	3. Improvement of quality of decisions made by the Remuneration Committee;	Total 7 items
	4. Makeup of the Remuneration Committee and election of its members;	Total 3 items
	Subtotal	Total 18 items
	Comprehensive comment: None	

Note 1: Fill in the execution cycle of the Board appraisal, e.g. once per year.

Note 2: Fill in the period covered by the Board appraisal, e.g. assessing the performance between January 1, 2021 to December 31, 2021.

Note 3: Assessment scope includes the Board of Directors, individual board member, and functional committee.

Note 4: Assessment method includes the internal self assessment in the Board of Directors, self-assessment by director, peer assessment, retention of external professional institutions or experts, or other proper means.

Note 5: Assessment content shall include at least the following:

- (1) Assessment of the Board of Directors' performance: at least including the degree of participation in the company's operations; improvement in the quality of decision making by the board of directors; the composition and structure of the board of directors; the election of the directors and their continuing professional education; internal control.
- (2) Assessment of individual board member: at least including: grasp of the company's goals and missions; recognition of director's duties; degree of participation in the company's operations; management of internal relationships and communication; professionalism and continuing professional education; internal control.
- (3) Assessment of functional committee: degree of participation in the company's operations; recognition of the duties of the functional committee; improvement in the quality of decision making by the functional committee; composition of the functional committee, and election and appointment of committee members; internal control.

(2) Functionality of the Audit Committee

1. The Audit Committee of the Company consists of all three independent directors. The operation of the Audit Committee is mainly to oversee the following matters:

(1) Fair presentation of the Company's financial statements. (2) Evaluation of hiring or dismissal of an attesting CPA and its independence and performance. (3) Effective implementation of the internal control system. (4) The compliance to relevant regulations and rules. (5) Management of existing or latent risks. The Audit Committee convenes meetings at least once a quarter, and holds meetings whenever deemed necessary.

2. A total of eight (A) Audit Committee meetings were held in the last year (January 1, 2021 ~ March 31, 2022); independent directors' attendance records are summarized below:

Title	Name	Actual attendance (B)	Proxy attendance	Attendance rate (%) (B/A) (Note 1, 2)	Remarks
Independent Director	SHEA, JIA-DONG	7	1	88%	
Independent Director	LEE, SHEN-YI	8	0	100%	
Independent Director	SU, PING-CHANG	8	0	100%	

Note 1: If any independent director resigns before the last date of the year, the date of resignation shall be indicated in remark field. The percentage of actual attendance (%) is calculated based on the number of Audit Committee meetings held and the number of meetings actually attended during active duty.

Note 2: Where any election of independent directors has been held before the end of the year, both new and former independent directors shall be named. Each independent director shall be indicated as former, newly elected or re-elected in the remarks column, with the date of election thereof specified. The actual attendance rate (%) is calculated based on the number of Audit Committee meetings during the term of office and the actual attendance.

Other relevant information:

I. Where any of the following circumstances occurs during the operation of the Audit Committee, the date, term and proposal of the relevant Board of Directors meeting as well as the resolution of the Audit Committee and actions taken by the Company on the opinions of the Audit Committee shall be specified.

(I) The matters referred to in Article 14-5 of the Securities and Exchange Act.

1. 9th meeting, 2nd Audit Committee, January 11, 2021

(1) Agenda: Ratification of amendment to the "Internal Control System" and the "Rules for Implementation of Internal Audits" of the Company.

Resolution of the Audit Committee: approved to ratify.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 11th board meeting on January 21, 2021, after consulted all the directors by the chair, the proposal was approved without objection and ratification was granted.

(2) Agenda: The 2021 internal audit plan was approved in the board meeting on November 12, 2020; now it is proposed to be adjusted and ratify pursuant to the two external correspondences.

Resolution of the Audit Committee: approved to ratify.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 11th board meeting on January 21, 2021, after consulted all the directors by the chair, the proposal was approved without objection and ratification was granted.

(3) Agenda: Amendment to the "Procedures for Endorsements/Guarantees" of the Company.

Resolution of the Audit Committee: approved after deliberation.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 11th board meeting on January 21, 2021, after consulted all the directors by the chair, the proposal was approved without objection.

(4) Agenda: Proposal to re-invest NT\$100 million in "Taiwania Capital Buffalo Fund V."

Resolution of the Audit Committee: approved after amended and deliberated.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 11th board meeting on January 21, 2021, after consulted all the directors by the chair, the proposal was approved without objection.

2. 10th meeting, 2nd Audit Committee, March 18, 2021
- (1) Agenda: Ratification of amendment to the “Internal Control System” and the “Rules for Implementation of Internal Audits” of the Company.
Resolution of the Audit Committee: approved to ratify.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 12th board meeting on March 25, 2021, after consulted all the directors by the chair, without objection and ratification was granted.
 - (2) Agenda: The “Statement on the Internal Control System” of the Company for 2020.
Resolution of the Audit Committee: approved after amended and deliberated.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 12th board meeting on March 25, 2021, after consulted all the directors by the chair, without objection.
 - (3) Agenda: Proposal to issue the Statement on AML/CFT pursuant to the “Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission”.
Resolution of the Audit Committee: approved after deliberation.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 12th board meeting on March 25, 2021, after consulted all the directors by the chair, without objection.
 - (4) Agenda: The individual and consolidated financial statements for 2020 have been prepared by the Company and audited by Feng-Hui Lee and Tan-Tan Chung, CPAs from KPMG Taiwan, with issuance of an audit report with unqualified opinions.
Resolution of the Audit Committee: approved after deliberation.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 12th board meeting on March 25, 2021, after consulted all the directors by the chair, without objection.
 - (5) Agenda: From the 2021 Q1 financial statements, the certifying CPAs, Lee, Feng Hui and Chung, Tan Tan, are replaced by Wu, Cheng Yen and Chung, Tan Tan.
Resolution of the Audit Committee: approved after deliberation.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 12th board meeting on March 25, 2021, after consulted all the directors by the chair, without objection.
 - (6) Agenda: Recommendations for distribution of the profits in 2020.
Resolution of the Audit Committee: approved after deliberation.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 12th board meeting on March 25, 2021, after consulted all the directors by the chair, without objection.
 - (7) Agenda: The 2020 Business Report of the Company.
Resolution of the Audit Committee: approved after amended and deliberated.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 12th board meeting on March 25, 2021, after consulted all the directors by the chair, without objection.
3. 11th meeting, 2nd Audit Committee, April 29, 2021
- (1) Agenda: Ratification of amendment to the “Internal Control System” and the “Rules for Implementation of Internal Audits” of the Company.
Resolution of the Audit Committee: approved to ratify.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 13th board meeting on May 13, 2021, after consulted all the directors by the chair, without objection and ratification was granted.
 - (2) Agenda: Anti-money laundering and counter terrorism financing risk evaluation report for the Company for 2020.
Resolution of the Audit Committee: approved after deliberation.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 13th board meeting on May 13, 2021, after consulted all the directors by the chair, without objection.

- (3) Agenda: Report on the 2020 compliance risk assessment.
Resolution of the Audit Committee: approved after amended and deliberated.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 13th board meeting on May 13, 2021, after consulted all the directors by the chair, without objection.

4. 12th meeting, 2nd Audit Committee, August 19, 2021

- (1) Agenda: Ratification of amendment to the “Internal Control System” and the “Rules for Implementation of Internal Audits” of the Company pursuant to the external correspondence.

Resolution of the Audit Committee: approved after the amendment to ratify.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 15th board meeting on August 26, 2021, after consulted all the directors by the chair, without objection and ratification was granted.

- (2) Agenda: The individual and consolidated financial statements for Q2 of 2021 (January-June 2021) have been prepared by the Company and audited by Chen - Yen Wu and Tan-Tan Chung, CPAs from KPMG Taiwan, with issuance of an audit report with unqualified opinions.

Resolution of the Audit Committee: approved after deliberation.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 15th board meeting on August 26, 2021, after consulted all the directors by the chair, without objection.

5. 13th meeting, 2nd Audit Committee, November 1, 2021

- (1) Agenda: Proposal to formulating 2022 internal audit plan.

Resolution of the Audit Committee: approved after deliberation.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 16th board meeting on November 11, 2021, after consulted all the directors by the chair, without objection.

- (2) Agenda: Assessment by the Company on the independence of CPAs in 2021.

Resolution of the Audit Committee: approved after deliberation.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 16th board meeting on November 11, 2021, after consulted all the directors by the chair, without objection.

- (3) Agenda: Professional fees for the CPAs of the Company in 2022.

Resolution of the Audit Committee: approved after deliberation.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 16th board meeting on November 11, 2021, after consulted all the directors by the chair, without objection.

6. 14th meeting, 2nd Audit Committee, January 10, 2022

- (1) Agenda: Ratification of amendment to the “Internal Control System” and the “Rules for Implementation of Internal Audits” of the Company pursuant to the external correspondence.

Resolution of the Audit Committee: approved to ratify.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 17th board meeting on January 20, 2022, after consulted all the directors by the chair, without objection and ratification was granted.

- (2) Agenda: Proposal to re-appoint the finance officer and accounting officer.

Resolution of the Audit Committee: approved after deliberation.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 17th board meeting on January 20, 2022, after consulted all the directors by the chair, without objection.

7. 15th meeting, 2nd Audit Committee, March 3, 2022
- (1) Agenda: The "Statement on the Internal Control System" of the Company for 2021.
Resolution of the Audit Committee: approved after deliberation.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 18th board meeting on March 14, 2022, after consulted all the directors by the chair, without objection.
 - (2) Agenda: Proposal to issue the Statement on AML/CFT pursuant to the "Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission"
Resolution of the Audit Committee: approved after deliberation.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 18th board meeting on March 14, 2022, after consulted all the directors by the chair, without objection.
 - (3) Agenda: The 2021 Business Report of the Company.
Resolution of the Audit Committee: approved after amended and deliberated.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 18th board meeting on March 14, 2022, after consulted all the directors by the chair, without objection.
8. 16th meeting, 2nd Audit Committee, March 14, 2022
- (1) Agenda: the 2021 parent-only and consolidated financial reports.
Resolution of the Audit Committee: approved after deliberation.
Actions taken by the Company on the opinions of the Audit Committee shall be specified: In the 18th board meeting on March 14, 2022, after consulted all the directors by the chair, without objection.
- (II) In addition to the matters mentioned above, any resolution approved by more than two-thirds of all the directors but not approved by the Audit Committee: None.
2. With respect to the status of recusal of any independent director with an interest in any proposal, the name of the independent director, title of the proposal, reasons for recusal, and participation in the voting shall be described.
At the Audit Committee meetings held during January 1, 2021 to March 31, 2022, there wasn't any proposal involving the interest of any independent director.
 3. Communications of independent directors with the chief internal auditor and CPAs (including important matters, methods and results with respect to communication of the Company's financial and business conditions).
 1. Each month, the Company will prepare a written report regarding the deficiencies found by the audit in the previous month and the follow-up to improvement of such deficiencies and submit it to the independent directors for examination. The independent directors will give instructions for further explanation/presentation of the report or provide other suggestions.
 2. The Company shall convene meetings of the Audit Committee quarterly, regarding the internal auditing activities and results and the follow-up thereto.
 3. The Company will convene meetings of the Board of Directors at least quarterly, with the independent directors and chief internal auditor attending such meetings. The chief internal auditor will present a report at each meeting of the Board of Directors regarding the internal auditing activities and results and the follow-up thereto.
 4. During review of the semi-annual and annual financial reports, the CPAs will attend the Audit Committee meeting to give explanation and have adequate discussion with the independent directors regarding the process of auditing the Company's financial statements, matters within the scope and updates to the relevant laws and regulations. The CPAs will also attend the Board of Directors meeting to give explanation to the directors.
 5. If necessary, the chief internal auditor, CPAs and independent directors may directly communicate with each other, and the channels for communication have remained open and unimpeded.

6. For the subjects and summaries of communications among the independent directors, chief internal auditor and CPAs and the actions taken by the Company in response for implementation, please visit the website of the Company.

(3) Status of corporate governance, differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof.

Assessment criteria	Status of operation (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
1. Has your company established and disclosed its corporate governance best practice principles pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the "Corporate Governance Best Practice Principles", which are disclosed on the Company's website, the internal site and the MOPS.	N/A
2. Shareholding structure and shareholder's equity				
(1) Does your company have an internal procedure and act accordingly for handling shareholders' suggestions, questions, disputes, and lawsuits?	✓		(1) The Company has established the "Regulations for the Handling of Business Disputes" and "Regulations for Fair Treatment of Customers". The business units have established regulations or requirements for the protection of customers' rights and interests, the standard operations of business personnel, the use of customer information, confidentiality and the reporting and processing of customers' opinions. Additionally, the Company has appointed spokespersons and set up contacts for investor relations and stock services, and there is a section of "Investor Relation" on the Company's website. There are also a Customer Service Center and an Office for Compliance and Legal Affairs responsible for contacting and communicating with the stakeholders and handling all relevant suggestions, questions, disputes and lawsuits.	N/A
(2) Does your company have lists of the major shareholders who actually control the company and the persons who have ultimate control of the major shareholders?	✓		(2) The Company keeps track of shareholders and their shareholding positions by monitoring the shareholder registry and monthly holding reports. The lists of major shareholders whose directors are corporate shareholders and those whose major shareholders are corporations are disclosed on p. 12-18, and the shareholders whose shareholding ratios are in the top 10 are disclosed on p. 84.	N/A
(3) Does your company have a firewall mechanism in place to control the risks between the company and its affiliates?	✓		(3) Risk control measures and firewalls have been established and implemented to regulate transactions between the Company and affiliated enterprises. The Company follows the authority's rules with regards to other matters concerned.	N/A
(4) Does your company have internal regulations to prohibit insiders of the company from using undisclosed information in the market to trade securities?	✓		(4) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", "Regulations for the Processing of Material Internal Information" and "Regulations for the Management of Accounts Opened by Insiders for Trading of Securities and Futures" to regulate the use of undisclosed information in the market by insiders for trading of securities.	N/A

Assessment criteria	Status of operation (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
3. Composition and responsibilities of the Board of Directors				
(1) Does your company have and implement a policy of diversification for the composition of the Board of Directors?	✓		(1) The Company has established a set of "Corporate Governance Principles" and disclosed them on the corporate website and the Market Observation Post System. The principles require the board of directors to devise appropriate strategies with respect to the Company's operations and prospects. All board members are being required to possess the knowledge, skills and characters needed to perform their duties. Composition of the board has been diversified in a number of aspects including but limited to gender, age, culture, education background, and professional experience. In order to improve corporate governance and strengthen the functions and independence of the independent directors, the Company has adopted strict standards and regulations stipulating that no director shall serve for more than three consecutive terms, and there has not been any director serving for more than three consecutive terms. The professional knowledge possessed by the members of the Board of Directors include business management, international business, information/technology, banking, securities, financial management and law studies. The members come from diverse backgrounds, including senior academics and people with rich experience in the relevant industries. Such backgrounds are beneficial for enhancing the overall development strategy and operating performance of the Company. Board members' information is disclosed in page 9-11.	N/A
(2) Does your company voluntarily establish other functional committees similar to the Remuneration Committee and Audit Committee set up pursuant to the relevant laws and regulations?	✓		(2) The Company currently has Remuneration Committee, Audit Committee, Risk Management Committee, Integrity Committee, Human Resource Review Committee and ESG (Environmental, Social and Governance) Committee in place.	N/A
(3) Does your company have regulations and methods for evaluating the performance of the Board of Directors and conduct regular performance evaluation every year? Does your company submit the results of the performance evaluation to the Board of Directors? Are the results used as the basis for the remuneration and nomination for re-election of individual directors?	✓		(3) The Company has established the "Performance Assessment Standards for the Board of Directors and Functional Committees" as the basis of implementation. The results of the 2021 performance assessment for the Board of Directors and functional committees have been reported to the 18th meeting of the Board of Directors of 11th Term on March 14, 2022. The results may be referred to when electing or nominating directors; the performance of individual directors may be referred to when determine their respective remunerations.	N/A
(4) Does your company assess the independence of the CPAs on a regular basis?	✓		(4) The Company has prepared an independence assessment form in accordance with Article 47 of the Certified Public Accountant Act and the contents of Bulletin No. 10 "Integrity, Impartiality, Objectivity and Independence" of the Norm of Professional Ethics for Certified Public Accountants of the Republic of China. The form is used to evaluate the	N/A

Assessment criteria	Status of operation (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			independence, professionalism and competence of the CPAs and to assess whether they are related to or have business or financial interests with the Company. In addition, a statement of the CPAs and a draft of the assessment on independence of the CPAs have been obtained. The Company conducts an assessment on the independence of the CPAs at the meetings of the Audit Committee and Board of Directors held in Q4 of each year. The assessment in 2021 concluded that Wu, Cheng Yen and Tan-Tan Chung, the CPAs from KPMG Taiwan, met the criteria for assessment of independence and were competent to serve as the CPAs of the Company for financial and tax certification. For the resolutions of the Board of Directors regarding assessment on the independence of the CPAs, please see p. 42.	
4. Does your TWSE/TPEX-listed company designate competent and an appropriate number of corporate governance personnel along with a chief corporate governance officer responsible for related matters (including, but not limited to, providing information required by directors and supervisors to perform their duties, assisting directors and supervisors in compliance, handling matters related to the Board of Directors and shareholders' meetings and preparing minutes of the Board of Directors and shareholders' meetings)?	✓		At the 18th meeting of the 10th Board of Directors held on May 13, 2019, a resolution was adopted for the manager of the Planning Office to act as the chief corporate governance officer. A Corporate Governance Section has been established under the Planning Office with an appropriate number of competent personnel to, in accordance with the law, manage affairs relating to the Board of Directors and shareholders' meeting, produce minutes of the Board of Directors and shareholders' meeting, help directors take office and receive continuing education, provide directors with the information required for business, assist directors in compliance, carry out ethical management and prepare CSR reports. The purposes are to promote corporate governance, enhance the functions of the Board of Directors and build a culture of corporate governance. The corporate governance officer has completed 12 hours of continuing education in 2021; please visit the Company's website for details of chief corporate governance officers' education.	N/A
5. Does your company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues which the stakeholders are concerned with?	✓		The Company has a spokesperson, an investor relations contact, a Customer Service Center and a "Stakeholders" section on its website to gather opinions from stakeholders. Information of the above contact windows and contact methods have already been disclosed on the Company's website. We are dedicated to maximizing stakeholders' interest, and maintaining open and diverse communication channels for discovering problems and solutions.	N/A
6. Does your company engage any professional registrar to deal with matters related to the shareholders' meeting?	✓		Capital Securities Corporation is an integrated securities service provider, and has a Registrar Agency Department to handle shareholder meeting affairs.	N/A
7. Disclosure of information				
(1) Does your company have a website to disclose the financial and corporate governance information of the company?	✓		(1) Financial, business and corporate governance information has been disclosed on the Company's website and is updated regularly to keep investors informed.	N/A

Assessment criteria	Status of operation (Note)		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No		
(2) Does your company adopt other information disclosing methods (such as setting up an English website, designating a person for collection and disclosure of information, implementing a spokesperson system, and publishing the process of investor conferences on the website)?	✓		(2) 1. The Company has made an English version of its website that is accessible from the home page. 2. The relevant departments are in charge of the collection and disclosure of the Company's information. 3. The Company has spokesperson and investor relations contact available to facilitate communication with investors. Information of the above contact windows and contact methods have already been disclosed on the Company's website. 4. All disclosures and video recordings made at investor seminars are posted onto website.	N/A
(3) Does your company publish and file the annual financial report within two months after the end of a fiscal year? Does your company publish and file the Q1, Q2 and Q3 financial reports and monthly operating performance before the required time limit?		✓	(3) In accordance with the "Securities and Exchange Act" and "Regulations Governing Securities Firms", the Company publish and file the annual financial report, the financial statements of Q1-Q3 and the monthly operating results.	The Company has been in compliance with the "Securities and Exchange Act" and "Regulations Governing Securities Firms".
8. Does your company have additional important information that is helpful to understand the operation of corporate governance (including but not limited to the interests and care of employees, investor relationship, supplier relationship, rights of stakeholders, continuing education of directors and supervisors, implementation of risk management policies and measurement criteria, implementation of customer policies, and purchase by the Company of liability insurance for directors and supervisors)?	✓		(1) Employee rights: The Company has personnel management policies, "Workplace Sexual Harassment Prevention, Grievance and Disciplinary Policy" and "Employee Opinion Usage Guidelines" in place to gather employees' opinions with respect to the Company's business, operating procedures, administrative measures, policies, suggestions, or any incident of violation against personal rights. (2) Employee care: The Company offers various types of leave as required by law. In addition to purchasing Labor Insurance and National Health Insurance coverage, the Company also offers employees other types of insurance coverage (accident, life, medical, savings, etc) that they can purchase at discounted rate, and arranges wedding subsidies, funeral subsidies, emergency aids and a series of activities aimed at enhancing employees' loyalty and identification. (3) Investor relations and stakeholders' rights: The Company has spokesperson, investor relations contact, a Customer Service Center, and a "Stakeholders" section on its website to gather opinions from stakeholders. Information of the above contact windows and contact methods have already been disclosed on the Company's website. We are dedicated to maximizing stakeholders' interest, and maintaining open and diverse communication channels for discovering problems and solutions. (4) Supplier relationship: The Company has required its suppliers to meet the requirements of corporate governance and ensure their operations are in compliance with the applicable laws and regulations. They are also required to fulfill CSR jointly. If any supplier is involved in any violation of the CSR policy that has significant environmental and social	N/A

Assessment criteria	Status of operation (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>impact, the Company may terminate or cancel the contractual terms at any time, and the supplier may not claim any compensation from the Company.</p> <p>(5) Continuing education of directors: Detailed information regarding continuing education of the directors of the Company is disclosed on p. 75-76.</p> <p>(6) Risk management policies and risk assessment standards: The Company has "Risk Management Policy" and risk assessment standards in place, and convenes Risk Management Committee meetings on a quarterly basis. Risk-return trade-offs and impacts on capital adequacy ratio are measured with adequacy reports prepared and presented to the management. By enforcing the risk management system, the Company aims to generate consistent and high-quality profits for its shareholders.</p> <p>(7) Customer policy: The Company has a set of "Fair Customer Treatment Guidelines" that covers many aspects of its business activities including fair contract, duty of care and loyalty, truthful advertising, product/service suitability, notification, disclosure, sale of complex and high-risk products, balanced performance compensation, grievance protection and professionalism.</p> <p>(8) Insurance against directors' liabilities: The board of directors passes resolution each year to insure the Company against directors' liabilities. For the resolution adopted by the Board of Directors regarding the purchase of liability insurance for all directors, please see p. 70.</p>	
<p>9. On the basis of the result of corporate governance evaluation released by TWSE's Corporate Governance Center in the most recent year, please describe the matters to which improvements have been made. Regarding the matters to which improvements have yet to be made, please list those which have been selected as priorities and the measures to be taken. In 2021, 1,639 TWSE/TPEX-listed companies participated in corporate governance evaluation. According to the result of evaluation, the Company was ranked in the top 6% to 20% among the companies evaluated. The Company has been committed to protecting the rights and interests of shareholders, fair treatment of shareholders, strengthening the structure and functions of the Board of Directors, improving information transparency and fulfilling CSR. Currently, the Company prioritizes the strengthening of the structure and functions of the Board of Directors, while reviewing the categories where it failed to receive any score and finding measures for improvement.</p>				

Note: Always provide explanations in the summary description column, regardless of whether there are any deviations from the best practice principles

(4) Disclose the composition, responsibilities, and functioning of remuneration committee, if available:

Identity (Note 1)	Criteria		Independence (Note 3)	Number of positions as Remuneration Committee member in other public companies
	Name	Professional qualifications and experience (Note 2)		
Convener Independent director	LEE, SHEN-YI	Holder of lawyer qualification of R.O.C Pleaser refer to page 11 "(1) Background of directors (1) for the major experience.	All members of the Remuneration Committee maintain their independence within the extent of performing duties, and they have no direct or indirect interest in the Company. Each member complies to independence requirement in Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange."	2
Independent Director	SU, PING-CHANG	Holder of qualification as Certified Public Accountant Pleaser refer to page 11 "(1) Background of directors (1) for the major experience.		0
Other	YEN, CHIEN-SAN	Holder of qualification as Certified Public Accountant Major experience (1) Chief of Section, Central Bank (2) Senior Associate of Joint Credit Information Center, Bankers Association of Taipei (3) Assistant President, Finance Department, Hongtai Securities (4) Chief of Accounting Office and Chief Auditor, Entie Commercial Bank		0

Note 1: Please specify the relevant years of service, professional qualifications and experience, and independence of each member of the Remuneration Committee in the form, and for independent director, please refer to Table 1 (I) of Information on Directors and Supervisors on page 00 for details. Please enter either director, independent director or other for position. (if the individual is the convener, please add a note.)

Note 2: Professional qualifications and experience: Please state the professional qualifications and experience of each member of the Remuneration Committee.

Note 3: Conformity to independence requirement: the Remuneration Committee members' status of independence shall be specified, including but not limited to whether they, their spouses, their relatives within 2nd degree of kinship are directors, supervisors or employees of the Company or its affiliates; the number and percentage of shares held by them, their spouses, their relatives within 2nd degree of kinship (or by using the names of others); whether they are independent directors of a company that has a specific relationship with the Company (refer to subparagraph 5-8, paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). The amount of remuneration received for business, legal, financial and accounting services provided to the Company or its affiliates in the last two years.

Note 4: Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

2. Information on the operation of the Remuneration Committee

1. The Remuneration Committee of the Company is composed of three members.
2. Duration of service: from June 24, 2019 to June 27, 2022. The Remuneration Committee held 8 meetings in the last year (2021); details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Proxy attendance	Attendance rate (%) (B/A) (Note)	Remarks
Convener	LEE, SHEN-YI	8	0	100%	
Committee member	SU, PING-CHANG	8	0	100%	
Committee member	YEN, CHIEN-SAN	7	1	88%	

Other relevant information:

1. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, an explanation shall be made regarding the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Remuneration Committee's proposals (including differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.
2. In the event that any member of the Remuneration Committee has expressed dissent or reservation over the Committee's decisions, and that the dissent or reservation has been recorded or delivered in writing, the decision shall indicate the date of the Committee's meeting, term, contents of the proposal, opinions of all the members, and how the opinions of a member is handled: None.

Note:

- (1) Date of resignation is shown for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- (2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee are listed; in which case, the remarks column would specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- (3) Scope of responsibilities of the Remuneration Committee:
 1. Formulation and regular review of the policies, systems, standards and structures of the performance evaluation of and remuneration for directors and managers.
 2. Regular evaluation and establishment of the remuneration for directors and managers.

(5) Promotion of sustainable development

Fulfillment of Sustainable Development and Variance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons.

Promotion Item	Implementation (Note 1)			Variance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
I. Has the company established the governance framework for promoting sustainable development a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors' oversight?	V		<p>1. The Company has established the ESG Committee, in charge of the implementation and supervision of ESG, convened and chaired by the President.</p> <p>2. Implementation of each organization:</p> <p>(1) The board of directors approved to establish the ESG Committee on January 21, 2021, in charge of the implementation and supervision of ESG</p> <p>(2) The committee members are the heads of Proprietary Trading Department, Investment Banking Department, Fixed Income Department, Derivative Department, Finance Department, Risk Management Department, Administration Department, and Corporate Planning Office, as well as the personnel appointed by the President. To promote the tasks, the Committee may set up task forces.</p> <p>(3) The ESG Committee regularly reports to the board of directors; the latest report to the board of directors was made on March 14, 2022.</p>	N/A
II. Does your company conduct assessment on the risks of the environmental, social and corporate governance issues related to the operations of the company based on the materiality principle? Does your company formulate any risk management policy or strategy? (Note 2)	V		<p>1. The disclosed information covers the performance of the sustainable development at the main presences from January 2021 to December 2021. The risk assessment extremums focus on the Company.</p> <p>2. The analyses are conducted pursuant to the Risk Management Best Practice Principles for Securities Firms, and with the review of international and domestic research reports, the ESG issues with materiality are assessed, for establishing risk management policies with the effective identifications, measurement and evaluations, supervision and control and adopting concrete action programs, to lower the impacts of the related risks.</p> <p>3. For the risks and opportunities of the climate change, the direct impact of the climate change to the securities sector is small, but great to the industries and related investors, by affecting the financing, fundraising in equity and bond markets, and liquidity in the secondary markets, with the indirect impact on the risks and opportunities to the securities sector. The related risk management strategies are established as following based on the evaluated risks:</p> <p>(1) Start from the the financing aspect and investment aspect to identify risk implement management, with reference to the credit rating that incorporates factors affected by carbon emissions, and the stress test that incorporates changes in stocks and bonds affected by carbon emissions.</p> <p>(2) If any shares from high-energy-consuming and high-emission industries are pledged as collaterals for investor's financing, based on the progress of disclosed information transparency and the impact exposed to in the industry, the quota for controlled exposure is assessed, to lower the exposure to the credit risk.</p> <p>(3) Scenario analysis of climate change is conducted pursuant to the content of TCFD step by step.</p> <p>4. For the corporate governance, the information related to the risk management is disclosed on the official website, in the annual report, and MOPS, while reporting the stress tests of the whole company under different scenarios.</p>	N/A

Promotion Item	Implementation (Note 1)			Variance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
III. Environmental issues (I) Does your company have an environmental management system suitable for the industrial characteristics of the company?	V		(I) The Company is a financial and securities firm, not a manufacturing company. As there has been no environmental pollution, the environmental protection operational regulations are established based on the features of the industry, to ensure each environment management actions are taken effectively. Convened by the President, with the heads of Proprietary Trading Department, Investment Banking Department, Finance Department, Risk Management Department, Administration Department, and Planning Office serving as members, and coordinated by the Planning Office. The functional teams will be set up based on the environment issues later.	N/A
(II) Does your Company dedicate in promoting energy utilization efficiency, and use renewable materials that have low impact to the environment?	V		(II) The Company is a financial and securities firm with low pollution. It has not manufactured any product for sales, nor has it sold any product packaging material that has been demanded to be recalled. The Company is dedicated to improving the efficiency of all resources used. It has been active in the promotion of a paper-less environment by introducing new measures such as: e-statement, e-bulletin, e-signature, and use of electronic presentation in meetings. Employees are encouraged to make double-sided photocopies, and a recycling tray has been placed near all photocopying machines to reduce the use of paper. Recycling bins have been placed on each floor for sorting of resources to reduce pollution and resource waste to achieve sustainable use of resources.	N/A
(III) Does your Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		(III) 1. As the highest supervisory unit for the risk management, it includes the impact from climate change as one of the key risk to the Company; the climate change risk and opportunity related issues are managed via the risk management mechanism. 2. The ESG Committee is established internally, convened by the President, with the heads of Proprietary Trading Department, Investment Banking Department, Fixed Income Department, Derivative Department, Finance Department, Risk Management Department, Administration Department, and Corporate Planning Office serving as members, and coordinated by the Planning Office, and the climate and environment task force taking charge of the impacts from the climate-related issues on the Company. 3. Complying with the climate-related financial disclosure recommendations issued by the international organization, TCFD, relevant business of each unit is facilitated; by evaluating the risks and opportunities, and then using the scenario analysis tool to evaluate the Company as a whole, the stress test and output results are confirmed, such as the degree of financial impact. 4. The Company's annual climate change risks and opportunities are identified as follows (based on the TCFD methodology; others are annual scenario identification): (1) Risks: Policies and Regulations: Increase GHG emissions pricing and reinforce emission reporting obligations. Technology: Green products replace existing products and services/ customer behaviors change. Long-term: changing rainfall patterns/ rising average temperatures Immediate: heightened frequency and severity of typhoons and flooding. (2) Opportunities: Market: participation in the carbon trade market. Products and services: develop or add low carbon products and advisory services/ consumer preference shifts. 5. The Company and its subsidiaries will formulate short-, medium- and long-term strategies, to reduce the aforesaid risk and evaluate the results of scenario analyses; while establishing management measures, set up structures and indicators, and report to the Sustainable Development Committee for confirmation, and the board of directors will make decisions. . 6. There are the following countermeasures specific to the opportunities:	N/A

Promotion Item	Implementation (Note 1)			Variance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
(IV) Does your Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?	V		<p>Report the information relevant to greenhouse gas inventory regularly to confirm the source of emission.</p> <p>Continue to conduct energy-saving and carbon reduction programs, plan the direction of total emission reduction, reduce costs such as power consumption and water consumption, and develop sustainable development strategies to reduce environmental impact.</p> <p>7. The Company's risks and opportunities of climate change will be disclosed in the Company's 2021 annual sustainability report.</p> <p>(IV) The Company is extremely concerned about mitigating global warming and conserving energy to protect the environment. In response to the government's environmental policies, the Company continues to enforce energy-saving and carbon-reducing regulations in hopes of reducing the consumption of earth resources to create green-value services and build corporate culture with environmental awareness. The Company conducts greenhouse gas inventories on an annual basis. In 2020, CO2 emissions generated by the use of water, electricity and fuels have amounted to approximately 4.204 million kgs, and in 2021 was 3.988 million kgs. The Company's wastes come from living wastes. To implement waste reduction, resources are recycled and reused, and wastes are classified into general wastes (food residuals included) and recyclable resources. Employees categorize the garbage at the temporary storage area, and the property management of the building or the cleaning vendor will clean and remove the garbage. The general wastes are moved to the incineration plant for disposal by the qualified waste cleaner; the recycling vendors remove the recyclable resources.</p>	
4. Social issues				
(I) Does your company have management policies and procedures in accordance with relevant regulations and International Bill of Human Rights?	V		<p>(I) The labor terms agreed to by the Company with its employees regarding wages, days off, leave, retirement and compensation for occupational injuries have all met the requirements of the "Labor Standards Act" in order to protect the rights and interests of employees, ensure employee management and promote harmonious labor relations.</p> <p>In accordance with the "Act of Gender Equality in Employment", the Company has established the "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace". The Company has stipulated in the "Work Rules" that all employees must be covered by labor insurance and the National Health Insurance. Subsidies for the premiums thereof will be provided by the Company in accordance with the applicable laws and regulations.</p> <p>The Company's policies regarding the recruitment, selection and employment of job applicants or the assignment, placement, performance appraisal, promotion, training and remuneration of employees do not discriminate on the basis of gender, sexual orientation, age, race or religion.</p>	N/A
(II) Does your company establish and implement reasonable employee benefit measures (including remuneration, leave and other benefits)? Is the operating performance or result properly reflected in the remuneration for employees?	V		<p>(II) The Company has established the Work Rules and other relevant personnel regulations and systems, whose scope includes minimum wages, working hours, leave, pension payments, labor and health insurance benefits and compensation for occupational injuries. They are all in compliance with the relevant requirements under the Labor Standards Act. The Company has established an Employee Welfare Committee. Elected by the employees, the Committee is in charge of all welfare-related affairs. The Company's remuneration policy is based on personal merits, degree of contribution to the Company and work performance, and is positively related to the operating performance of the Company.</p>	N/A
(III) Does your company provide a safe and healthy work environment to its employees? Does your company regularly provide its employees with safety and health education?	V		<p>(III) The Company offers a clean environment to its employees, who are also provided with safety protection equipment required for their safety and health. Moreover, the Company regularly inspects the work environment, organizes health examination for its employees and invites doctors from the Cathay General Hospital to provide health consultation services on site.</p>	N/A

Promotion Item	Implementation (Note 1)			Variance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
			Employee Health	<p>(I) Statutory benefits</p> <ol style="list-style-type: none"> Labor and national health care insurances. The "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace" has been established. "Employee lactation rooms" have been set up. Regular health examinations have been organized for employees. Doctors have been engaged to provide regular consultation services, including health education, health promotion and health guidance for employees, at the Company's Head Office. <p>(II) Measures provided above legal requirements</p> <ol style="list-style-type: none"> The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. Employees are invited to include their family members into group insurance at discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members Free massage services have been provided to the employees of the Head Office. The seminars including "exercises in the office," "stretch in the office," "training for office workers," and "health diets," to promote the health exercise and diet concepts to employees. The "Regulations for Management of the Establishment of Recreational and Charitable Clubs and Their Funding" has been established to encourage the employees to get into the habit of participating in sports and charitable activities.
			Environmental health	<ol style="list-style-type: none"> A set of "Tobacco Hazard Prevention Measures" was implemented. The Company acquired "Badge of Accredited Healthy Workplace" from Health Promotion Administration, Ministry of Health and Welfare. The Company has been certified as an "iSports Corporation" by the Sports Administration, Ministry of Education.
			Safety of work environment	<p>Safety certification</p> <p>The Company has received the ISO 22301 certification for business continuity management. The primary purpose of the certification is to ensure that the Company will be able to minimize damage in any sudden event of emergency to maintain personnel safety, compliance, customers' rights and interests, the Company's goodwill and security of the Company's assets, and to make sure the important business activities of the Group can gradually resume within the target recovery time to maintain operations.</p> <p>Certification for personal information</p> <p>The Company is the first financial institution to obtain international certification for personal information management with respect to securities, futures, and insurance brokerage/agency services. It shows that the Personal Information Management System (PIMS) adopted by the Company offers effective protection and management of personal information, and complies with all requirements of the Personal Data Protection Act to protect the rights of information owners, while at the same time minimize possible impacts from event of attack. It represents the Company's commitment to continually manage and improve its personal information management system.</p> <p>Workers' safety</p> <p>The Company has complied with the "Occupational Safety and Health Act" by appointing an OSH Officer, a team of first aid officers, and organizing training according to the Worker Safety Education Principles.</p> <p>The Company has established and implemented an "Ergonomic Hazard Prevention Program" to prevent musculoskeletal injuries or illnesses caused by work activities. In addition, it has formulated and promoted the "Abnormal Workload Induced Disease Prevention Plan" to plan and take the necessary safety and health measures for the prevention of diseases caused by abnormal workloads such as shifts, night work, and long working hours</p> <p>In 2021, there was one case of occupational disaster involved one employee, accounting for 0.14% of the total number of employees (703 employees) reported for occupational disasters. This incident is an employee scald incident, and a warning notice has been posted at the site of occurrence to avoid recurrence.</p> <p>Fire safety</p> <ol style="list-style-type: none"> Fire drills have been held on a regular basis. In accordance with the Fire Services Act and its Enforcement Rules, a fire safety manager has been appointed. The manager has regularly attended seminars and recurrent training sessions.

Promotion Item	Implementation (Note 1)			Variance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons		
	Yes	No	Summary description			
			<table border="1"> <tr> <td>Safety assurance</td> <td>All of the Company's business premises and branches are covered by the following insurance: 1. Commercial fire insurance; 2. Electronic equipment insurance; 3. Public accident liability insurance.</td> </tr> </table>	Safety assurance	All of the Company's business premises and branches are covered by the following insurance: 1. Commercial fire insurance; 2. Electronic equipment insurance; 3. Public accident liability insurance.	
Safety assurance	All of the Company's business premises and branches are covered by the following insurance: 1. Commercial fire insurance; 2. Electronic equipment insurance; 3. Public accident liability insurance.					
(IV) Does your company have effective programs for development and training regarding employees' career skills?	√		<p>(IV) The Company has the following programs for development and training regarding employees' career skills:</p> <ol style="list-style-type: none"> To cultivate all kinds of professional talents, the Company has designed comprehensive training programs based on the different career stages and organizational development needs of employees at all levels to provide timely and diverse learning channels for the employees in order to achieve win-win benefits from the development of organizational talents and personal careers. These include: orientation, specialist training, management reserve training, management growth training, and seminars hosted by renowned experts and scholars on the topic of finance. In addition, Capital Finance College was founded in 2007 to nurture the Company's managerial staff. The Company trains its sales force intensively using nation-wide video conferencing and broadcast to help them develop professional qualities and skills. Many e-learning courses have also been designed to enhance outcome of the learning process. By utilizing digital means, employees are able to learn and grow anytime, anywhere. To encourage the employees to acquire financial certificates, the Company has established regulations concerning incentives for professional exams and subsidies for the application fees of certification exams. 	N/A		
(V) Does your company conform to the relevant regulations and international standards with respect to customer health and safety, customer privacy, marketing and labeling for products and services? Does your company establish the relevant consumer or customer rights protection policies and complaint procedures?	√		<p>(V) The Company is a securities financial service provider. To ensure customer privacy and transaction security, the Company follows the Personal Data Protection Act and securities-related regulations, to formulate the personal target management and policies, and internal regulations such as management measures for personal data protection, to safeguard customer's privacy and transaction security. The Company also obtained the ISO/IEC 27001:2013 & BS10012:2019 international standard verification certificate issued by British Standards Institute (BSI), the internationally recognized third-party verification institution. In order to provide appropriate financial services to consumers and manage marketing, while formulating internal regulations protecting financial consumers and customer interest including fair customer service standards, understand customer evaluation procedures and advertising, production of promotional materials for business solicitation and sales promotion activities, distribute and announce management measures.</p> <p>Where any complaint is filed, the Company has also formulated the principles of handling business disputes as the basis for handling complaints.</p>	N/A		

Promotion Item	Implementation (Note 1)			Variance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
(VI) Does your company establish any supplier management policy that requires suppliers to comply with regulations concerning environmental protection, occupational safety and health or labor rights? What's the status of its implementation?	V		(VI) The Company has established the "Supplier Operational Regulations," regulating that suppliers need to cooperate with the operation-related description in terms of environmental protection, occupational safety and health or labor human rights. If the supplier violates these regulation, improvements or corrections may be requested. If necessary, the Company may terminate or rescind the contract at any time. Where the Company suffers damage, the damage will be claimed. In addition, the Company selects suppliers based on their social responsibility and code of ethics performance. By selecting the suppliers with good performance, and eliminating the suppliers with poor performance, all suppliers are encouraged to take measures to improve their social responsibility and code of ethics. In 2021, no supplier has been found for negative news related to violation of human rights and labor rights	N/A
V. Does your company use internationally accepted standards or guidelines for preparation of reports as reference in preparing the sustainability reports and other reports disclosing non-financial information of the company? Do the aforementioned reports receive assurance or guarantee opinions from any third-party verifying agency?	V		The Company prepares the sustainability report (previously corporate social responsibility report) pursuant to the Taiwan Stock Exchange Corporation "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" and the internationally recognized report preparation guide of Global Reporting Initiative (GRI). In 2021, the 2020 CSR report prepared by the Company has been certified by BSI, the third-party verification institution (guarantee). The 2021 Sustainable Report prepared this year (2022) will be commissioned to Ernest and Young Taiwan for certification (assurance).	N/A
<p>VI. In the event the company has established its own sustainable development principles in accordance with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between the actual implementation of CSR and the company's own CSR principles:</p> <p>The Board of Directors of the Company adopted the Corporate Social Responsibility Best Practice Principles on January 28, 2015, and amended as the "Sustainable Development Best Practice Principles" in the board meeting on March 14, 2022; all relevant activities have complied with the Principles.</p>				
<p>VII. Other important information useful for understanding the status of CSR implementation:</p> <p>The Company has been publishing corporate social responsibility reports on a regular basis since 2015; and renamed the report as the sustainability report since 2022.</p> <p>Company has also created a CSR section on its website to disclose relevant and reliable information concerning the CSR report. Stakeholders are able raise queries via phone, website, or email, and the Company will respond to such queries individually.</p>				

Note 1: Where the status of operation is "Yes", please describe the important policies, strategies and measures adopted and the status of their implementation. Where the status of operation is "No", please explain the reasons in the field of "Fulfillment of Sustainable Development and Variance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons" and describe the plans for adopting relevant policies, strategies and measures in the future.

Note 2: The materiality principle means those environmental, social and corporate governance issues that have material impact to the investors and other stakeholders of the company.

Note 3: Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

(6) Integrity performance

Status of implementation of ethical management, differences with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof.

Assessment criteria	Compliance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
1. Establishment of ethical management policies and programs				
(1) Does your company establish ethical management policies adopted by the Board of Directors? Does your company clearly specify, in its regulations and external documents, the ethical management policies and practice and the commitment of the Board of Directors and the management to rigorous and thorough implementation of those policies?	✓		(1) At the 5th extraordinary meeting of the 8th Board of Directors (2012.03.29), the Company adopted the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct". The Board of Directors and the senior management have been actively fulfilling the commitments of the ethical management policy, and they have signed a statement of compliance with the ethical management policy and thoroughly implemented the policy in internal management and business activities. Details of the business integrity policy have been disclosed on the Company's website to provide counterparties, customers and business-related institutions and personnel with a better understanding of the Company's integrity philosophy and policy.	N/A
(2) Does your company establish a risk assessment mechanism against unethical conduct to analyze and assess, on a regular basis, operating activities within its business scope which are at a higher risk of involving unethical conduct, and accordingly establish programs to prevent unethical conduct? Do such programs include at least measures to prevent the acts specified under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(2) The Company has established a mechanism to assess the risks of unethical conduct, and has prepared the "Unethical Conduct Self-Assessment Form" for regular analysis and assessment. With regard to operating activities within the business scope that are at a higher risk of involving unethical conduct, they are specifically subject to the relevant regulations.	N/A
(3) Does your company specify, in the programs for prevention of unethical conduct, the operational procedures, code of conduct, punishment for violations and complaint systems? Have such programs been implemented and regularly reviewed and revised?	✓		(3) The Company's "Procedures for Ethical Management and Guidelines for Conduct" includes requirements and procedures for handling all kinds of unethical conduct, incorporates ethical management into the policies for employee performance appraisal and human resources, and establishes clear and effective systems for rewards, punishments and complaints. Where the unethical conduct is severe, the employee engaging in such conduct will be dismissed pursuant to the applicable laws or regulations or the Company's personnel regulations. The Ethical Management Committee of the Company regularly assesses whether the prevention measures taken for the purpose of implementing ethical management are effective, and evaluates compliance with ethical management in the relevant operating procedures. The relevant requirements are reviewed and revised in line with changes in internal and external laws and regulations.	N/A

Assessment criteria	Compliance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
2. Implementation of ethical management				
(1) Does your company assess the past records of the counterparties regarding ethics? Do contracts between the company and the counterparties expressly include provisions governing ethical conduct?	✓		(1) In signing a contract with any counterparty, the Company will ensure full understanding of the status of ethical management conducted by the counterparty and specifies in the contract that where any party is discovered to be engaged in unethical conduct in business activities, the other party may terminate or cancel the contract unconditionally at any time.	N/A
(2) Does your company have a special unit as subordinate to the Board of Directors for the implementation of corporate ethical management? Does the unit regularly report (at least annually) to the Board of Directors regarding the ethical management policies and unethical conduct prevention programs and the supervision and implementation thereof?	✓		(2) The Company has set up an Ethical Management Committee responsible for establishing, supervising and implementing ethical management policies and prevention programs. The Committee meets at least annually to review the performance of ethical management and submit a report (at least annually) in this regard to the Board of Directors. The Company has "Integrity Code of Conduct" and "Operational Procedures and Guidelines of Ethical Corporate Management Best Practice" in place. They exist to enforce integrity principles throughout internal management and commercial activities. The Company has actively raising the awareness among its employees of operating activities within the business scope that are at a higher risk of involving unethical conduct. The Company has also organized courses on ethical management and designed a system of post-course tests, which must be passes by the employees to complete the courses. In 2021, the Company organized online courses on a total of 20 different topics (including promotion of securities regulations, ethical corporate management regulations, principles of handling business disputes, prohibited conducts of securities personnel, promotion of CSR, stewardship, introduction of whistleblowing system, Financial Consumer Protection Act and principle of fair treatment to customers, promotion of regulations related to handling internal material information and insider trading). 38,016 employees had completed the above online training for a total of 45,293 hours.	N/A
(3) Does your company have policies against conflicts of interest and provide proper channels through which explanations may be given? Has the company implemented them?	✓		(3) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" and "Regulations for Prevention of Conflicts of Interest in Concurrent Activities Carried Out by Business Personnel on an Engaged Basis". When a director of the Company or the juristic person represented thereby has a stake in any proposal at a meeting and where the stake would prejudice the interests of the Company, that director may state opinions and respond to questions at the meeting, may not participate in the	N/A

Assessment criteria	Compliance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			discussion or vote on that proposal, and shall recuse himself/herself. The relevant circumstances will be recorded in the minutes of the meeting. If any employee conducting business discovers that a potential conflict of interest exists involving himself/herself or any of his/her stakeholders obtaining improper benefits, the employee shall report the relevant circumstances to both the departmental manager and the dedicated unit of the Company, and the departmental manager shall provide proper instructions.	
(4) Does your company establish effective systems for accounting and internal control to ensure the implementation of ethical management? Do the company's internal auditing units formulate relevant audit plans based on the results of assessment on the risks of unethical conduct and accordingly audit the compliance with the unethical conduct prevention programs? Or are audits conducted by commissioned CPAs?	✓		(4) In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", the Company has designed and established the "accounting system" and "internal control system". Based on the internal control system, the internal auditing unit formulates auditing plans for regular audits.	N/A
(5) Does your company regularly hold internal and external education and training sessions regarding ethical management?	✓		(5) The Company organizes integrity training on a regular basis. Employees are required to pass a post-course exam to be considered of having completed the course. In 2021, the Company organized online courses on a total of 20 different topics (including promotion of securities regulations, ethical corporate management regulations, principles of handling business disputes, prohibited conducts of securities personnel, promotion of CSR, stewardship, introduction of whistleblowing system, Financial Consumer Protection Act and principle of fair treatment to customers, promotion of regulations related to handling internal material information and insider trading). 38,016 employees had completed the above online training for a total of 45,293 hours.	N/A
3. Functioning of the whistleblowing system				
(1) Does your company have concrete systems for whistleblowing and rewards? Does your company have convenient channels in place for whistleblowing and has it appointed appropriate personnel to deal with the persons who are the subject of whistleblowing?	✓		(1) During the 15th meeting of the 10th board of directors held on 2018.11.22, a set of "Whistleblower System Implementation Guidelines" was passed to support a corporate culture of integrity, transparency and progress and to encourage report of illegal conducts. The Auditing Department was assigned the responsibility to receive and investigate reported cases. Informants may raise reports through phone, e-mail or written mail.	N/A
(2) Does your company establish standard operating procedures for investigation of matters reported by whistleblowers, measures to be taken following the	✓		(2) According to the Company's "Whistleblower System Implementation Guidelines," any person discovering a likelihood of any crime, fraud or violation of law in the Company may	N/A

Assessment criteria	Compliance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
conclusion of investigation and relevant mechanisms for confidentiality?			submit a whistleblowing report. The types of cases that employees may report on include: crime, fraud or any occurrence likely to constitute a violation of law. The Auditing Department has been assigned the responsibility to handle and investigate reported cases. Where a report has been found to be true by investigation, the person accused in the report shall be immediately required to cease the actions concerned, and the relevant departments shall propose measures for review and improvement. Where any material violation or any likelihood of damage to the Company is involved, it shall be reported to the Audit Committee, and compensation for damage will be claimed through legal proceedings if necessary to protect the reputation, rights and interests of the Company. The Company shall maintain confidentiality of the identity information of any whistleblower, Where the principle of confidentiality is violated and such violation is found to be true by investigation, it shall be referred to the Personnel Inquiry Committee for review and processed in accordance with the relevant work rules of the Company.	
(3) Does your company take any measures to protect whistleblowers from improper treatment as a result of their whistleblowing?	✓		(3) The Company ensures that whistleblowers are not subjected to adverse treatment of any kind, such as dismissal, relief of duty, demotion, salary cut, or any loss of benefit that they are entitled to under laws, contracts or customary practices, as a result of the reports they raise.	N/A
4. Strengthening disclosure of information Does your company disclose the contents of its ethical management principles and outcome of implementation on its website and the Market Observation Post System?	✓		The "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" are disclosed on the Company's internal and external websites and the MOPS. The status of implementation of ethical management is also disclosed thereon.	N/A
5. In the event your company has established its own ethical management best practice principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between the implementation of ethical management and the company's own ethical management best practice principles: The Company's operations, "Integrity Code of Conduct" and "Operational Procedures and Guidelines of Ethical Corporate Management Best Practice" are fully compliant with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."				
6. Other important information helpful for understanding the implementation of your company's ethical management: (such as review and amendment of the company's own ethical management best practice principles) In accordance with the requirements of the competent authority, the Company has reviewed or revised the regulations related to ethical management, which have been approved by the Board of Directors and disclosed on the Company's website, the MOPS and internal sites to enable investors and employees to understand the ethical management policies of the Company.				

Note : Always provide explanations in the summary description column, regardless of whether there are any deviations from the best practice principles.

(7) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The Company's corporate governance policies have been disclosed at:

1. MOPS/Corporate Governance.
2. The Capital Group (www.capital.com.tw)/About Capital/Corporate Governance.

(8) Other important information helpful for increasing understanding of your company's corporate governance may be disclosed along with the above information: None.

(9) Internal Control Systems

1. Statement of Internal Control System:



Capital Securities Corporation Statement of Internal Control System

Date: March 14, 2022

The following declaration has been made based on the 2021 self-assessment of the Company's internal control system:

1. The Company is aware that creation, implementation, and maintenance of internal control system are the responsibilities of its board of directors and management, and has duly established such a system. The purpose of internal control system is to provide reasonable assurances concerning the outcome and efficiency of the Company's operations (including profitability, business performance, and asset security), the reliability, timeliness, and transparency of reported information, and compliance and accomplishment of relevant regulations and goals.
2. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably assure the achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the effectiveness of its internal control system design and execution using the criteria outlined in "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each major element is further broken down into several subelements. Please refer to the "Regulations" for more details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Taiwan Depository & Clearing Corporation ("TDCC") examined the shareholder services handled by the Company for an extraordinary shareholders' meeting of XX Co., Ltd. (hereinafter referred to as "XX Company") on April 9, 2021, and found that, when handling the shareholder services, the Company issued a certificate of shareholding with calculation error to the shareholder of XX Company for solicitation of proxy, giving rise to disputes at the extraordinary shareholders' meeting of the company. Thus, the Financial Supervisory Commission ("FSC") imposed a fine of NTD 720,000 on the Company. The aforesaid deficiency has been corrected, and has no impact on the Company's achievement of overall internal control system objectives.
6. Based on the assessment result in item 4, the Company holds that the design and implementation of the Company's internal control system (including the supervision and management of subsidiaries and the overall implementation of information security) as of December 31, 2021 can provide reasonable assurance regarding the following (except for matters set forth in the appendix): (1) the management understands the degree of achievement of operational effectiveness and efficiency objectives; (2) the reporting is reliable, timely, and transparent and complies with applicable rules; and (3) applicable laws, regulations, and bylaws have been complied with.
7. This statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
8. This declaration was passed unanimously without objection by all 11 Directors present at the board meeting dated March 14, 2022.

Capital Securities Corporation

Chairman: Jiunn- Chih Wang

President: Chia, Chung-Tao

Chief internal auditor : Huang, Chi-Ming

Chief information security officer : Chiu, Jan-Hwa






Capital Securities Corporation Enhancement Items and Improvement Plan for Internal Control System



(Base Date: December 31, 2021)

Enhancement Items	Improvement Measures	Expected Completion Date of Improvement
<p>The Financial Examination Bureau performed a general business examination on the Company during October 21 and November 12, 2020, and found the following deficiencies: The Company did not implement the internal control system when opening accounts for insiders (directors, supervisors, employees, and their spouse and minor children) for securities brokerage trading, when reviewing the credit standing of customers who apply for an amount of brokerage trading, when screening the conflict of interest of business personnel of the brokerage trading, and when handling the public subscription in an underwriting case for an initial listing on a stock exchange or an OTC market or an underwriting case for a cash capital increase, which violated the provisions of Paragraph 2 of Article 2 of the Regulations Governing Securities Firms. The FSC imposed on fine of NTD 240,000 on the Company in accordance with Subparagraph 4 of Paragraph 1 of Article 178-1 of the Securities and Exchange Act. (Jin-Guan-Zheng-Quan-Fa-Zi No. 1100335294, dated May 7, 2021)</p>	1. The Company has advocated the implementation of and compliance with securities laws and the “Regulations for the Management of Accounts Opened by Insiders for Trading of Securities and Futures” established by the Company. The Company has established a system checking and early warning notification system, under which the system will generate and send early warnings on a monthly basis.	Completed
	2. The Company requires strengthening the review of the credit standing of customers who apply for a cross-branch amount of brokerage trading, and those with limited capacity for civil conduct.	Completed
	3. The Company has developed a system which can effectively provide data related to the screening of the conflict of interest, to improve the correctness of the screening data and confirmation efficiency.	Completed
	4. The Company has updated the operating procedures for the verification of customers who electronically order for subscription under the same IP address, and notified the branches to cooperate.	Completed
<p>The Financial Examination Bureau performed an examination on the Company during November 3 and 12, 2020 in respect of anti-money laundering and countering</p>	1. The Company has notified relevant personnel to adjust anti-money laundering risk attributes of customers and create database files in accordance with the Company's regulations.	Completed

<p>financing of terrorism ("AML/CFT"), as well as non-proliferation, and found the following deficiencies: The Company did not follow its regulations when adjusting the anti-money laundering risk attributes of customers and creating database files; the Company did not collect data sufficient to identify the actual beneficiary when performing the customer due diligence ("CDD") on foreign institutional investors (FINI), or did not review the existing business relationships when opening additional accounts for existing customers; the Company did not perform the CDD on high-risk customers according to the specified time interval, or did not immediately perform enhanced CDD on corporate customers who were upgraded to high-risk customers; and the Company did not include the monitoring types issued by the associations of financial services industry in the monitoring to suspicious money laundering or terrorism financing transactions, which violated the provisions of Paragraphs 5 and 7 of Article 3, Paragraphs 1 and 3 of Article 5, and Paragraph 5 of Article 9 of the Regulations Governing Anti-Money Laundering of Financial Institutions. The FSC, in accordance with Paragraph 5 of Article 7 of the Regulations Governing Anti-Money Laundering of Financial Institutions, imposed a fine of NTD 500,000 on the Company for its violation of the Regulations Governing Anti-Money Laundering of Financial Institutions. (Jin-Guan-Zheng-Quan-Fa-Zi No. 1100341888, dated October 19, 2021)</p>	<ol style="list-style-type: none"> 2. The Company has required that relevant business personnel collect data sufficient to identify the actual beneficiary from customers when opening FINI accounts. 3. The Company has advocated that when performing CDD on new customers and the ongoing CDD, the business personnel should obtain relevant certification documents from domestic and overseas general corporate customers, to identify all substantial beneficiaries. 4. The system will automatically screen the list of customers on whom CDD shall be performed again, and notify the relevant personnel by email to perform the CDD on a periodic basis. 5. The Company has revised its AML/CFT policies and the screening criteria for monitoring type parameters by reference to the monitoring types issued by the associations of financial services industry and considering the trading practices of the securities market. 	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>
<p>TDCC examined the shareholder services handled by the Company for an extraordinary shareholders'</p>	<ol style="list-style-type: none"> 1. The Company has restated that, when a certificate of shareholding is issued for solicitation of proxy, shares of a shareholder that are deposited 	<p>Completed</p>

<p>meeting of XX Co., Ltd. (hereinafter referred to as the "XX Company") held on April 9, 2021, and found the following deficiency: When handling the shareholder services, the Company issued a certificate of shareholding with calculation error to the shareholder of XX Company for solicitation of proxy, giving rise to disputes at the extraordinary shareholders' meeting of XX Company, which violated the provisions of Paragraph 3 of Article 3 and Paragraph 2 of Article 6 of the Regulations Governing the Administration of Shareholder Services of Public Companies and Paragraph 2 of Article 2 of the Regulations Governing Securities Firms. The FSC imposed on fine of NTD 720,000 on the Company in accordance with Subparagraph 4 of Paragraph 1 of Article 178-1 of the Securities and Exchange Act. (Jin-Guan-Zheng-Quan-Zi No. 1100364002, dated January 5, 2022)</p>	<p>into a TDCC account shall be verified according to the securities passbook presented by the shareholder or the balance statement issued by the TDCC, calculated in writing, and then reviewed by others; and the personnel education and training shall be strengthened.</p>	
<p>The Financial Examination Bureau examined the Company's information operations during May 10 and 12, 2021 and during June 15 and 24, 2021, and found the following deficiencies:</p> <ol style="list-style-type: none"> 1. Deficiencies in vulnerability scanning: <ol style="list-style-type: none"> (1) The Company failed to implement its regulations. For example, the standard operating procedures stipulate that high-risk vulnerabilities shall be fixed within one month. However, these vulnerabilities had not been fixed during the examination period, and the vulnerability tracking was not effectively implemented, giving rise 	<ol style="list-style-type: none"> 1. The Company will complete the fixing of high-risk vulnerabilities prior to March 31, 2022. 	<p>It is predicted that the Company will complete rectifications prior to March 31, 2022.</p>

<p>to a high system risk.</p> <p>2. Deficiencies in information security monitoring, which were not conducive to network security defense:</p> <p>(1) The official external service website is deployed in a demilitarized zone (DMZ). Although the Company has deployed firewalls, intrusion detection and warning systems and webpage anti-tampering systems for monitoring purpose, it did not establish other defense mechanisms.</p> <p>(2) The company had no information security incident detection management platform to manage operating systems and information security equipment, and it did not set and regularly review and revise alarm indicators, and analyze abnormal records, which was not conducive to monitoring adverse network security events in a timely manner.</p>	<p>1. The Company will establish a web application firewall (WAF) according to the examination opinions.</p> <p>2. The Company will establish an information security incident detection management platform according to the examination opinions.</p>	<p>It is predicted that the Company will sign contracts and make purchases prior to June 30, 2022 and complete the system implementation prior to December 31, 2022.</p> <p>It is predicted that the Company will sign contracts and make purchases prior to June 30, 2022 and complete the system implementation prior to December 31, 2022.</p>
<p>3. Deficiencies in the management of IoT devices:</p> <p>(1) The Company has made an inventory of IoT devices and created a register for management, but the inventory register did not set forth the IP address, storage location, manager, and other related information.</p> <p>(2) As of the date of completion of the examination, the Company had not performed vulnerability scanning on IoT devices.</p>	<p>1. The Company will make an inventory of IoT devices again.</p> <p>2. The Company will perform vulnerability scanning on IoT devices.</p>	<p>It is predicted that the Company will complete rectifications prior to March 31, 2022.</p> <p>It is predicted that the Company will complete rectifications prior to June 30, 2022.</p>
<p>4. Deficiencies in the management of mobile application (app):</p> <p>(1) The mobile app did not alert the user of the</p>	<p>1. The Company will, according to the examination opinions, require the outsourced vendor to develop a feature to detect the security of the mobile device on which the mobile</p>	<p>It is predicted that the Company will complete rectifications prior to March 31, 2022.</p>

<p>corresponding risk when the app detected that the mobile device on which it run was insecure (the device was rooted, jailbroken, or had the USB debugging feature enabled).</p> <p>(2) Upon testing, the mobile app can be installed and executed on an emulator, which exposed the mobile app to the risk of being cracked, and thus was detrimental to the security of the mobile app.</p> <p>5. The Company could not obtain the source code of the outsourced vendor. Though the outsourcing contract required that the vendor's program shall comply with security requirements, it did not require the vendor to provide documents establishing compliance with the security requirements, including avoiding information security vulnerabilities such as malicious program, adopting an integrity verification mechanism, preparing the corresponding update version when the program's reference library is updated, and performing security check and establishing an injection attack protection mechanism for character strings entered by users, which was not conducive to verifying the Company's implementation of 9(10)e of the Establishing Information Security Inspection Mechanisms for Securities Firms.</p>	<p>app runs, and give the relevant warnings.</p> <p>2. The Company will, according to the examination opinions, require the outsourced vendor to develop a feature to judge whether the mobile app is installed on an emulator, and give the relevant warnings.</p> <p>1. The Company will, according to the examination opinions, require the outsourced vendor to provide documents establishing compliance with security requirements.</p>	<p>It is predicted that the Company will complete rectifications prior to September 30, 2022.</p> <p>It is predicted that the Company will complete rectifications prior to March 31, 2022.</p>
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Note: Please list in detail the punishments of warnings or above or fines of NTD 240,000 or above which were imposed by the competent authorities. In addition, please list in detail the improvements for information security deficiencies found by the competent authorities, TWSE, TPEX, or TAIFEX during examination.

2. If review of the internal control system has been conducted by engaged CPAs, the CPAs' review report must be disclosed:

No CPA has been engaged in the current year to review the internal control system.

- (10) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement.

- (1) Letter from Taipei Exchange, dated April 12, 2021, Zheng-Jiao-Guei-Zhi No. 1100300348:

On February 24, 2021, the Company was found deficiencies when executing the quotation of Emerging Stock Kai Chieh International Investment Ltd. (2721) and the operations of buys and sells. The Company limited by shares was requested to fully improve and a NT\$100,000 penalty for contract breaching was imposed.

Status of improvement:

The internal control system has been reviewed with addition of a remedial mechanism for exemption system of excessive emerging stock quotation, and personnel training has been enhanced to strengthen legal compliance and ensure implementation of the internal control system.

- (2) Financial Supervisory Commission, dated May 7, 2021, Jin-Guan-Zheng-Quan-Fa-Zi No. 1100335294

Financial Examination Bureau conducted a general business inspection to the Company from October 21 to November 12, 2020, and it was found deficiencies violating Paragraph 2, Article 2 of the Regulations Governing Securities Firms. The FSX imposed a fine of NT\$240,000 pursuant to subparagraph 4, paragraph 1, Article 178-1 of the Securities and Exchange Act.

Status of improvement:

The internal control system has been reviewed with addition of a remedial mechanism of system or operational procedures, and personnel training has been enhanced to strengthen legal compliance and ensure implementation of the internal control system.

- (3) Financial Supervisory Commission, dated October 19, 2021 Jin-Guan-Zheng-Quan-Fa-Zi No. 1100341888

Financial Examination Bureau conducted a project inspection from November 3 to 12, 2020 to the Company, for inspecting the operations of anti-money laundering, counter terrorism financing, and anti-weapon proliferation. It was found deficiencies violating the Regulations Governing Anti-Money Laundering of Financial Institutions; the FSC imposed a fine of NT\$500,000 pursuant to Paragraph 5, Article 7 of the Money Laundering Control Act.

Status of improvement:

The internal control system has been reviewed with addition of a remedial mechanism of system or operational procedures and amendment to the Company's related regulations, and personnel training has been enhanced to strengthen legal compliance and ensure implementation of the internal control system.

- (4) Financial Supervisory Commission, dated January 5, 2022, Jin-Guan-Zheng-Quan-Fa-Zi No. 1100364002

When handling the shareholder services for ○○ Co., Ltd., the Company issued a certificate of shareholding with calculation error to the shareholder of ○○ Company for solicitation of proxy, giving rise to disputes at the extraordinary shareholders' meeting of ○○ Company, which violated the provisions of Paragraph 3 of Article 3 and Paragraph 2 of Article 6 of the Regulations Governing the Administration of Shareholder Services of Public Companies and Paragraph 2 of Article 2 of the Regulations Governing Securities Firms. The FSC imposed on fine of NT\$720,000 on the Company in accordance with Subparagraph 4, Paragraph 1, Article 178-1 of the Securities and Exchange Act

Status of improvement:

The Company has restated that, when a certificate of shareholding is issued for solicitation of proxy, shares of a shareholder that are deposited into a TDCC account shall be verified according to the securities passbook presented by the shareholder or the balance statement issued by the TDCC, calculated in writing, and then reviewed by others; and the personnel education and training shall be strengthened.

(11) Major resolutions passed in shareholder meetings and board of director's meetings held in the most recent year up till the publication date of this annual report:**1. Important resolutions of the Board of Directors and their implementation**

Major resolutions by the board of directors of Capital Securities Corp.:

1. 11th meeting, 11th Board of Directors (January 21, 2021)
 1. Agenda: Amendments to the Company's "Operational Procedures for Endorsements/Guarantees."
Resolution: The case was consulted by all the directors without objection.
Implementation: Approved after the deliberation of the 2021 annual general meeting.
 2. Agenda: Amendments to the Company's "Rules for the Election of Directors."
Resolution: The case was consulted by all the directors without objection.
Implementation: Approved after the deliberation of the 2021 annual general meeting.
2. 12th meeting, 11th Board of Directors (March 25, 2021)
 1. Agenda: Proposal of 2020 recommendations on the remuneration for employees and directors of the Company.
Resolution: The case was consulted by all the directors without objection.
Implementation: The remuneration was distributed as required and submitted to the 2021 annual general meeting for reporting.
 2. Agenda: Recommendations for distribution of the profits in 2020.
Resolution: The case was consulted by all the directors without objection.
Implementation: This motion has been raised for acknowledgment during the 2021 annual general meeting.
3. 4th extraordinary meeting, 11th Board of Directors (June 17, 2021)
 1. Agenda: Proposal to re-determine the date and venue to convene the 2021 AGM.
Resolution: The case was consulted by all the directors without objection.
Implementation: The operations related to 2021 AGM were proceeded, and announcement was made pursuant to requirements.
4. 14th meeting, 11th Board of Directors (July 26, 2021)
 1. Agenda: Liability insurance for directors, supervisors and essential employees in 2021.
Resolution: The case was consulted by all the directors without objection.
Implementation: Renewal of insurance was completed, with the insurance term starting from September 1, 2021 and ending on September 1, 2022.
5. 6th extraordinary meeting, 11th Board of Directors (September 06, 2021)
 1. Agenda: Proposal to elect the Vice Chairman.
Resolution: The case was consulted by all the directors without objection.
Implementation: Director, CHANG, CHIH-MING was elected as the Vice Chairman, and publicly announced and reported accordingly.
 2. Agenda: Proposal to appoint the Vice Chairman to concurrently serve as the Chief of Staff, and his remuneration
Resolution: Vice Chairman, CHANG, CHIH-MING recused due to conflict of interest; after consulting other attending directors by the chair, the proposal was approved without objection.
Implementation: the appointment of Vice Chairman, CHANG, CHIH-MING as the Chief of Staff and his remuneration took effect on September 6, 2021.
6. 16th meeting, 11th Board of Directors (November 11, 2021)
 1. Agenda: to cooperate with the financial information security action program of the FSC, the Company intended to set up the position of Chief Information Security Officer, and the Information Security Advisory Panel.
Resolution: The case was consulted by all the directors without objection. Implementation: implemented as proposed.
7. 17th meeting, 11th Board of Directors (January 20, 2022)
 1. Agenda: Proposal to file the dissolution and the liquidation of the Company's reinvestee, Capital Insurance Agency Corp., and recommendation of liquidator.
Resolution: The case was consulted by all the directors without objection. Implementation: The competent authority has been reported to pursuant to the regulations, and the approval was granted. The relevant operations of the dissolution and liquidation have been conducted pursuant to the regulations.
8. 7th extraordinary meeting, 11th Board of Directors (April 7, 2022)
 1. Agenda: Proposal of 2021 remuneration for employees and directors of the Company.
Resolution: The case was consulted by all the directors without objection.
Implementation: To be reported in the 2022 annual general meeting.
 2. Cause: Proposal for distribution of the profits in 2021.
Resolution: The case was consulted by all the directors without objection.
Implementation: To be reported in the 2022 annual general meeting for the ratification.

2. Resolutions of the shareholders' meeting (annual shareholders' meeting on July 14, 2021) and their implementation:

Item	Proposal	Resolution	Execution	
Approved items	Proposal (1)	Ratification of the 2020 business report and financial statements of the Company.	A statutory majority voted in favor, and the proposal was approved as proposed.	To proceed as resolved during the shareholders' meeting and announce accordingly.
	Proposal (2)	Cause: The Company's 2020 Statement of Earnings Distribution for approval.	A statutory majority voted in favor, and the proposal was approved as proposed.	Distribution was completed pursuant to the resolution of the annual shareholders' meeting, and the cash dividend per share was NT\$1.1 (ex-dividend base date: August 7, 2021; date of dividend distribution: August 27, 2021).
Discussion items	Proposal (1)	Discussion of the proposal for amendment to the "Procedures for Endorsements/Guarantees".	A statutory majority voted in favor, and the proposal was approved as proposed.	The amendment was announced on the Company's website, and the amended "Procedures for Endorsements/Guarantees" came into force.
	Proposal (2)	Amendment to the Company's "Procedures for Election of Directors" for discussion.	A statutory majority voted in favor, and the proposal was approved as proposed.	The amendment was announced on the Company's website, and the amended "Procedures for Election of Directors" came into force.

(12) In the event that any director expressed a dissenting opinion regarding any of the important resolutions adopted by the Board of Directors during the most recent year as of the date on which the annual report was printed, and that the opinion was recorded or delivered in writing, please describe its main contents: None.

(13) Resignation of relevant personnel in the last year, up till the publication date of this annual report

March 31, 2022

Title	Name	DATE ONBOARD	DATE DEPARTED	REASONS FOR RESIGNATION OR DISCHARGE
Executive Vice President	TAN, TE-CHENG	1991/12/17	2022/2/1	Retirement

Note: The relevant personnel means the Chairman, President, accounting manager, financial manager, chief internal auditor, chief corporate governance officer and R&D manager.

(14) Managers, directors and Independent Directors of the Company and their participation in continuing education and training related to corporate governance:

1. Manager:

Title	Name	Course started Time	Course ended Time	Organizer	Time	Course Name
President	CHIA, CHUNG-TAO	2021/03/19	2021/03/19	Taiwan Academy of Banking and Finance	6	Trust Supervisors On-the-job Training
		2021/12/14	2021/12/14	Taiwan Academy of Banking and Finance	3	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	CHEN, MING-SHING	2021/04/14	2021/04/14	Securities and Futures Institute	3	Corporate governance [Case study of M&A: centered at the hostile M&A]
		2021/09/03	2021/09/03	Taiwan Corporate Governance Association	3	Corporate governance: governance structure and case study of the family business inheritance
		2021/10/21	2021/10/21	Securities and Futures Institute	3	Corporate governance [Digital Transformation of Traditional Industries]
		2021/11/26	2021/11/26	Securities and Futures Institute	3	Corporate governance: Analysis of Financial Information and Decision Making for Businesses
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	XIE, XIU-YING	2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Vice President	LAI, AI-WEN	2021/01/20	2021/01/20	Taiwan Securities Association	3	Seminar on the Evaluation for Fair Customers Treatment Principle
		2021/12/02	2021/12/02	Taiwan Securities Association	6	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2021/12/10	2021/12/10	Taiwan Securities Association	6	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	HUANG, CHI-MING	2021/04/29	2021/04/29	Taiwan Stock Exchange Corporation	4	2021 Internal Control System and Standards Seminar for Securities Firms
		2021/11/30	2021/11/30	Financial Examination Bureau, Financial Supervisory Commission	2	Seminar of Internal Audit in Securities Firms
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	FANG, CHIH-HUNG	2021/02/24	2021/02/24	Taiwan Academy of Banking and Finance	3	Seminar for climate change risks
		2021/03/03	2021/03/03	Taiwan Securities Association	3	Corporate governance: trends and risk management of digital technologies and artificial intelligence
		2021/04/23	2021/04/23	Securities and Futures Institute	3	Risk management and accounting treatment of exchange rates
		2021/12/02	2021/12/02	Taiwan Academy of Banking and Finance	6	Workshop of financial fraud risk management
		2021/12/08	2021/12/08	Taiwan Academy of Banking	3.5	CORE Risk Management Series Practical Courses — counter measures and keys of

				and Finance		risk management for LIBOR conversion
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	ZHANG, PEI-WEN	2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	WANG, YA-FANG	2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	QIU, JIAN-HUA	2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	WU, YUN-WEN	2021/03/08	2021/12/20	Capital Securities Corporation	10	Qualitative and finance engineering program, National Taiwan University of Science and Technology
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	TAN, TE-CHENG	2021/09/07	2021/09/07	Taiwan Securities Association	3	Analysis of Financial Information and Decision Making for Businesses
		2021/09/07	2021/09/07	Taiwan Securities Association	3	Legal liability and case analysis of false financial reports and insider trading
		2021/11/08	2021/11/08	Securities and Futures Institute	3	Discussion on legal liability of insider trading
		2021/11/17	2021/11/17	Taiwan Securities Association	3	Corporate governance 3.0- sustainable development blueprint
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	CHOU, HSIEN-YANG	2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	HOU, LE-PING	2021/01/13	2021/01/13	Taiwan Securities Association	3	Preparation, key reviewing points, interpretation and analysis of financial statements
		2021/03/11	2021/03/11	Taiwan Securities Association	3	IFRS15 and 16: Recognition of revenue from contracts and recognition of leasing right-of-use Accounting principle
		2021/09/08	2021/09/08	Taiwan Securities Association	3	Analysis and Practical Implications of Corporate M&A Laws
		2021/11/17	2021/11/17	Taiwan Securities Association	3	Corporate governance 3.0- sustainable development blueprint
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	YAO, MING-QING	2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Executive Vice President	YANG, JIE- BIN	2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	XU, TSUI-YUN	2021/09/02	2021/09/02	Taiwan Securities Association	8	On-job Training of Securities Specialists
		2021/10/03	2021/10/03	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
		2021/03/08	2021/12/20	Capital Securities Corporation	10	Qualitative and finance engineering program, National Taiwan University of Science and Technology
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	ZHANG, JIA-WEN	2021/01/22	2021/01/22	Taiwan Securities Association	3	Corporate governance: the 5G development trend and industrial technology applications
Executive Vice President	LAI, JUN-FU	2021/09/02	2021/09/02	Taiwan Securities Association	8	On-job Training of Securities Specialists
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	TSENG, MEI-LING	2021/09/02	2021/09/02	Taiwan Securities Association	8	On-job Training of Securities Specialists
		2021/10/18	2021/10/18	Taiwan Depository & Clearing Corporation	3	2021 education and training for personnel in the shareholder service unit
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Executive Vice President	LIN, YAN-FEN	2021/11/06	2021/11/06	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives

Senior Vice President	CHEN, PEI-QI	2021/11/06	2021/11/06	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
Executive Vice President	WANG, JUAN-HUI	2021/03/19	2021/03/20	Chinese National Futures Association	9	On-job Training of Futures Specialists
		2021/12/02	2021/12/20	Taiwan Securities Association	12	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	ZHENG, SHU-FEN	2021/01/07	2021/01/08	Taiwan Securities Association	6	Fund Sales
		2021/10/03	2021/10/03	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
Executive Vice President	MA, JIA-HUAN	2021/03/19	2021/03/19	Taiwan Academy of Banking and Finance	6	Trust Supervisors On-the-job Training
		2021/09/02	2021/09/02	Taiwan Securities Association	8	On-job Training of Securities Specialists
Senior Vice President	ZHENG, YU-LING	2021/11/11	2021/12/22	Capital Securities Corporation	14	2021 Taxation course for high asset clients
		2021/12/29	2021/12/29	Capital Securities Corporation	3	"Trade Secrets Act" course
Senior Vice President	ZHANG, XUE-HE	2021/11/11	2021/12/22	Capital Securities Corporation	14	2021 Taxation course for high asset clients

2. Directors and Independent Directors:

Title	Name	Date	Organizer	Course Name	Hours of continuing education: (hour)
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	2021/09/01	Financial Supervisory Commission R.O.C. (TAIWAN)	The 13th Taipei Corporate Governance Forum (morning and afternoon session)	6
		2021/09/02	Taiwan Securities Association	In-service training of advanced class: financial market development policies and visions in Taiwan	3
		2021/10/22	Digital Governance Association	Practice of finance for M&A and planning of public listing in TWSE and TPEX	3
		2021/11/03	Digital Governance Association	Enterprise share-controlling management strategies	3
		2021/11/04	Digital Governance Association	International M&A management practice	3
		2021/11/15	Taiwan Listed Cabonet Companies Association	Oriental Leader Seminar: international trends of ESG and digital tactics	2
		2021/12/14	Taiwan Academy of Banking and Finance	Key Point of amended AML and CFT regulations, and the format risks - E-Course (1st term)	3.5
Vice Chairman	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	2021/12/09	Taiwan Corporate Governance Association	2021 corporate governance instructions - corporate climate governance, related risks and TCFD disclosure practices	3
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	2021/11/19	Securities and Futures Institute	Discussion of practice of AMT/CFT	3
		2021/11/29	Securities and Futures Institute	Discussion on Securities Investor and Futures Trader Protection Act and the responsibilities of directors and supervisors	3
Director	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	2021/09/01	Financial Supervisory Commission R.O.C. (TAIWAN)	The 13th Taipei Corporate Governance Forum (morning and afternoon session)	6
		2021/12/14	Taiwan Academy of Banking and Finance	The 112th Corporate Governance Seminar: Trend and effects of risk-oriented AML	3
		2021/12/08	Corporate Operation Association of the Republic of China	2021 the 8th session of the Agenda Officer of the Board, Best Practices of Board Operation Serial Seminar: Board compliance practices, legal responsibilities of directors and supervisors and case study	3
		2021/12/17	Corporate Operation Association of the Republic of China	2021 the 8th session of the Agenda Officer of the Board, Best Practices of Board Operation Serial Seminar: legal regulations and risk responsibilities must know by the directors, supervisors and insiders under corporate governance	3
Director	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	2021/09/27	Securities and Futures Institute	Legal responsibility of insider trading and case study for insider trading	3
		2021/11/09	Taiwan Academy of Banking and Finance	The 105th Corporate Governance Seminar: Discussion of the board of directors' functions from the prevention of corporate fraud	3
		2021/12/14	Taiwan Academy of Banking and Finance	The 112th Corporate Governance Seminar: Trend and effects of risk-oriented AML	3
Director	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	2021/09/27	Securities and Futures Institute	Legal responsibility of insider trading and case study for insider trading	3
		2021/11/09	Taiwan Academy of Banking and Finance	The 105th Corporate Governance Seminar: Discussion of the board of directors' functions from the prevention of corporate fraud	3
Director	Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN	2021/01/29	Securities and Futures Institute	Analysis and case study of related-party transaction for directors and supervisors	3
		2021/09/01	Financial Supervisory Commission R.O.C. (TAIWAN)	The 13th Taipei Corporate Governance Forum (morning and afternoon session)	6
Independent Director	SHEA, JIA-DONG	2021/04/19	Taiwan Securities Association	Wealth inheritance model - case study of equity and real estate transfer	3
		2021/04/27	Taiwan Academy of Banking and Finance	Corporate Governance Seminar – 3rd session of Fintech Series: talking about fintech innovation from financial	3

				consumer demands and controversies	
		2021/05/07	Taiwan Corporate Governance Association	Audit Committee Advanced Practice Sharing - M&A review and directors' responsibilities	3
		2021/08/03	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - 108th session: anti-tax avoidance laws and regulations, and trends of taxation money laundering	3
		2021/12/14	Taiwan Academy of Banking and Finance	The 112th Corporate Governance Seminar: Trend and effects of risk-oriented AML	3
Independent Director	LEE, SHEN-YI	2021/09/01	Financial Supervisory Commission R.O.C(TAIWAN)	The 13th Taipei Corporate Governance Forum (afternoon session)	3
		2021/10/05	Digital Governance Association	AVW mastering big data to improve business performance and implement ESG	3
		2021/10/06	Securities and Futures Institute	On the Responsibilities of Directors and Supervisors for Unlawful Activities in the Securities Market	3
		2021/11/05	Taiwan Corporate Governance Association	Illegal cases in the securities sector and responsibilities of directors and supervisors (including insider trading)	3
		2021/11/15	Securities and Futures Institute	The latest development trend and countermeasures of international carbon tariff	3
		2021/11/15	Securities and Futures Institute	Risks and opportunities of climate change and net-zero emissions policy for corporates' operations	3
		2021/11/18	Dharma Drum Mountain Humanities and Social Improvement Foundation	Corporate Social Responsibility Series - change the world with innovations	3
Independent Director	SU, PING-CHANG	2021/04/23	CPA Association of R.O.C. (Taiwan)	Corporate fraud and CPA's responsibility	3
		2021/09/07	CPA Association of R.O.C. (Taiwan)	Virtual currency and money laundering control	3
		2021/09/24	Securities and Futures Institute	Seminar on Practices of Directors, Supervisors (Including Independent Ones) and Chief Corporate Governance Officers: Discussion of trade secret cases	3
		2021/10/20	Taiwan Stock Exchange Corporation	2021 Legal compliance promotional seminar for insider equity transactions	3
		2021/12/08	CPA Association of R.O.C. (Taiwan)	The Latest Laws and Practices Analysis in Taxation during the Second Half of 2021	7
		2021/12/09	Taiwan Academy of Banking and Finance	Corporate governance and the audit committee operations	1 (course hours: 3 hours)
		2021/12/28	CPA Association of R.O.C. (Taiwan)	Regulations governing anti-money laundering for CPAs and practice sharing	3

(15) Qualification of personnel associated with financial transparency

Name of certification	Auditing Department (26 attendees)	Finance Department (41 attendees)	Risk Management Department (7 attendees)
Securities specialist	9	11	1
Senior securities specialist	23	13	6
Margin trading and short sale	12	2	1
Securities lending	4		
Futures specialist	21	6	4
Securities investment trust and consulting professional	11	7	
Securities investment trust and consulting laws (including self-governance rules)	1	2	
Bill finance specialist	2	2	
Life insurance representative	9	3	1
Investment-linked insurance representative	7	1	
Non-life insurance representative	8	1	
Qualification for non-investment foreign currency insurance products	7	2	
Wealth management specialist	14	2	
Stock affair specialist	1		
Bonds specialist	1		
Trust specialist	11	5	1
Trust manager	1		1
Trust laws		1	
Structured instrument specialist	1		1
Passed the CPA examination	1	2	
Bookkeeper		3	
First-time internal auditor seminar	12		
Bank internal control and internal audit		1	
Advanced securities capital adequacy ratio calculation and reporting personnel	8	16	7
Chartered Financial Analyst (CFA)			1
Financial Risk Manager (FRM)			4
Derivative sales personnel	1		
Foreign currency derivative course	4	5	1
Conducting Courses for 12-Hour Training of Foreign Exchange Spot Transactions		21	1
Proficiency test for junior foreign exchange specialist		1	
Certified Anti-Money Laundering Specialist (CAMS)	1		
AML and CTF Specialist Exam	2		
AML and CTF 12-hour courses	2		
AML and CTF 24-hour courses	3		
Total	177	107	30

5. Disclosure of CPAs' remuneration

(1) Disclosure of CPA professional service fee

Amount Unit: NTD thousands

Name of accounting firm	Name of CPA	CPA auditing period	Audit remuneration	Non-audit remuneration	Total	Remarks
KPMG	Wu, Cheng Yen	January 2021 ~ December 2021	3,810	670	4,480	Personnel arrangement of accountant firm
	Chung, Tan Tan					

Note: Non-audit service fees include the taxation certification, re-audit of the salary information checklists for full-time employees not serving in managerial positions

- (I) The accounting firm has been changed, and the amount of audit professional fees paid during the year when the change occurs is lower than that paid during the previous year: None.
- (II) The amount of audit professional fees is reduced by at least 10% in comparison with the previous year: None.

6. Change of CPA

(1) Regarding the former certified public accountant

Date of replacement	March 25, 2021		
Reason and explanation of replacement	To cope with the internal personnel adjustment of the firm		
CPA voluntarily ended the engagement or declined further engagement or the company that terminated or discontinued the engagement	Situation	CPA	Consignor
	Voluntarily ended the engagement Declined (discontinue) further engagement	V	
Issuance of an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	None		
Disagreement from the issuer	Yes	Accounting principles or practices	
		Financial report disclosure	
Auditing scope or procedure			
Others			
	No	V	
	Description		
Supplementary disclosure (disclosures specified in Article 10.6.1.4~7 of the Standards)	N/A		

(2) Regarding the successor certified public accountant

Name of the successor accounting firm	KPMG
Name of CPA	Wu, Cheng Yen / Chung, Tan Tan
date of engagement.	March 25, 2021
Prior to the formal engagement of the successor certified public accountant, the company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report	None
Written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant, and shall make disclosure thereof.	None

(3) Response of the former certified public accountants to Article 10.6.1 and 10.6.2-3 of the Standards: None.

7. Disclosure of any of the Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the auditor's firm: None.

8. Changes in the shares held by directors, supervisors, managers and major shareholders

Title	Name	2021		As of April 30 of the current year	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	0	0	0	0
Vice Chairman	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	0	0	0	0
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	0	0	0	0
Director	Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	0	0	0	0
Director	Tai He Construction Management Co., Ltd. Representative: HUNG, TSUNG-YEN	0	0	0	0
Independent Director	SHEA, JIA-DONG	0	0	0	0
Independent Director	LEE, SHEN-YI	0	0	0	0
Independent Director	SU, PING-CHANG	0	0	0	0
Chairman	WANG, JIUNN-CHIH	0	0	0	0
Vice President	CHIA, CHUNG-TAO	0	0	0	0
Executive Vice President	MA, JIA-HUAN	0	0	0	0
Executive Vice President	YANG, JIE-BIN	0	0	0	0
Executive Vice President	HUANG, CHI-MING	(19,000)	0	0	0
Executive Vice President	ZHANG, PEI-WEN	0	0	0	0
Executive Vice President	LIN, YAN-FEN	0	0	0	0
Executive Vice President	LAI, JUN-FU	0	0	0	0
Executive Vice President	ZHANG, JIA-WEN	0	0	0	0
Executive Vice President	FANG, CHIH-HUNG	0	0	0	0
Executive Vice President	CHEN, MING-SHING	0	0	0	0
Executive Vice President	QIU, JIAN-HUA	0	0	0	0
Executive Vice President	WANG, JUAN-HUI	0	0	0	0
Executive Vice President	Hsien-Yang Chou	0	0	0	0
Senior Vice President	ZHENG, YU-LING	0	0	0	0
Senior Vice President	CHANG, TUN-FU	0	0	0	0
Senior Vice President	WENG, HE-MING	0	0	0	0
Senior Vice President	CHEN, PEI-QI	0	0	0	0
Senior Vice President	WANG, YA-FANG	0	0	0	0
Senior Vice President	HOU, LE-PING	0	0	0	0
Senior Vice President	PAN, HUEI-MEI	0	0	0	0

Title	Name	2021		As of April 24 of the current year	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Senior Vice President	LI, MU-XIAN	0	0	0	0
Senior Vice President	LIN, JING- HUA	0	0	0	0
Senior Vice President	ZHENG, SHU- FEN	0	0	0	0
Senior Vice President	XIE,XIU- YING	0	0	0	0
Senior Vice President	LIN, BO-WEI	0	0	0	0
Senior Vice President	HUANG, ZHI- HUA	0	0	0	0
Senior Vice President	WU, YUN- WEN	0	0	0	0
Senior Vice President	LIU, SHU-RU	(10,998)	0	0	0
Senior Vice President	CHEN, YI- REN	0	0	0	0
Senior Vice President	YAO, MING- QING	0	0	0	0
Senior Vice President	XU, TSUI- YUN	0	0	0	0
Senior Vice President	ZHANG, LI- FEN	0	0	0	0
Senior Vice President	CHIU, TSAN- HSI	0	0	0	0
Senior Vice President	ZHANG, JING-YAO	0	0	0	0
Senior Vice President	YE, YU-ZHEN	0	0	0	0
Senior Vice President	TSENG, MEI-LING	0	0	0	0
Senior Vice President	KAN, KAI-CHUNG	0	0	0	0
Senior Vice President	LIN, CHAO-HSU	0	0	0	0
Senior Vice President	XIE, HUI-YA	0	0	0	0
Senior Vice President	ZHANG, XUE-HE	0	0	0	0
Senior Vice President	ZHU, DE-REN	0	0	0	0
Senior Vice President	TU, TSUNG-EN	0	0	0	0
Senior Vice President	CHANG, YU-CHING	0	0	0	0
Senior Vice President	Kuo, Nien-Qing	0	0	0	0
Senior Vice President	MA, SHAO- HONG	0	0	0	0
Senior Vice President	HUANG, YI- LIAN	0	0	0	0
Senior Vice President	Liu, Xiang-Li	0	0	0	0
Senior Vice President	LEE, KUEI-RONG	0	0	0	0
Manager	CHEN, LI- ZHUN	0	0	0	0
Manager	TANG, WEN- JI	0	0	0	0
Manager	LIN, JING- WEN	0	0	0	0
Manager	KAI, SHI- HUA	0	0	0	0
Manager	HAI, YAN	0	0	0	0
Manager	PENG, GUI- CONG	0	0	0	0
Manager	HUANG, XIU- YU	0	0	0	0
Manager	YU, XIAO- MEI	0	0	0	0
Manager	XU, LI-FEN	0	0	0	0
Manager	WU, HONG- ZHI	0	0	0	0
Manager	ZHENG, YU-CHANG	0	0	0	0
Manager	ZHANG, TIAN-MU	0	0	0	0
Manager	ZHAO, ZHI- MING	0	0	0	0

Title	Name	2021		As of April 24 of the current year	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Manager	LI, XIANG- JUN	0	0	0	0
Manager	CAO, HOU- SHENG	0	0	0	0
Manager	CAI, QING- FEN	(3,000)	0	0	0
Manager	CHEN, XUAN-ZHI	0	0	0	0
Manager	YANG, YAN-QIU	0	0	0	0
Manager	ZHANG, REN-FANG	0	0	0	0
Manager	WANG, WAN-QI	0	0	0	0
Manager	CHEN, ZHI- SHAN	0	0	0	0
Manager	CHEN, MEI- RU	0	0	0	0
Manager	LAI, AI-WEN	0	0	0	0
Manager	DENG, XUE- REN	0	0	0	0
Manager	YANG, KUN- LONG	0	0	0	0
Manager	YEN, CHIA-YUEH	0	0	0	0
Manager	WU, CHEN- YI	0	0	0	0
Manager	HUANG, MIAO-YIN	0	0	0	0
Manager	ZHANG, ZHE-MING	0	0	0	0
Manager	WU, QING-YAN	0	0	0	0
Manager	HUANG, CHONG-JIE	0	0	0	0
Manager	LIN, AN-TSE	0	0	0	0
Manager	LI, CHIH-CHIANG	0	0	0	0
Manager	LIU, PIN-CHEN	0	0	0	0
Manager	HUANG, SHIH-CHUNG	0	0	0	0
Manager	CHANG, CHUN-FU	0	0	0	0
Manager	LI, YI-CHIH	0	0	0	0
Manager	CHIANG, JUNG-HUA	0	0	0	0
Manager	LI, JEN-FENG	0	0	0	0
Manager	KU, PEI-CHING	0	0	0	0
Manager	FU, CHENG-HUI	0	0	0	0
Manager	LIN, YI-XIANG	0	0	0	0
Manager	TSAI, XIN-DAI	0	0	0	0
Manager	TIAN, CHIH-MIN	0	0	0	0
Manager	ZHOU, YUN-AN	0	0	0	0
Manager	ZHUANG, YONG-JIE	0	0	0	0
Manager	WU, FEN-FANG	0	0	0	0
Manager	YE H, XIAN-PENG	0	0	0	0
Manager	WANG, XIANG	0	0	0	0

Note 1: Shareholders who hold more than 10% of the Company's shares shall be indicated as major shareholders and shown separately.

Note 2: Under which case, was the relative person of the transfer or pledge of shares a related person, the table below shall be filled out.

9. Information on the relationships among the shareholders whose shareholding ratios are in the top 10

As of April 29, 2022
Unit: Share

Name	SELF SHAREHOLDING		Shares held by spouse and underage children		SHARES HELD IN THE NAMES OF OTHERS		Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders.		Remarks
	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	Name	Relation	
Fu Ding Investment Co., Ltd. Representative: LIAO, CHIEN-HUNG	76,405,643	3.52%	0	0.00%	0	0.00%	-	-	-
Bao Zuo Investment Co., Ltd. Representative: LIAO, CHIEN-HUNG	75,871,574	3.50%	0	0.00%	0	0.00%	-	-	-
Bao Sheng Investment Co., Ltd. Representative: HSIEH, YU-TING	72,313,817	3.33%	0	0.00%	0	0.00%	-	-	-
Tai Sheng Investment Co., Ltd. Representative: WANG, CHUN-FU	71,454,831	3.29%	0	0.00%	0	0.00%	-	-	-
Hong Chia Investment Co., Ltd. Representative: HSIEH, YU-TING	64,689,914	2.98%	0	0.00%	0	0.00%	-	-	-
Min Huei Enterprise Co., Ltd. Representative: WANG, HUEI-CHIN	61,245,459	2.82%	0	0.00%	0	0.00%	-	-	-
Hontai Life Insurance Co., Ltd. Representative: LU, HUAN-YI	60,702,749	2.80%	0	0.00%	0	0.00%	-	-	-
Bao Qing Investment Co., Ltd. Representative: YANG, SHU-HUEI	60,338,725	2.78%	0	0.00%	0	0.00%	-	-	-
Hung Lung Enterprise Co., Ltd. Representative: LIAO, CHIEN-HUNG	50,871,288	2.34%	0	0.00%	0	0.00%	-	-	-
Tai Lian Investment Co., Ltd. Representative: LIN, HSIN-YI	42,699,377	1.97%	0	0.00%	0	0.00%	-	-	-

- Note: (1) All top-10 shareholders have been listed. For corporate shareholders, the name of the corporate entity and the name of the representative are shown separately.
- (2) The percentages of shares held under own name, spouse's name, underage children's names, or in the names of others are calculated separately.
- (3) Relations among the abovementioned shareholders (including corporate and natural-person shareholders) have been disclosed in accordance with the relationships defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.

10. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties:

Unit: Share (%)

Date: March 31, 2022

Reinvestment business (Note 1)	Held by the Company		Held by Directors, Supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership interest	
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage
Capital Investment Management Corporation	7,000,000	100.00%	-	-	7,000,000	100.00%
CSC International Holdings Ltd.	45,000,000	100.00%	-	-	45,000,000	100.00%
Capital Futures Corporation	119,066,014	56.58%	336,696	0.16%	119,402,710	56.74%
Capital Insurance Advisory Corp.	500,000	100.00%	-	-	500,000	100.00%
Capital Insurance Agency Corp.	740,000	100.00%	-	-	740,000	100.00%
CSC Venture Capital Corporation	100,000,000	100.00%	-	-	100,000,000	100.00%
Taiwan International Securities (B.V.I.) Corporation	300	100.00%	-	-	300	100.00%
CSC Capital Management Co., Ltd.	33,000,000	100.00%	-	-	33,000,000	100.00%
Capital Investment Trust Corp.	33,067,507	20.00%	-	-	33,067,507	20.00%

Note: Long-term Investment by the Company using the equity method.

IV. Funding Status

1. Capital and shares

(1) Source of capital and share category:

1. Sources of share capital

As of April 29, 2022

Year /month	Issued price (NTD)	Approved share capital		Paid-in capital		Remark		
		No. of shares	Amount	No. of shares	Amount	Sources of share capital	Paid in properties other than cash	Other
2011.06	10	3,000,000	30,000,000	2,334,062	23,340,621	New shares totaling NT\$283,395 thousand were issued for merger	None	Note 1
2011.10	10	3,000,000	30,000,000	2,369,073	23,690,730	Capitalization of retained earnings totaling NT\$350,109 thousand	None	Note 2
2015.11	10	3,000,000	30,000,000	2,319,073	23,190,730	Capital reduced by NT\$500,000 thousand	None	Note 3
2016.02	10	3,000,000	30,000,000	2,269,073	22,690,730	Capital reduced by NT\$500,000 thousand	None	Note 4
2017.02	10	3,000,000	30,000,000	2,169,073	21,690,730	Capital reduced by NT\$1,000,000 thousand	None	Note 5
2018.09	10	3,000,000	30,000,000	2,320,908	23,209,081	Capitalization of retained earnings totaling NT\$1,518,351 thousand	None	Note 6
2020.02	10	3,000,000	30,000,000	2,170,908	21,709,081	Capital reduced by NT\$1,500,000 thousand	None	Note 7

Note 1: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Quan-Zi No. 100009983, dated March 18, 2011.

Note 2: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Quan-Zi No. 1000031788, dated July 11, 2011.

Note 3: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Jiao-Zi No. 1040045464, dated November 10, 2015.

Note 4: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Jiao-Zi No. 1050001350, dated January 14, 2016.

Note 5: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Jiao-Zi No. 1060001490, dated January 13, 2017.

Note 6: Filed to the Securities and Futures Bureau, Financial Supervisory Commission and became effective on July 12, 2018, approved by Letter Jing-Shou-Shang-Zi No. 10701117580, dated September 25, 2018, from the Ministry of Economic Affairs.

Note 7: Date of approval by the competent authority and document no.: Approved by Letters Jin-Guan-Zheng-Jiao-Zi No. 10901022470, dated January 9, 2020, and Jing-Shou-Shang-Zi No. 10901022470, dated February 21, 2020, from the Ministry of Economic Affairs.

2. Share category

Unit: thousand shares

Share category	Authorized capital			Remarks
	Outstanding shares (public listed)	Unissued shares	Total	
Registered common shares	2,170,908	829,092	3,000,000	-

3. Information on general declaration systems: None.

(2) Shareholder Structure

April 30, 2021

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Institutional Investors	Domestic Natural Persons	Foreign Institutions & Individuals	Total
Number of shareholders	4	9	396	105,781	331	106,521
No. of shares held	5,752,893	90,921,569	939,618,557	747,658,691	386,956,387	2,170,908,097
Shareholding percentage	0.26%	4.19%	43.28%	34.44%	17.83%	100.00%

Note: The first TWSE (TPEX) listed companies and emerging companies shall disclose the percentages of their shares held by Mainland capital. Mainland capital means, according to Article 3 of the Regulations Governing Approval of Investments in Taiwan by Individuals from the Mainland Area, individuals, corporations, organizations or other institutions in the Mainland area or companies in third areas where they have made investments

(3) Shareholding Distribution Status

April 30, 2022

Class of Shareholding	Number of Shareholders	No. of shares held	Shareholding percentage
1 ~ 999	45,978	7,729,764	0.36%
1,000 ~ 5,000	37,735	87,197,878	4.02%
5,001 ~ 10,000	10,221	78,857,760	3.63%
10,001 ~ 15,000	3,922	49,141,375	2.26%
15,001 ~ 20,000	2,396	43,861,030	2.02%
20,001 ~ 30,000	2,184	54,930,487	2.53%
30,001 ~ 40,000	957	33,997,726	1.57%
40,001 ~ 50,000	711	33,050,878	1.52%
50,001 ~ 100,000	1,228	87,648,190	4.04%
100,001 ~ 200,000	597	84,068,807	3.87%
200,001 ~ 400,000	273	75,901,455	3.50%
400,001 ~ 600,000	100	48,599,677	2.24%
600,001 ~ 800,000	42	29,116,393	1.34%
800,001 ~ 1,000,000	29	26,749,776	1.23%
1,000,001 or over (based on Company's self-classification)	148	1,430,056,901	65.87%
Total	106,521	2,170,908,097	100.00%

Preferred shares (Month) (Day), (Year)

Class of Shareholding	Number of Shareholders	No. of shares held	Shareholding percentage
Classified based on the actual conditions	-	-	-
Total	-	-	-

(4) List of Major Shareholders

Shares	No. of shares held	Shareholding percentage
Name of major shareholder		
Fu Ding Investment Co., Ltd.	76,405,643	3.52%
Bao Zuo Investment Co., Ltd.	75,871,574	3.50%
Bao Sheng Investment Co., Ltd.	72,313,817	3.33%
Tai Sheng Investment Co., Ltd.	71,454,831	3.29%
Hong Chia Investment Co., Ltd.	64,689,914	2.98%
Min Huei Enterprise Co., Ltd.	61,245,459	2.82%
Hong Tai Construction Co., Ltd.	60,702,749	2.80%
Bao Qing Investment Co., Ltd.	60,338,725	2.78%
Hung Lung Enterprise Co., Ltd.	50,871,288	2.34%
Tai Lian Investment Co., Ltd.	42,699,377	1.97%

(5) **The market price, net value, earnings and dividends per share and other relevant information during the most recent two years and as of March 31 of the current year (2022):**

Item	Year	2020	2021	As of March 31 of the current year (2022) (Note 8)	
Market price per-share (Note 1)	Highest	14.30	19.60	17.35	
	Lowest	7.79	13.20	15.00	
	Average	10.69	15.90	16.38	
Net worth per-share (Note 2)	Before distribution	16.53	17.84	--	
	After distribution	15.43	--	--	
Earnings per-share	Weighted average outstanding shares (in thousands)	2,170,916	2,170,908	2,170,908	
	Earnings per share (Note 3)	1.64	2.42	--	
Dividend per-share	Cash dividend	1.1	--	--	
	Stock dividend	From earnings	--	--	--
		From Capital surplus	--	--	--
	Cumulative undistributed dividends (Note 4)	--	--	--	
Investment return analysis	P/E ratio (Note 5)	6.52	6.57	--	
	Price to dividend ratio (Note 6)	9.72	--	--	
	Cash dividend yield (Note 7)	10.29%	--	--	

* Where earnings or capital reserves have been used to increase capital for distribution of shares, information regarding the market prices and cash dividends adjusted retroactively based on the number of shares distributed shall be disclosed.

Note 1: The highest and lowest market prices of common shares for each year shall be indicated, and the average market price of each year shall be calculated based on the annual trading value and volume.

Note 2: Please specify the status of distribution as decided by a resolution of the board meeting or the shareholders' meeting next year based on the number of shares already distributed at the end of the year. Note 3: Where retroactive adjustment is required due to distribution of bonus shares, the EPS before and after adjustment shall be indicated.

Note 4: Where the conditions for issuance of equity securities stipulate that undistributed dividends in the current year may be accumulated to be distributed in a subsequent year with earnings, the unpaid dividends accumulated until the current year shall be disclosed.

Note 5: PE = Average closing price per share of the current year / EPS

Note 6: PD = Average closing price per share of the current year / Cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share / Average closing price per share of the current year

Note 8: The fields of net value per share and EPS shall indicate the information audited (examined) by the CPAs during the most recent quarter until the date of printing of the annual report. Other fields shall indicate the information of the current year until the date of printing of the annual report.

(6) **Dividend policy and execution**

1. Dividend policies stated by the Articles of Incorporation:

According to the Company's articles of incorporation, any profits concluded from year-end closure are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve, a 20% provision for special reserve, and other provisions required by law.

The Board of Directors submits a proposal for distribution of earnings to the shareholders' meeting for a resolution to be adopted for distribution of dividends to shareholders. The amount of the above-mentioned distributable balance minus the retained earnings may not be less than 10% of the distributable balance. Types of dividends: According to the capital budget plan of the Company, stock dividends are distributed to retain the funds required, and the remaining portion will be distributed in cash, with the amount of cash dividends not less than 10%.

2. Dividend distribution proposed at the current shareholders' meeting:

A proposal was made to distribute cash dividends totaling NT\$3,581,998,360 (NT\$1.65 per share) from the Company's 2021 earnings. The amount of cash dividends paid to each shareholder will be truncated to the nearest dollar. Cash dividends baseline date will be determined by the chairman once the resolution is passed during a shareholders' meeting.

(7) **The impact of the stock grants proposed at the current shareholders' meeting to the operating performance and EPS of the Company: None.**

(8) Employee/director/supervisor remuneration:

1. Percentage or scope of the remuneration for employees, directors and supervisors, as stated by the Articles of Incorporation:

The Company has adopted a residual dividend policy to support ongoing business expansion and achieve sustainable growth in earnings while maintaining capital adequacy.

Annual profits concluded by the Company are subject to employee remuneration of 0.6% to 2%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries are also entitled to receive remuneration, provided that they meet the criteria specified by the board of directors. Up to 3% of the aforementioned profit may be distributed as directors' remuneration at the discretion of the board of directors. Any proposal for distribution of the remuneration for employees and directors shall be submitted to the shareholders' meeting for reporting.

Where the Company still has any accumulated loss, an amount shall be retained for make-up, and then the remuneration for employees and directors may be appropriated based on the aforesaid percentage.

2. The current estimation basis of remuneration for employees, directors and supervisors, calculation basis for number of shares distributed as remuneration for employees, and methods for the accounting of the difference between actually distributed and estimated amounts:

- (1) The current estimation basis of remuneration for employees, directors and supervisors, calculation basis for number of shares distributed as stock dividends: According to the Articles of Incorporation, where there is any profit in a year, 0.6%~2% of it shall be appropriated as remuneration for employees, and no more than 3% of its shall be appropriated as remuneration for directors. If there is accumulated deficit, specific amount shall be retained to cover. The estimation of the remuneration for employees and directors in 2021 is based on the Company's net value before tax during the period prior to deduction of the remuneration for employees and directors, multiplied by the percentage specified by the Articles of Incorporation for distribution of the remuneration for employees and directors.
- (2) Calculation basis for number of shares distributed as remuneration for employees: Based on the closing price on the day before the date of resolution of the shareholders' meeting, and taking into account the effect of ex-rights and ex-dividends.
- (3) Accounting treatment for any difference between the amount actually distributed and the estimated amount: If there is any change after the date of adoption and publication of the financial report in the next year, it will be treated as a change in accounting estimation, and the effect of the change will be recognized as income of the next year.

3. Distribution of remuneration, as adopted by the Board of Directors:

- (1) The remuneration for employees and directors will be distributed in cash or shares. (in cash or in shares) and expenses previously recognized:

On April 7, 2022, the Board of Directors adopted a resolution to distribute NT\$74,649,000 as remuneration for employees and NT\$91,237,600 as remuneration for directors; all in cash. The difference between the amount of remuneration to employees and directors resolved by the Board of Directors and the estimated amount recognized as expense of the fiscal year is as follows:

Unit: NTD

Item (2020)	Remuneration to employees	Remuneration for directors
Estimated amount recognized as expense of the year (A)	82,129,050	100,379,950
Amount to be distributed as per the resolution of the Board of Directors (B)	74,649,000	91,237,600
Difference (A - B)	7,480,050	9,142,350
Treatment of difference	Estimated by the self-settled profit or loss, and thus difference was generated. The difference will be treated as a change of accounting estimate and adjusted to 2022 profit and loss.	

(2) The percentage the amount of employee remuneration distributed in shares accounts for in the sum of the profit after tax in the current individual financial report and the total employee remuneration: 0% (dividends for the employees of the Company are all distributed in cash).

4. Actual distribution of the remuneration for employees and directors (including the number of shares distributed, amount and share price) in the previous year (2020). Where there is any difference with the recognized remuneration for employees, directors and supervisors, the amount of difference, reasons and treatment shall be described:

Item (2020)	Remuneration to employees	Remuneration for directors
Estimated amount recognized as expense of the year (A)	48,197,900	73,822,100
Actual distribution amount (B)	47,228,333	71,656,781
Difference (A - B)	969,567	2,165,319
Treatment of difference	Estimated by the self-settled profit or loss, and thus difference was generated. The difference will be treated as a change of accounting estimate and adjusted to 2021 profit and loss.	

(9) Status of stock repurchase by the Company

(1) Status of stock repurchase by the Company (completed)

As of April 29, 2022

Term of repurchase	11th
Purpose of repurchase	To maintain the Company's credibility and shareholders' equity.
Period of repurchase	November 12, 2019 - January 11, 2020
Price range for repurchase	NT\$8.5~NT\$12
Type and number of shares repurchased	150,000,000 common shares
Amount of shares repurchased	NT\$1,604,386,481
Percentage of shares repurchased in the shares expected to be repurchased (%)	100%
No. of shares written off and assigned	150,000,000 shares
Accumulated number of the Company's shares held	0 share
Percentage of the accumulated number of the Company's shares held in the total number of shares issued (%)	0%

(2) Status of stock repurchase by the Company (under implementation): None.

2. Status of corporate bonds: None.
3. Status of preferred stock: None.
4. Status of overseas depositary receipts: None.
5. Status of employee stock option certificates: None.
6. Status of employee restricted stock: None.
7. Status of new share issuance in connection with mergers and acquisitions: None.
8. Status of financing plans and implementation: None.

V. Business Performance

1. Business activities

(1) Scope of business

(1) Primary operating activities

1. Underwriting of securities.
2. Trading securities in the centralized exchange market on its own.
3. Trading securities in the centralized exchange market on an engaged basis.
4. Trading securities at its business offices on its own.
5. Trading securities at its business offices on an engaged basis.
6. Financing and short selling for securities trade.
7. Agency of stock affairs in relation to securities.
8. Trading foreign securities on an engaged basis.
9. Providing services for short-term bills.
10. Providing supporting services for futures trade.
11. Lending against securities.
12. Management of customers' securities settlement proceeds.
13. Securities lending (except for book-entry central government securities).
14. Trust services.
15. International securities services.
16. Other securities-related services approved by the competent authority

.Percentages of operating revenues during the most recent 3 years

Unit: NTD thousands

Year	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
Brokerage	3,331,720	57	4,665,261	63	7,824,703	72
Proprietary trading	2,184,733	37	2,240,809	31	2,732,442	25
Underwriting	369,509	6	461,664	6	382,153	3
Total	5,885,962	100	7,367,734	100	10,939,298	100

(2) The current products (commodities) or services of the Company and their important usage or functions

Service categories	Main purpose or function
Brokerage Department	Consigned trading of domestic and foreign securities, futures and options approved by the authority, settlement, and offering of margin trading, short-selling and securities borrowing/lending services. Providing brokerage services, selling wealth management services and operating and managing branches.
Wealth Management Department	Planning for wealth management services, asset allocation, management, use and disposal of trust property, and planning, implementation and receipt of trust services.
Investment Banking Department	Provides guidance to businesses on fundraising solutions such as public offering, TWSE/TPEX listing, cash issue, corporate bond issue, TDR issue and securities underwriting, and comprehensive investment banking services including corporate M&A, business sale, equity investment, valuation, privatization, finance planning and services as an offshore securities unit (OSU).
Proprietary Trading Department	Trading securities in own capacity in the centralized exchange market and over-the-counter market, regulating market supplies and demands as a proprietary trader, and playing the role of a market generator in coordination with the underwriters. Trading and operating domestic and foreign futures and options. Using the Company's own funds for, if permitted by law, investment in commodities in overseas spot and futures markets depending on the international economic conditions and changes in the stock and foreign exchange markets.
Fixed Income Department	Managing domestic and foreign bonds, short-term financing of bond derivatives, conditional trading of bonds, and providing quick and concrete consulting services to customers regarding information on bond investment.
Derivatives Department	Issuance and trading of derivatives, and offering of investment and advisory services on derivatives.
Registrar Agency Department	Agency of stock affairs for TWSE/TPEX-listed, public and non-public companies.

(4) Planning for development of new products (services)

1. Integrate re-entrustment financing, foreign exchange securities firms, one-account foreign currency account and real-time US market information, strengthen the re-entrustment business and further master the foreign currency flow of customers.
2. Strengthen the issuance of diversified derivatives (ELN/PGN/OTC options), and increase business and profit channels.
3. Provide digital application services (API) and high-frequency trading services, integrate smart securities and futures orders, and stabilize system quality to attract customers focusing on program trading and high-frequency trading, and improve the market share and profit of the brokerage business.
4. Establish a securities borrowing center, to give full play to the effective use of securities sources and increase the Company's profit.
5. Launch the businesses of fixed-term fixed "amount" and fixed-term fixed "stock" of Taiwan and US stocks to attract young customers.
6. Continue digital optimization on a large scale and then carry out digital transformation of local businesses: brokerage and investment consulting businesses.

(2) Industry overview:

1. Current status and development of the industry:
The overviews of the securities market in 2020 and 2021 are detailed in the table below. The trade volume of stocks and stock warrants increased over the previous year. Market-wise, trade volume had increased by 94.21% in TWSE and decreased by 6.36% in the OTC. Overall, trade volume of equity and debt instruments had increased by 41.92% compared to the previous year.

Securities Market Trade Volume in the Last 3 Years

Unit: NTD billions

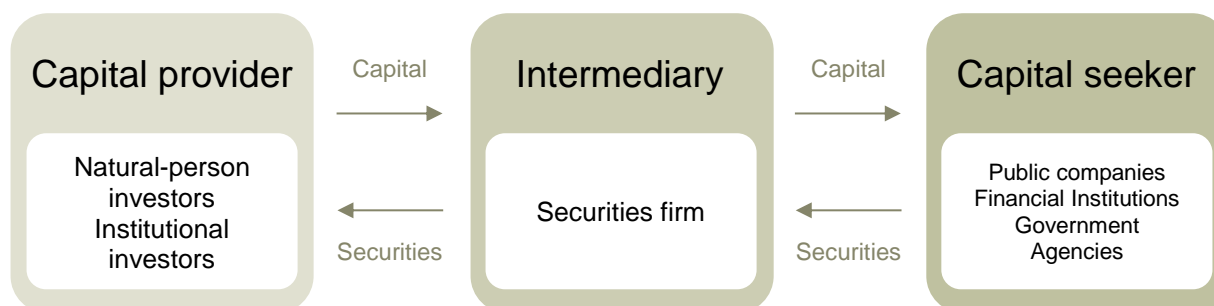
Year	2019	2020	2021	Increase/Decrease in 2021
TWSE-listed				
Shares	26,464.63	45,654.29	92,289.97	46,635.68
ETF	2,080.52	2,838.64	2,454.48	-384.16
Beneficiary securities	10.02	11.55	5.31	-6.24
Stock warrants	497.09	509.19	681.15	171.96
TDR + ETN	4.39	168.86	86.08	-82.78
Subtotal	29,056.65	49,182.53	95,516.99	46,334.46
TPEX-listed				
Shares	7,607.48	12,087.07	20,275.96	8,188.89
Stock warrants	145.44	154.60	177.41	22.81
ETF	854.70	417.30	249.64	-167.66
Bond	44,677.05	40,604.16	29,171.37	-11,432.79
Subtotal	53,284.67	53,263.13	49,874.38	-3,388.75
Total	82,341.32	102,445.66	145,391.37	42,945.71
Excluding bonds	37,664.27	61,841.50	116,220.00	54,378.50

Source: TWSE, TPEX.

Ongoing deregulation of the financial market has given rise to new instruments, whereas new financial technologies provide investors with broader means and products to invest. The competent authority has actively adopted more open policies including sub-brokerage for fixed terms and fixed amount share-purchasing, and Trust 2.0 program, to help and encourage the financial industry to move toward internationalization and enhance its product innovation capability. The competent authority has also required the financial industry to strengthen corporate governance and risk control,

pay more attention to the protection, rights and interests of consumers, and adopt the idea of “innovative and solid” to enhance the structures of financial institutions and improve the competitiveness of the securities industry. The securities industry has used its own advantages in business management or niches in regional development to effectively exercise its capabilities in asset allocation and risk control to create differentiated competitive advantages and transform into an operating model that generates profit.

2. The relationship between the upstream, midstream and downstream in the industry:



3. Development trends and competition of products:

Licensed business activities of a securities firm mainly include: brokerage, underwriting, proprietary trading, bonds, derivatives, and wealth management. Trends and competition of brokerage, underwriting, derivatives and wealth management services are described below:

(1) Brokerage:

Increasing popularity and speed of Internet connection in the digital era have made electronic trading an important emphasis to securities brokerage firms. In addition to multiple types of commodities including spot trades, futures and overseas investments, convenient trading platforms have been launched to provide effective investment strategy APIs for customers. The aim is to satisfy customer demands with more diverse and preferential securities services. Furthermore, social media has been used to enhance interaction with customers and develop new business channels.

(2) Underwriting:

The Company lead-underwrote the IPO of Unictron Technologies Corporation in 2021. In the secondary market, the Company completed SPO fund-raising cases for Laster Tech’s CB3, Laster Tech’s rights shares, Zenitron’s CB4, Megawin’s CB1 and CviLux’s CB4. The underwriting team has rich experience, has been entrusted with domestic and foreign cases of different scales and types

In 2021, the total number of TWSE/TPEX-listed companies grew to 1,747 from 1,730 in 2020, up 17 from the previous year. The market value of TWSE/TPEX-listed companies increased to NT\$62.06 trillion from NT\$49.23 trillion, up NT\$12.83 trillion from the previous year.

In 2021, there were 217 cases of public offering by TWSE/TPEX-listed companies, an increase of 37 cases from 180 cases in 2020.

The stock market is the window of economy. In order to expand the size of the capital market and encourage foreign businesses to become TWSE/TPEX-listed in Taiwan, in particular to motivate outstanding Taiwanese businesses to return and become listed, the government has provided a number of preferential measures to strengthen the foundation for future economic development in Taiwan. The underwriting segment will continue to play its role as the facilitator of direct finance.

(3) Derivatives:

In 2021, total 53,154 batches of warrants were issued, and likely to be a record high. In the future, new products will be developed based on market demands to keep the leading position of the Company in the derivatives market.

(4) Wealth management:

The Company has envisioned Capital Securities becoming the number one wealth management brand among local securities firms, and hopes to develop full service capacity by combining human and digital channels.

The Company will deepen its brand identity and build its professional image in wealth management for high-end customers. The Company has strengthened KYC to gain deeper understanding of customers and provided services for customer differentiation through the analysis and management of big data. The Company has also categorized commodities into different types corresponding to different customer bases under hierarchical management for selection and allocation and planning for commodity suitability.

To cope with FSC, the “New Wealth Management Solution” was launched. The Company obtained the permission letter for “providing high-asset customer service with wealth management trust” in September 2021, and the permission license of “securities third party trust” in January 2022. The two licenses will provide high-asset customers with customized financial services with diversified financial products, to assist customers in asset allocation and wealth inheritance, and meet customers’ trust needs.

Moreover, the digital, online and mobile functions will also be enhanced to facilitate innovative data mining. Doing so would provide in-depth knowledge about each customer for more value-adding services. The goal of the Company is to continuously bring quality wealth management products and services to the market, and establish itself as the all-round broker with wealth management at its center of business.

(3) Technological research and development overview

1. R&D expenses during the most recent 3 years

Year	Amount (\$ 1000)
2019	60,360
2020	63,505
2021	65,143
2022 (estimated)	86,799

2. R&D results during the most recent year, and the direction of future development

New financial product development

With respect to call (put) warrants in 202, the amount of premium for warrant listing was NT\$56.873 billion, and the number of warrants issued was 6,137, with the amount and number of issue ranked 3rd in the market. The annual amount of structured products issued was NT\$19.249 billion. In the future, with the easing of legal restrictions and demands in the market, the Company will be committed to the R&D of trading strategies and valuation models in order to design more diverse and customized new financial commodities for investors, and to provide an excellent and stable environment of market making for warrants to enhance the quality of market making.

“Innovative fintech development and incubating digital talents in smart manufacturing”

Facing with the market evolving every minute and every second, the business competition sparing no time for relaxation, the securities and financial markets have been developing towards digitalization. To cope with the market competition, Capital Financial Group is committed to the mission of “public interest”, the Company has made contributions to the capital market and put efforts into the development of smart finance. Following the idea of “innovation first, customer first”, the Company has worked hard to protect the wealth of every customer and create bigger values. Capital has always been a leader in the trading system. In addition to pursuing the optimization of transaction speed and system stability, it is no longer sufficient only to meet the needs of customers in a complex information network rapidly; not only maintaining, but getting closer to customers with warmth, means the improvement of customer satisfaction and competitive edges, to become the best trading broker for customers.

Fulfilling corporate social responsibility, promoting the improvement of national innovation system, and increasing competitiveness have always been the policy of Capital’s sustainable operation. Capital has been committed to the development of inclusive finance for a long time, so that financial services are not only designed for high-asset customers, but also focus on the penetration among underprivileged groups. In order to achieve the goal of inclusive finance, Capital starts from the students, cultivates financial knowledge in the campus, and leads the executives from various departments to personally participate in the teaching. The curriculums are personally drafted by the professional instructors to teach the first-hand market practical experience. For the purpose of industrial-academic collaboration, it seeks that by sharing of practical courses, to enable students to combine theory with practice in advance, to enhance their competitiveness for employment. Capital has conducted industrial-academic collaborative programs with universities such as Soochow University, Tamkang University, and National Taipei University of Technology for a long time and provided internship opportunities, to establish an industrial-academic collaborative internship mechanism, for college students to be successfully employed after graduation. By early experiencing workplace, students’ adaptability and

competitiveness in workplace will be improved, and enable the close integration of education and industry to move toward a finer collaboration model.

Capital will be committed to the development of fintech services continuously, and expect itself to become Tesla in the securities sector. Starting from the "Action Winner" ordering application developed in-house, it will create more diversified intelligent trading services and become an exclusive trading service software for users. Recently, the Company is committed to building data infrastructure and have successfully obtained numerous patents. In the future, the data team will be expanded to continuously deepen data analysis and research, so that our users will enjoy more personalized and humane products a feedback for their high recognition of Capital, and become the best brand of digital financial services in the eyes of investors.

(4) Long-term and short-term business plans:

1. Short-term business development plan:

- (1) Strengthen business cooperation with related enterprises such as Capital SITE, Capital Futures and Capital Insurance Agency, so as to achieve synergy in the Group's operation.
- (2) Integrate re-entrustment financing, foreign exchange securities firms, one-account foreign currency account and real-time US market information, strengthen the re-entrustment business and further master the foreign currency flow of customers.
- (3) Strengthen the efficiency of warrant order deletion to be the fastest in the market, strengthen the issuance of diversified derivatives (ELN/PNG/OTC options), and increase business and profit channels.
- (4) Provide digital application services (API) and high-frequency trading services, integrate smart securities and futures orders, and stabilize system quality to attract customers focusing on program trading and high-frequency trading, and improve the market share and profit of the brokerage business.
- (5) Establish a security borrowing center under the Settlement Department to give full play to the effective use of securities sources and increase the Company's profit.
- (6) Launch the businesses of fixed-term fixed "amount" and fixed-term fixed "stock" of Taiwan and US stocks to attract young customers.
- (7) Continue digital optimization on a large scale and then carry out digital transformation of local businesses, such as brokerage and investment consulting businesses.
- (8) Continue to strengthen the integration of one-account deposits and transactions, expand the number of accounts opened, and balance one-account deposits to improve interest income and the wealth management business.
- (9) Keep track of business opportunities to manage the wealth of customers with lots of assets and continue developing new services and products available for these customers to differentiate wealth management by applying robust and diversified strategies and to continuing to increase the wealth management AUM.
- (10) Pay attention to the impact of QE reduction and the progress of raising interest rates, refer to the analysis of market potential and individual stock fundamentals by research institutions, and select the best stocks for operation to improve the operation profit.
- (11) Steadily expand foreign currency debt positions while at the same time developing products and distribution channels in order to secure the opportunities to sell fixed-income products and issue corporate bonds.
- (12) Focus the corporate finance business on the needs of customers, and becomes a stable and profitable investment bank in conjunction with the reinvestment management and consulting company and private equity funds.
- (13) After the outbreak, Capital Hong Kong needs to actively expand business sources in the three places on both sides of the Strait and Southeast Asia, and strive to generate profits.
- (14) Continue to pay attention to the progress of the Russia-Ukraine war, and the impact on the stock market by the fluctuation of crude oil and raw material prices and inflation, and take necessary countermeasures.
- (15) Develop the full-featured app "e-Counter," which integrates multiple functions such as transaction, account opening, data change, etc., so customers do not need to deal at the counter.

2. Long-term business development plan:

- (1) Becoming the best investment bank and wealth management institution in Asia.

- (2) Cultivating the capability for R&D of new products and services to become the most innovative and professional financial institution.
- (3) Actively assessing the possibility of establishing overseas subsidiaries based on the economic development in overseas regions.

2. Market and sales overview

(1) Market analysis

TAIEX closed at 18,218 points and the index was up 3,486 points or 23.7% in 2021. At the end of 2021, the market capitalization on the centralized market was NT\$ 56.6 trillion, an increase of NT\$11.7 trillion from NT\$44.9 trillion at the end of 2020. The TPEX Index, on the other hand, closed at 237 points, and the annual index was up 53 points or 29%.

In 2021, TAIEX rose, but the heavy weighted stocks continued to be adjust by foreign investors, only rose mildly. The key is that the market performed differently in each quarter: in Q1, the product shortage issue dominated, e.g. the driver IC had explosive profits and share prices soared; in Q2, the port congestion resulted in rising freight rates in supply chains benefitted the “marine shippers” sectors; in Q3, the sector rotation reflected the sales growth in the peak season, e.g. the expensive electronic shares, Silergy-KY, went as high as NT\$5,490. In Q4, it was the metaverse opportunities, the major beneficiaries are the VR and semiconductor sectors.

In 2021, the main features of the economy in Taiwan included:

1. Export sales continued to grow steadily

In 2021, Taiwan’s annual export orders reached a record high of US\$674.13 billion, an annual growth of 26.3%. Orders for information and communication products were US\$193.97 billion, increased by 17.4% year on year; electronic products were US\$207.4 billion, increased by 28.5% year on year; export orders for optical equipment, basic metals, plastic and rubber products, chemicals, and mechanical products all increased by more than 30% year on year. The main reason for the high growth of export orders is that Taiwanese semiconductor industry has the advantages of excellent manufacturing process and a complete supply chain.

2. Restructuring of the international supply chain

The global supply chain has experienced deconstruction and restructuction. National security and industrial supply chain security have become the priority decision-making models of various countries. The movements of electronic components and information and communication industries, accounting for more than 50% of Taiwanese exports, have great influences. The positioning strategies of Taiwanese companies became the key issues to responding the challenges in the new international landscape, and control the opportunities in digital economy. Most importantly, the US and Taiwanese technology industries continue to invest or cooperate in OEM orders, and continuously improve the response speed, efficiency and cost competitiveness of technology industries in Taiwan.

3. Trendy Repatriation of Taiwanese Businessmen and Their Capital

China’s economic development is facing a bottleneck, and China attracts less capital than before, impacting the willingness of Taiwanese companies to invest in China. Taiwanese companies who went west in the past two decades have continued to return to Taiwan. A survey by the Market Intelligence & Consulting Institute (MIC) found a development trend that Taiwanese companies have gradually reduced their production lines in mainland China while expanding production scale in Southeast Asia and Taiwan. In addition, after the return of Taiwanese capitals, investment in Taiwan has also grown significantly, driving the growth of industrial zones everywhere, especially the real estate market in the central and southern Taiwan have been increasing active.

4. Reasonably control of the domestic demand and the extent of tourism affected by the pandemic

In May 2021, Taiwan suddenly entered “Level 3 Alert” for stricter control over the pandemic, resulting in a serious hit to the industries of domestic demand, and the tourism and hospitality industry faced the pressure of recession, and even severe pressure of unpaid leaves and unemployment. The government actively promoted various relieving programs and subsidies, and launched a five-fold coupon revitalization program to boost the domestic demand market. After the pandemic eased in Q4, consumer and life industries such as wholesale and retail, hospitality, tourism, transportation, logistics, and life services rebounded strongly, and stabilized the performance of core economic data such as GDP, prices, and employment.

Distinctive characteristics of Taiwan’s stock market performance in 2021:

1. TAIEX hit a new record high: corporate profit growth and re-valuation increased the investment value of Taiwan equities. Except for defensive stocks, all sectors rose broadly, and

the number of stocks with prices more than NT\$1,000 also increased considerably, properly reflecting the power of capital and economy recovery.

2. Diversified valuation methods: The number of investors in Taiwan equity market has increased, the momentum of capital has increased, and various investment valuation methods become flourish. Other than the growth momentum, a more mainstream approach, value investment, net worth ratio, arbitrage or share-deposit are also important investment strategies. The advantage of diversified valuation methods is to reduce the risk of a market crash.
3. The influence of domestic investor has increased significantly: foreign investors reduced holding of Taiwan equities by NT\$539.5 billion in 2020, and continue to reduce by NT\$453.9 billion in 2021. For two consecutive years, the total sales was NT\$993.4 billion; the scale of Taiwan's investment trust funds increased by NT\$432 billion in 2021, and at the end of the year, the scale of mutual funds reached a record high of NT\$4.9552 trillion, growing of 9.6% year on year. In addition, another obvious force of domestic investor is the adjustment of the investment position by life insurers; the previous proportion of the overseas investment has been adjusted to the Taiwan market, for instance, the fund for investing in the semiconductor sector stayed in Taiwan rather than going overseas.
4. Day trading has become a new capital frenzy: in 2021, the transaction value of TWSE was NT\$95.5 trillion, growing by 95% year-on-year, much higher than the 32% growth of Hong Kong equities and 19% growth of Korean equities in the same period. Day trading was the largest contributor to the trading volume. In 2021, the total purchase amount of day trading in the TWSE was NT\$39.04 trillion, and the total sales amount in TWSE is about NT\$39.11 trillion, accounting for 40% of the overall trading volume of the whole year; of which, the highest single-day trading volume in the TWSE was witnessed, for NT\$782.8 billion (May 12, 2021) The prevalence of day trading has led to an increase in share price volatility, and a shortened holding time of trading. Therefore, the importance of investor trading discipline is far greater than the grasp of fundamentals for individual shares.

Key changes in the Taiwan stock market expected in 2022 include:

1. Persistent High Growths of Technology Sector

TSMC and MediaTek continue to grow steadily. Hon Hai, Quanta, ASUS... are also world-class technology companies. In January 2022, TSMC announced that its capital expenditure in 2022 will increase to US\$40-44 billion. TSMC is sprinting with full force to expand production capacity, and the expansion strategy adopts overseas investment and positioning in Taiwan in parallel, TSMC has been growing from the sacred mountain protecting Taiwan, to the mountain range protecting Taiwan, and Taiwan equity market has also become the technology island from just a silicon island.

2. Positive rotation between non-tech stocks and technology stocks

The market value of electronic stocks accounts for about 62% of the value of Taiwan equity market, while the turnover weight of electronic stocks in the market ranges from 50% to 70%: when the turnover weight exceeds 70%, it means that the investment and trading of technology stocks is overheated in the short swings, and the traditional industries and finance are expected to rise by following the suit; shall the proportion of electronic stocks trading falls below 50%, meaning that non-electronic stocks will be overheated in the short term, and electronic stocks have the opportunity to reverse and rise.

3. Multiple effects of the Russia-Ukraine war

Russia invaded Ukraine, and western countries imposed economic and financial sanctions on Russia comprehensively. The Russian economy may struggle. Many countries are concerned about the cost of the war and the impact of various sanctions on the economy. The impact of energy issues may be more serious than the Russia-Ukraine war. Public policy issues such as oil, natural gas, renewable energy, and nuclear energy are becoming more and more important. The Russia-Ukraine war has led to soaring prices of oil, grains and industrial metals, making inflationary pressures even worse.

4. Rising interest rates by central banks and inflation suppression

In March 2022, the Federal Reserve officially started the cycle of raising interest rates and revised down the forecast for US economic growth in 2022 from 4% to 2.8%. The dot chart of Fed meeting shows that the rate will be raised in each FOMC meeting, and the balance sheet taper will be started, the expectation of interest rate hikes has become the pressure on US equities for the whole year, and the cumulative impact of actual interest rate hikes will impact the US economic performance in 2023. Most central banks (except the People's Bank of China and the Bank of Japan) followed suit by raising interest rates to curb inflation.

5. The equity market volatiles violently

The growth in the technology industries are slowing down, and the inventory pressure of mobile phones and information hardware has increased. For semiconductors, the shortage of full scale becomes only shortage of some ICs. However, the proportion of high-growth technologies such as electric vehicles, metaverse, biotechnology, and space technology are still underweighted in Taiwan. The weight of TSMC is 28% of TWSE; whenever its share price rises or falls of NT\$1, it directly causes the TAIEX to rise or fall of 9 points. The TAIEX, TSMC, and TSMC ADR are highly

correlated with the movement of US equities, and the Taiwan equity market will volatile violently throughout the year.

6. Changes in US-China Relations

2022 is the 50th anniversary of the establishment of official diplomatic relations between China and the U.S. The U.S. has warned China not to secretly support Russia, otherwise there will be severe consequences. Relatively speaking, the relationship between Taiwan and the U.S. continues to improve. The U.S. will continue to keep the good interactive relationship with Taiwan that recognizing democratic value, without prejudice to the principle of “one China only.” In 2022, the U.S. has the mid-term election for the congress and governors, and China has the National Congress of the Communist Party of China. The risk of military conflict is not high; however, the US-China technology war and trade war will not be terminated. The victory of the technology war decides the rise and fall of the power of the U.S. and China’s position. The U.S. and European countries are also concerned about whether various sanctions against Russia may be applicable in case of any global confrontations with China in the future.

7. Possible weakness of the U.S. tech stocks

In Q1 2022, the U.S. equity market experienced the greatest correction pressure in recent years. The Russia-Ukraine war and inflation both affect investment sentiment. In particular, the Russia-Ukraine war has caused the core prices of agricultural food and energy to rise sharply. From Q2 onwards, such pressure will exclude the expenditure on the procurement of technology products. Furthermore, the rising interest rates make high-valued stocks to face adjustments. After entering the cycle of interest rate hikes, high-valued technology stocks face adjustments. For instance, the price-to-earnings ratio (PE) of e-commerce shopping shares is revised from 100x, while the those Metaverse concept stocks, which are not profitable at all, fell sharply. The startup electric vehicle stocks fell by more than 80% from the peaks due to the continuous announcement of delayed mass production, becoming representative for the bursting bubble.

8. Complex economic problems in China

From the second half of 2021, China’s economy has obviously stagnated, with excessive real estate investments and huge local debts. If the real estate bubble bursts, it will directly shock the demand of various suppliers, and the mortgage pressure on ordinary investors will increase to squeeze out normal consumption; in addition, Beijing’s policy gives substantial coercion over the development of network communication giants, coupled with the end of the demographic bonus with the gradual aging of the population structure, and the US-China trade war and technology war make the economic problems to become intertwined. Beijing’s totalitarian economic direction results in the lack of resilience and flexibility in China’s economic development, which is fatal. If China’s economic development regresses, it will also have positive and negative impacts on Taiwan’s economy.

9. Increasing global inflation

The Russia-Ukraine war has made it difficult to mitigate the global inflation. In March 2022, the annual growth rate of the U.S. consumer price index (CPI) reached 8.5%, and the Directorate-General of Budget, Accounting and Statistics also expect the domestic CPI will increase due to the rising oil price. Elevating inflations will prompt international hot money to underweight the emerging markets vulnerable to the inflation. Taiwan equities are an important market in the MSCI emerging market index, and it would be hard to stay sideline.

1. Territories for sales and provision of the primary products and services

The Company’s business activities include stock brokerage, online trade service, proprietary trading, securities underwriting, share registrar agency, bonds, margin trading, and warrant issuance. The Company has service locations deployed throughout Taiwan; its target customers include local and foreign institutions and individuals.

2. Market share

Market share of the primary business in 2021:

Ranking	Brokerage volume		Margin trading balance (2021)	
	Securities firm	Market share	Securities firm	Market share
1	Yuanta	13.24%	Yuanta	15.51%
2	KGI	10.78%	KGI	7.93%
3	Fubon	6.18%	Sinopac	6.44%
4	Sinopac	4.89%	Capital	5.73%

5	JPMorgan Chase	4.30%	Fubon	5.58%
6	Capital	4.22%	Masterlink	5.46%
7	Masterlink	3.64%	Mega	5.38%
8	Cathay	3.57%	President	4.98%
9	JihSun	3.43%	Hua Nan	4.73%
10	Hua Nan	3.25%	JihSun	4.45%

Source: TWSE, TPEX and financial figures from the final accounts of securities firms

3. Market supply and demand in the future

(1) Demand

The outlook for Taiwan's equity market in 2021 is optimistic. Investors' willingness to invest has increased. Short-term trading, band trading, or holding for mid- to long term have all caused the trading volume at TAIEX to set record highs. In 2020, the implementation of the continuous trading system enabled TAIEX to keep in step with major international markets. The equity market is volatile and the demands for trading and investment services continue to increase.

(2) Supply

At the emergence of e-finance, the Company has turned our digital capabilities including e-marketing and social websites into our core competitiveness. We are committing to utilizing new technologies and innovative business models to provide comprehensive investment and financial services to our customers.

4. Market supply and demand in the future

(1) Demand

In 2022, the volatility of Taiwan equities will intensify. Short swing trading, swing holdings or medium- and long-term share-deposit have their own advantages and disadvantages. The stock market volatiles violently, and the demand for trading and investment services continues to increase. In February 2022, the balance of securities transfer deposits was NT\$3.1889 trillion; the capital momentum is stable, and the willingness to invest is high.

(2) Supply

Actively develop the one-stop financial service, e-finance, and internet marketing, by adopting emerging technologies and innovative business models have been used to provide comprehensive investment and financial services to the customers.

5. Favorable and unfavorable factors for future development

Favorable factors:

- (1) Balanced development of brokerage, corporate finance, new financial commodities and financing services.
- (2) Introducing the strategy of online finance and wealth management specialists.
- (3) Complete and high-quality research and investment services.

Unfavorable factors:

- (1) Heavy pressure for the training of professional talents in securities investment and the related human resources.
- (2) Fierce competition over the prices of brokerage services.
- (3) Actual profits are affected by market volatility with low stability. Strategies in response: In the future, we will apply fintech and artificial intelligence to help to develop new business opportunities, integrate various securities service system resources, to implement growth policies and improve profitability. The Company continues to be diversified and internationalized, to enhance competitiveness and increase profitability.

(2) Important uses and manufacturing processes of the main products: N/A.

(3) Status of supply of the main raw materials: N/A.

(4) List of customers for sales and purchases during the most recent two years: N/A.

(5) Production value of the most recent two years: N/A.

(6) Sales value of the most recent two years: N/A.

3. Employee information

Employee information in the last 2 years up till the publication date of this annual report

March 31, 2022

Year		2020	2021	As of March 31, 2022 (Note)
Employee count		1,930	2,002	1,932
Average age		44.83	44.41	44.52
Average years of service		12.62	12.45	12.63
Academic Qualification	Doctoral Degree	0.05%	0.05%	0.05%
	Masters Degree	11.20%	10.84%	11.08%
	Bachelor Degree	71.19%	71.38%	71.43%
	Senior high school	17.51%	17.63%	17.34%
	Below senior high school	0.05%	0.10%	0.10%

Note: Provide information up until the publication date of this annual report.

4. Contribution to environmental protection:

The Company is a securities service provider and is not prone to pollution risk.

5. Labor-management relations:

(1) Availability and execution of employee welfare, education, training and retirement policies, agreement between employer and employees, and protection of employees' rights:

Employee welfare: In 1990, the Company registered the establishment of Employee Welfare Committee with the authority in order to provide benefits such as wedding/funeral subsidies, club activity subsidies, and group trips. Overall, the Employee Welfare Committee operates with adequate budget and has been able to carry out its plans.

Employee education and training: In an attempt to build a strong talent base and improve management performance, the Company has been organizing a broad variety of training including: orientation, specialization training, management reserve training, management growth training, and seminars hosted by renowned experts and scholars on the topic of finance. Capital Financial College was founded in 2007 for training the Company's top management talents. Employee training expenses amounted to NT\$5,710,000 in 2021. A total of 4,956 enrollments were registered with external training courses, which represented 248% of total employees. The Company held 97 internal training courses during the year, and trained its sales force intensively using nation-wide video conferencing and broadcast to help them develop professional qualities and skills. Many e-learning courses have also been designed to enhance outcome of the learning process. By utilizing digital means, employees are able to learn and grow anytime, anywhere.

Pension system: The Company established its Employee Pension Fund Supervisory Committee in November 1994; the committee's responsibilities are to implement pension guidelines for the security of employees' lifestyle after retirement, and thereby maintain a sustainable and harmonic relationship between employees and the employer. Since the enactment of Labor Standards Act in April 1998, the Company has been making pension fund contributions into a dedicated account held with Bank of Taiwan under the committee's name. All employees who meet the criteria specified in the pension policy are eligible to participate. Following the enactment of Labor Pension Act in July 2005, employees are given the choice to opt for the new pension system or stay with the old plan. For those who opted for the new system, the Company has been contributing an amount equal to 6% of employees' monthly salaries into their personal pension fund accounts.

Employee insurance: Apart from mandatory insurance coverage such as Labor Insurance and National Health Insurance, the Company also provides employees with a broad variety of

group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. Employees are invited to include their family members into group insurance at discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members.

The Company has been maintaining harmonic interactions with its employees. Apart from complying with labor regulations, the Company strives to resolve labor-management affairs to the benefit of both parties.

Protection of employees' rights: In addition to protecting employees' legal rights, any affair that concerns employees' interests is openly announced on the intranet, while matters that pertain to the interests of individual employees are advised through active means.

- (2) Losses arising as a result of employment disputes in the last year up till the publication date of this annual report. Please quantify the estimated losses and state any response actions, and state the reasons if losses can not be reasonably estimated:

Pursuant to the Letter Lao-Zhi-Bei-2-Zhi No. 1101060204 from the Occupational Safety and Health Administration of the Ministry of Labor, dated December 20, 2021, regarding paragraph 2, Article 22 of the Labor Standards Act, the Company has replied that it is still in the process of applying review.

6. Information Disclosure of Cyber Security Management

(I) Cyber security risk management strategies and framework:

1. Cyber security risk management framework:

(1) Enterprise information security governance organization

Capital Securities set up in 2018 the Strategic Development Division under the Information Department. The Strategic Development Section II is responsible for coordinating the formulation and implementation of policies related to information security and operational continuity management, and the operations of risk management and compliance audit; it reports to the management effectiveness and future direction to the Operation Continuity and Information Service Management Review Committee every six months.

In order to implement the information security strategy and ensure internal compliance with information security related standards, procedures and regulations, an "Information Security Advisory Group" was specially set up in 2021, with the President serving as the convener, and the head of the Information Department, the head of Information Security Director and the head of Legal Compliance as members of the Group. In addition, a dedicated head of information security is appointed as the executive secretary, and the head of the Audit Office, the head of Management Department and the head of Planning Office may attend the Group's meeting as non-voting delegates as needed. The Group holds a meeting every six months to review and decide on information security and information protection strategies and policies for the effectiveness of information security management measures.

2. Cyber security policies

(1) Information security risk management strategies and framework

In order to protect information assets from intentional or accidental damage from inside or outside, and ensure the sustainable operation of the enterprise, after the Company's formulation of information security policy, the management declares its determination to support information security in order for relevant personnel to follow the policy. In addition to reducing the possible impact of any information security incident, the Company continues to run and improve the information security system, while protecting the rights and interests of the Company and customers.

(2) Enterprise Information Security Risk Management and Continuous Improvement Framework

According to ISO standards, adopt the "Plan-Do-Check-Act" (PDCA) circular operation mode to set up the information security management system and maintain its effective operation and continuous improvement.

(3) Concrete management programs

In addition to following government laws and regulations, the Company follows its internal control requirements and the latest skills and information technology knowledge, regularly carries out information security risk assessment, audit and improvement every year, continues to maintain

the validity of ISO verification, and plans to carry out the following items to review their implementation and effectiveness:

- I. Monitor and analyze network traffic, system performance and abnormal events at any time.
 - II. A program change can go online only after the detection and repair or assessment of the vulnerability risk and compensatory measures.
 - III. Regular e-mail drills of social engineering are carried out to improve employee alertness.
 - IV. Take countermeasures and preventive measures according to the information security notice of information security units such as F-ISAC or SF-CERT or information security service providers.
 - V. Regularly perform detection and inspection of phishing websites and fake mobile applications.
 - VI. Regularly hold information system remote backup drills.
- (4) Investments in resources for cyber security management.
- I. The Company has continuously passed the certification of ISO/IEC 27001 Information security management system, ISO/IEC 22301 business continuity management system and BS10012 personal information management system.
 - i. Every quarter, information safety training will be carried out for the whole Group. Courses will be arranged for new employees after taking office to introduce the Company's three major management systems, so as to improve the employees' understanding of the Company's systems; in addition, in order to ensure that the training courses provided to the whole Group reach a certain professional level, the Company will buy information security related courses from time to time to update the employees' knowledge.
 - II. Strengthen the Security Mechanism of Systems
 - i. Fully import anti-virus software and update the security function regularly.
 - ii. Implement firewall control to protect network security.
 - iii. Introduce intrusion prevention system (IPS) for protection.
 - iv. Import the web page anti-tampering system for protection.
 - v. Mail transmission security is controlled by DLP.
 - vi. Import the DDOS traffic cleaning mechanism to prevent DDOS attacks.
 - vii. Import the program source code detection system, and the program change can be launched only after the vulnerability is detected, repaired and assessed.
 - viii. Regularly inspects and tests mobile apps to ensure app safety.
 - ix. Conduct vulnerability scanning and penetration tests regularly to ensure the host system's security.

(II) Effect of cyber security risk on the Company's finance and business, and countermeasures:

Malicious hackers may try to import computer viruses, destructive software or blackmail software into the Company's network system to interfere with the Company's operation or extort or blackmail the Company, obtain control of the computer system, or pry into confidential information. Even third-party service providers engaged in outsourced development and cooperation cannot guarantee that the internal and external network systems kept by them or their contractors will be free from the risk of network attack.

(4) In order to prevent and reduce the damage caused by such risks and attacks, the Company has implemented relevant improvement measures and continuously updates them, such as limiting the possible connection mode and data acquisition mechanism of contract vendors and requiring them to provide corresponding test certificates or statements, fully introducing anti-virus software and update the security function regularly, introducing firewall control to protect network security, importing intrusion prevention system (IPS) for protection, regularly checking illegal software installation, regularly carrying out the detection and inspection of phishing websites and fake mobile applications to ensure that the Company's name and trademark are not abused, regularly conducting vulnerability scanning and penetration tests to ensure the security of the host system, importing the web page anti-tampering system for protection, and introducing DDOS traffic cleaning mechanism to prevent DDOS attacks, in the hope of removing or reducing the risks and restricting them under control to protect the information security of the Company.

(III) Losses due to information security incidents in the recent year: none.

In 2021, the has no losses due to information security incident

7. Major contracts: None

8. The Company's workplace environment and employee safety measures:

The Company values employees' safety and health, and is committed to providing a good working environment. Below are some of the protection and welfare measures offered in this regard:

Implemented measures	Item	Description
Employee Health	Insurance and welfare	<p>(I) Statutory benefits</p> <ol style="list-style-type: none"> Labor and health insurance. The "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace" has been established. "Employee lactation rooms" have been set up. Regular health examinations have been organized for employees. Doctors have been engaged to provide regular consultation services, including health education, health promotion and health guidance for employees, at the Company's Head Office. <p>(II) Better than statutory benefits</p> <ol style="list-style-type: none"> The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. Employees are invited to include their family members into group insurance at discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members. Free massage services have been provided to the employees of the Head Office. The seminars including "exercises in the office," "stretch in the office," "training for office workers," and "health diets," to promote the health exercise and diet concepts to employees. The "Regulations for Management of the Establishment of Recreational and Charitable Clubs and Their Funding" has been established to encourage the employees to get into the habit of participating in sports and charitable activities.
	Environmental health	<p>(I) The Company has established the "Measures for Prevention of Smoking Hazards".</p> <p>(II) The Company acquired "Badge of Accredited Healthy Workplace" from Health Promotion Administration, Ministry of Health and Welfare</p> <p>(III) The Company has been certified as an "iSports Corporation Label" by the Sports Administration, Ministry of Education.</p>
Safety of work environment	Safety certification	The Company has received the ISO22301 certification for business continuity management. The primary purpose of the certification is to ensure that the Company will be able to minimize damage in any sudden event of emergency to maintain personnel safety, compliance, customers' rights and interests, the Company's goodwill and security of the Company's assets, and to make sure the important business activities of the Group can gradually resume within the target recovery time to maintain operations.
	Certification for personal information	The Company is the first financial institution to obtain international certification for personal information management with respect to securities, futures, and insurance brokerage/agency services. It shows that the Personal Information Management System (PIMS) adopted by the Company offers effective protection and management of personal information, and complies with all requirements of the Personal Data Protection Act to protect the rights of information owners, while at the same time minimize possible impacts from event of attack. It represents the Company's commitment to continually manage and improve its personal information management system.
	Workers' safety	The Company has complied with the "Occupational Safety and Health Act" by appointing an OSH Officer, a team of first aid officers, and organizing training according to the Worker Safety Education Principles. The Company has established and implemented an "Ergonomic Hazard Prevention Program" to prevent musculoskeletal injuries or illnesses caused by work activities. In addition, it has formulated and promoted the "Abnormal Workload Induced Disease Prevention Plan" to plan and take the necessary safety and health measures for the prevention of diseases caused by abnormal workloads such as shifts, night work, and long working hours.

	Fire safety	<ol style="list-style-type: none"> 1. Fire drills have been held on a regular basis. 2. In accordance with the Fire Services Act and its Enforcement Rules, a fire safety manager has been appointed. The manager has regularly attended seminars and recurrent training sessions.
	Safety assurance	<p>All of the Company's business premises and branches are covered by the following insurance</p> <ol style="list-style-type: none"> 1. Commercial fire insurance; 2. Electronic equipment insurance; 3. Public accident liability insurance.

9. Employees' behaviors and moral principle

The Company requires all employees to sign a commitment to "Capital Financial Group Employee Behavior Policy" and integrity principles when carrying out business activities.

1. We provide high value-added products and services and build and maintain long-term relationships with the customers to help them achieve their objectives.
2. Our interaction and transactions with the customers are in accordance with the highest ethical and safety standards. Our retention of the customers' data is subject to strict restrictions to ensure the use of such data is in compliance with the law. We provide rigorous protection for customers' information, and make sure that information is used only to the extent permitted by law. All customers explored during our employment are owned by the Company, and shall not be referred to another Company during or after employment.
3. We will never allow conflicts between personal interests and the interests of the Company or customers, or any likelihood of such conflicts.
4. We may not disclose any information or data which we have become aware of in the course of duties to others, or hold securities or engage in transactions of securities in the name of any individual or on behalf of others.
5. During our service at the Company or after we have left our jobs, we will: (1) never disclose trade secrets (including but not limited to customer data, technologies, intellectual property rights, programs and systems, information system architecture, source codes, execution files, trading strategies or modules, risk model, operating information, personnel or organizational information, information in financial and accounting books, strategic plans and other information) which we are in charge of or aware of to be used by ourselves or others;
(2) illegal use of undisclosed information (i.e. inside information); (3) attempt to gain unlawful benefits for ourselves or others by taking advantage of our business.
6. We integrate risk management and the laws and regulations into the business process control system and are in strict compliance with it.
7. We submit reports regarding the status and facts of business on a timely and accurate basis, and we do our best to ensure maximum benefits for the Company.
8. We understand that we are handling and using the shareholders' assets, and that we shall treat the property of the Company as our own property and carefully handle and use it.
9. We will not misuse the Company's network and e-mails for non-business purposes, such as viewing, disseminating and saving erotic literature and images and other defaming articles. Neither shall the Company's network system be used for political discussions or propaganda, personal entertainment or any non-business related purpose.
10. We will strictly comply with the applicable laws and regulations by not using e-mails, electronic bulletin boards or the Internet system (including but not limited to personal blogs or web forums) to engage in activities of improper business marketing, improper competition not involving service fees, determination or suggestions for the future transaction prices of individual contracts, or provision of suggestions for trading strategies.
11. We shall maintain the accuracy and integrity of the information, reports, records and data owned, used and managed by the Capital Group, and we may not engage in any improper removal or transmission of them.
To comply with the "Personal Information Protection Act", we shall refrain from inquiring internal information and data that we do not have access to. All documents of the Company are to be used solely for internal management, and cannot be reproduced or used outside the scope mentioned above. We shall be solely responsible for any civil and criminal liabilities that arise as a result of our violation.

12. We shall maintain the accuracy and integrity of the information, reports, records and data owned, used and managed by the Capital Group, and we may not engage in any improper removal or transmission of them.

To comply with the "Personal Information Protection Act", we shall refrain from inquiring internal information and data that we do not have access to. All documents of the Company are to be used solely for internal management, and cannot be reproduced or used outside the scope mentioned above. We shall be solely responsible for any civil and criminal liabilities that arise as a result of our violation.

13. We will not unilaterally make any external statements. Only the spokespersons appointed by the Company may give comments to the media on behalf of the Company.
14. We will never permit or allow our relatives to accept gifts, services, loans or special treatment from any persons (including customers, suppliers or other persons) for the purpose of exchanging for current or future relationship with the Company.

When we become aware of actions that are in violation of legal requirements or the Company's work rules, we will promptly report such alleged violations to the appropriate personnel including the direct supervisors, human resources units or auditing units.

VI. Financial Summary

1. Summary balance sheet and income statement for the last 5 years

(1) Summary balance sheet (consolidated and standalone)

Unit: NTD thousands

Item	Year	Financial information for the latest 5 years (Note 1)									
		Consolidated					Standalone				
		2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Current assets		185,983,038	146,258,737	116,002,501	101,969,620	128,220,873	138,897,632	98,672,749	73,984,497	61,469,761	93,599,832
Property, plant and equipment		3,052,798	3,111,323	3,025,605	5,340,960	4,966,752	2,388,771	2,417,207	2,339,571	4,577,214	4,231,972
Intangible assets		3,615,760	3,619,563	3,609,740	3,621,070	3,628,174	3,544,599	3,538,857	3,527,506	3,543,038	3,544,235
Other assets		11,042,343	10,073,011	10,532,567	6,458,257	4,670,519	17,085,942	16,308,559	15,567,056	11,838,403	9,767,364
Total assets		203,693,939	163,062,634	133,170,413	117,389,907	141,486,318	161,916,944	120,937,372	95,418,630	81,428,416	111,143,403
Current liabilities	Before dividend	159,485,189	121,864,300	94,684,661	80,738,838	106,463,149	120,526,984	82,594,785	59,239,075	47,025,844	78,368,174
	After dividend	(Note 2)	124,252,299	96,421,387	81,667,201	106,896,964	(Note 2)	84,982,784	60,975,801	47,954,207	78,801,989
Non-current liabilities		2,735,166	2,523,604	2,269,623	1,446,333	1,545,169	2,655,150	2,456,518	2,186,915	1,430,580	1,353,599
Total liabilities	Before dividend	162,220,355	124,387,904	96,954,284	82,185,171	108,008,318	123,182,134	85,051,303	61,425,990	48,456,424	79,721,773
	After dividend	(Note 2)	126,775,903	98,691,010	83,113,534	108,442,133	(Note 2)	87,439,302	63,162,716	49,384,787	80,155,588
Equity attributable to parent company shareholders		38,734,810	35,886,069	33,992,640	32,971,992	31,421,630	-	-	-	-	-
Share capital		21,709,081	21,709,081	23,209,081	23,209,081	21,690,730	21,709,081	21,709,081	23,209,081	23,209,081	21,690,730
Capital reserves		2,743,465	2,743,430	2,852,299	2,852,299	2,852,299	2,743,465	2,743,430	2,852,299	2,852,299	2,852,299
Retained earnings	Before dividend	12,155,572	9,639,333	7,927,126	6,209,696	6,790,451	12,155,572	9,639,333	7,927,126	6,209,696	6,790,451
	After dividend	(Note 2)	7,251,334	6,190,400	5,281,333	4,838,285	(Note 2)	7,251,334	6,190,400	5,281,333	4,838,285
Other equity items		2,126,692	1,794,225	1,578,134	700,916	88,150	2,126,692	1,794,225	1,578,134	700,916	88,150
Treasury stocks		-	-	(1,574,000)	-	-	-	-	(1,574,000)	-	-
Non-controlling interests		2,738,774	2,788,661	2,223,489	2,232,744	2,056,370	-	-	-	-	-
Total equity	Before dividend	41,473,584	38,674,730	36,216,129	35,204,736	33,478,000	38,734,810	35,886,069	33,992,640	32,971,992	31,421,630
	After dividend	(Note 2)	36,286,731	34,479,403	34,276,373	33,044,185	(Note 2)	33,498,070	32,255,914	32,043,629	30,987,815

Note 1: all financial information in the last 5 years has been audited.

Note 2: appropriation of 2021 earnings had yet to be resolved in a shareholder meeting.

(2) Summary income statement (consolidated and standalone)

Unit: NTD thousands

Year Item	Financial information for the last 5 years (Note)									
	Consolidated					Standalone				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Operating revenues	13,281,753	9,724,095	7,796,951	7,638,645	9,244,897	10,939,298	7,367,734	5,885,962	4,922,660	6,621,232
Gross profit	11,617,510	8,126,530	6,227,871	5,695,441	7,237,386	10,148,596	6,709,143	5,094,599	4,003,138	5,807,603
Operating profit	5,320,327	3,252,195	1,993,246	1,173,168	2,751,541	4,875,974	2,846,280	1,780,192	619,169	2,264,634
Non-operating revenues and expenses	907,182	1,130,505	1,234,851	1,153,362	752,096	1,027,609	1,103,108	1,038,556	1,219,276	818,720
Pre-tax profit	6,227,509	4,382,700	3,228,097	2,326,530	3,503,637	5,903,583	3,949,388	2,818,748	1,838,445	3,083,354
Net income from continuing operations	5,461,649	3,840,679	2,829,234	1,777,510	3,215,395	5,249,590	3,569,529	2,566,823	1,408,865	2,893,600
Loss from discontinued operations	-	-	-	-	-	-	-	-	-	-
Net income	5,461,649	3,840,679	2,829,234	1,777,510	3,215,395	5,249,590	3,569,529	2,566,823	1,408,865	2,893,600
Other comprehensive income/loss for the current period (net, after-tax)	(12,622)	75,975	947,213	(442,188)	(139,233)	(12,885)	95,495	956,188	(451,114)	(65,893)
Total comprehensive income (loss) in current period	5,449,027	3,916,654	3,776,447	1,335,322	3,076,162	5,236,705	3,665,024	3,523,011	957,751	2,827,707
Net income attributable to parent company shareholders	5,249,590	3,569,529	2,566,823	1,408,865	2,893,600	-	-	-	-	-
Net income attributable to non-controlling shareholders	212,059	271,150	262,411	368,645	321,795	-	-	-	-	-
Comprehensive income attributable to parent company shareholders	5,236,705	3,665,024	3,523,011	957,751	2,827,707	-	-	-	-	-
Comprehensive income attributable to non-controlling shareholders	212,322	251,630	253,436	377,571	248,455	-	-	-	-	-
Earnings per share	2.42	1.64	1.11	0.61	1.25	2.42	1.64	1.11	0.61	1.25

Note: all financial information for the last 5 years has been audited.

(3) Names of financial statement auditors in the last 5 years and audit opinions

Year	Name of CPAs	Audit opinion
2017	Feng Hui Li, Tan Tan Chung	Unqualified opinion
2018	Feng Hui Li, Tan Tan Chung	Unqualified opinion
2019	Feng Hui Li, Tan Tan Chung	Unqualified opinion
2020	Feng Hui Li, Tan Tan Chung	Unqualified opinion
2021	Cheng Yen Wu, Tan Tan Chung	Unqualified opinion

2. Financial analysis for the previous 5 years

(1) Financial analysis (consolidated and standalone)

Analysis		Financial analysis for the latest 5 years (Note 1)										
		Year	Consolidated					Standalone				
		2021	2020	2019	2018	2017	2021	2020	2019	2018	2017	
Financial structure (%)	Debt to assets ratio	79.64	76.28	72.80	70.01	76.34	76.08	70.33	64.38	59.51	71.73	
	Long-term capital to property, plants and equipment	1,448.14	1,324.14	1,272.00	686.23	705.15	1,732.69	1,586.24	1,546.42	751.61	774.47	
Solvency (%)	Current ratio	116.61	120.02	122.51	126.30	120.44	115.24	119.47	124.89	130.71	119.44	
	Quick ratio	116.59	119.99	122.48	126.25	120.40	115.22	119.43	124.85	130.68	119.41	
Profitability	Return on assets (%)	2.98	2.59	2.26	1.37	2.58	3.71	3.30	2.90	1.46	2.98	
	Return on equity (%)	13.63	10.26	7.92	5.18	10.00	14.07	10.22	7.67	4.38	9.50	
	As a percentage of paid up capital (%)	Operating profit	24.51	14.98	8.59	5.05	12.69	22.46	13.11	7.67	2.67	10.44
		Pre-tax profit	28.69	20.19	13.91	10.02	16.15	27.19	18.19	12.15	7.92	14.22
	Net profit margin (%)	41.12	39.50	36.29	23.27	34.78	47.99	48.45	43.61	28.62	43.70	
	Earnings per share (NT\$)	2.42	1.64	1.11	0.61	1.25	2.42	1.64	1.11	0.61	1.25	
Cash flow (%)	Cash flow ratio	-	2.20	1.04	12.93	-	-	3.18	0.45	20.44	-	
	Cash flow adequacy ratio	149.12	184.51	233.88	228.37	111.99	127.37	132.40	198.78	190.52	91.81	
	Cash flow reinvestment ratio	-	1.84	-	25.97	-	-	2.28	-	26.02	-	
Special Purpose Ratio (%)	Total liabilities to net worth	391.14	321.63	267.71	233.45	322.62	318.01	237.00	180.70	146.96	253.72	
	Fixed assets to total assets	1.98	2.57	3.00	5.50	4.25	1.97	2.66	3.21	6.70	4.57	
	Underwritten securities to quick asset ratio	0.35	1.00	0.76	1.43	1.19	0.51	1.52	1.09	2.10	1.71	
	Margin trading balance to net worth ratio	50.91	38.83	33.60	28.40	44.47	53.99	40.52	35.12	29.60	45.81	
	Short-sell balance to net worth ratio	14.70	14.62	14.21	13.98	14.12	15.74	15.75	15.14	14.92	15.04	

(2) Variations exceeding 20% in the last 2 years:

1. The increase of return on equity, operating income to paid-in capital ratio, pre-tax income to paid-in capital ratio, and earnings per share was mainly due to the increase in brokerage fee revenue, resulting in increase of operating income, pre-tax income and net income.
2. Decrease in cash flow adequacy ratio was mainly due to increased cash outflow of operating activities caused by increased investments such as bonds, stocks and funds.
3. The increase of debt to net worth ratio was mainly due to increase of commercial paper payables, bonds sold under repurchase agreements, equity for each customer in the account, and account payables.
4. The decrease of fixed assets to total assets ratio was mainly due to increased total assets.
5. The decrease of underwriting securities to quick assets ratio was due to the decrease of underwriting securities.
6. The increase of margin trading to equity ratio was mainly due to increased margin trading amount.

Note 1: All financial statement figures were audited.

Note 2: Below are the formulas used in various financial analyses:

1. Financial structure
 - (1) Debt to asset ratio = total liabilities/ total assets.
 - (2) Long-term capital to property, plants and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Liquid ratio = (current assets - inventory - prepayments) / current liabilities.
 - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Profitability
 - (1) Return on assets = net income / average asset balance.
 - (2) Return on equity = net income / average shareholders' equity.
 - (3) Operating profit to paid-up capital ratio = operating profit / paid-up capital.
 - (4) Pre-tax profit to paid-up capital ratio = pre-tax profit / paid-up capital.
 - (5) Net profit margin = net income / net sales.
 - (6) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
4. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).
5. Special purpose ratios:
 - (1) Debt to equity ratio = total liabilities/ shareholders' equity.
 - (2) Fixed assets to total assets ratio = net fixed assets / total assets.
 - (3) Underwritten securities to quick asset ratio = total amount of underwritten securities / (current assets - current liabilities).
 - (4) Margin trading balance to net worth ratio = total margin trading balance / shareholders' equity
 - (5) Short-sell balance to net worth ratio = total short-sell balance / shareholders' equity

3. Audit Committee's review of the latest financial reports: See page 111

4. Consolidated financial statements for the most recent years: See page 112

5. Standalone financial statements for the most recent years: See page 227

6. Financial insolvency incidents encountered by the Company and affiliates for the most recent years, up till the publication date of this annual report: None.

Capital Securities Corporation Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements (including Consolidated Financial Statements) and Earnings Distribution Proposal. The Financial Statements have been audited by KPMG, which has been issued an unqualified opinion.

The aforementioned Business Report, Financial Statements (including Consolidated Financial Statements), and Earnings Distribution Proposal have been reviewed and determined to be fairly presented as stated by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Submitted by

2022 General Shareholders' Meeting of Capital Securities Corporation

Capital Securities Corporation
Convener of the Audit Committee
SHEA, JIA-DONG

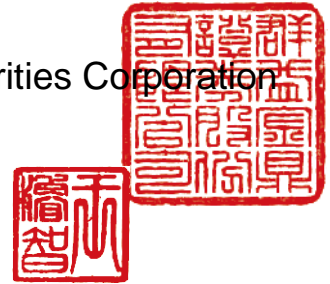


April 7, 2022

Representation Letter

The entities that are required to be included in the combined financial statements of Capital Securities Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Capital Securities Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Capital Securities Corporation
Chairman: Jiunn-Chih Wang
Date: March 14, 2022





安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of
Capital Securities Corporation:

Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries (“the Group”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

1. Valuation of financial instruments

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

Risk and descriptions of the key audit matter:

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

Procedures performed:

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

2. Goodwill impairment

Please refer to Note 4(r) for the related accounting policy regarding the impairment of non-financial assets, Note 5 for accounting assumptions and estimation uncertainty of the goodwill impairment, Note 6(j)(i). for details about measurement of goodwill impairment.

Risk and descriptions of the key audit matter:

Assessment of the Group's goodwill impairment is one of our significant audit processes, because it mainly depends on the prediction of future operation and there is a high uncertainty on assessing recoverable amounts by discounted future cash flows. Therefore, the measurement of goodwill impairment is one of our key audit matters.

Procedures performed:

Our key audit procedures included evaluating tests of goodwill impairment implemented by management and related procedures of internal control, certifying the assumptions of management by related available external information, making professional assessment on main parameters of predictable growth rate, discount rate, etc. adopted by management, and performing the retrospective analysis for testing the precision of previous years' forecasts including sensitivity analyses on the key assumptions related to Goodwill impairment tests.



Other Matter

We did not audit the financial statements of Capital Investment Trust Corporation and Enno Cap Venture Inc., associates of Capital Securities Corporation. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation and Enno Cap Venture Inc., are based solely on the reports of other auditors. The recognized investment amount of Capital Investment Trust Corporation and Enno Cap Venture Inc. under equity method constituted 0.68% and 0.82% of consolidated total assets as of December 31, 2021 and 2020, respectively, and the recognized profit of loss under using equity method constituted 2.76% and 3.48% of consolidated net income before income tax for the years ended December 31, 2021 and 2020, respectively.

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion with other matters paragraph.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2022

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020		
	Amount	%	Amount	%	
Assets					
Current assets:					
110000					
111100	Cash and cash equivalents (note 6(a))	\$ 9,807,123	5	8,497,082	5
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	45,427,215	22	35,198,904	22
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))	15,033,143	7	18,663,479	11
114030	Receivable for securities provided as collateral	21,115,979	10	15,000,045	9
114040	Refinancing margin	43,827	-	97,714	-
114050	Refinancing collateral receivable	36,519	-	85,261	-
114060	Receivable of securities business money lending	2,349,669	1	2,310,230	1
114070	Customers' margin account (note 6(d))	37,848,190	19	38,349,832	24
114090	Collateral for securities borrowed	109,340	-	796,262	1
114100	Security borrowing margin	5,528,410	3	760,815	1
114110	Notes receivable	15,969	-	22,779	-
114130	Accounts receivable (note 6(c))	11,406,287	6	11,039,256	7
114150	Prepayments	32,492	-	37,313	-
114170	Other receivables	523,722	-	145,404	-
114300	Leverage contract trading - customers' margin account	624,232	-	352,962	-
114600	Current income tax assets	230	-	23,599	-
114710	Non-current assets classified as held for sale (note 6(e))	50,112	-	-	-
119095	Amounts held for each customer in the account(note 6(o))	26,706,922	13	13,063,932	8
119990	Other current assets-others	9,323,657	5	1,813,868	1
		<u>185,983,038</u>	<u>91</u>	<u>146,258,737</u>	<u>90</u>
Non-current assets:					
120000					
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	180,596	-	180,929	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,319,193	2	2,287,085	1
124100	Investments accounted for under equity method (note 6(f))	1,478,918	1	1,481,286	1
125000	Property and equipment (notes 6(g) and 8)	3,052,798	1	3,111,323	2
125800	Right-of-use assets (notes 6(h))	791,630	-	850,210	1
126000	Investment property (notes 6(i) and 8)	3,651,720	2	3,611,107	2
127000	Intangible assets (note 6(j))	3,615,760	2	3,619,563	2
128000	Deferred income tax assets (note 6(s))	33,568	-	78,124	-
129000	Other non-current assets	1,586,718	1	1,584,270	1
		<u>17,710,901</u>	<u>9</u>	<u>16,803,897</u>	<u>10</u>
Total assets		<u>\$ 203,693,939</u>	<u>100</u>	<u>163,062,634</u>	<u>100</u>

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Liabilities and Equity				
Current liabilities:				
210000 Short-term borrowings (note 6(k))	\$ 3,087,820	2	3,671,111	2
211200 Commercial paper payable (note 6(l))	8,397,806	4	2,299,692	1
212000 Financial liabilities at fair value through profit or loss - current (note 6(m))	4,999,027	3	3,630,866	2
214010 Bonds sold under repurchase agreements (note 6(n))	37,345,935	18	35,265,582	22
214040 Guarantee deposited for short sales	2,848,834	1	2,631,763	2
214050 Proceeds payable from short sales	3,246,792	2	3,021,249	2
214070 Securities lending refundable deposits	8,149,786	4	1,033,425	1
214080 Futures traders' equity (note 6(d))	37,798,393	19	38,316,621	23
214090 Equity for each customer in the account (note 6(o))	26,706,922	13	13,063,932	8
214100 Leverage contract trading - customers' equity	630,830	-	352,056	-
214110 Notes payable	152	-	152	-
214130 Accounts payable (note 6(p))	10,760,098	5	10,746,724	7
214150 Advance receipts	34,143	-	35,477	-
214160 Receipts under custody	8,808,150	5	1,636,517	1
214170 Other payables	1,358,467	1	1,100,126	1
214200 Other financial liabilities - current (note 6(x))	4,470,183	2	4,235,829	3
214600 Current income tax liabilities	613,128	-	579,999	-
215100 Provisions - current (note 6(r))	49,604	-	50,169	-
216000 Current lease liabilities (note 6(q))	164,321	-	173,381	-
219000 Other current liabilities	14,798	-	19,629	-
	<u>159,485,189</u>	<u>79</u>	<u>121,864,300</u>	<u>75</u>
Non-Current liabilities:				
224200 Other financial liabilities - non-current (note 6(x))	575,697	-	515,261	-
226000 Non-current lease liabilities (note 6(q))	685,850	-	736,969	-
228000 Deferred income tax liabilities (note 6(s))	496,354	-	427,566	-
229000 Other non-current liabilities (note 6(r))	977,265	1	843,808	1
	<u>2,735,166</u>	<u>1</u>	<u>2,523,604</u>	<u>1</u>
Total liabilities	<u>162,220,355</u>	<u>80</u>	<u>124,387,904</u>	<u>76</u>
Equity attributable to shareholders of the parent:				
301010 Common stock (note 6(t))	21,709,081	11	21,709,081	13
302000 Capital surplus (note 6(t))	2,743,465	1	2,743,430	2
304000 Retained earnings:				
304010 Legal reserve	2,267,833	1	1,922,939	1
304020 Special reserve	4,806,142	2	4,116,356	3
304040 Unappropriated earnings (note 6(t))	5,081,597	3	3,600,038	2
305120 Exchange differences on translation of foreign operations	(403,037)	-	(293,175)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,530,934	1	2,087,400	1
305170 Equity related to non-current assets classified as held for sale	(1,205)	-	-	-
Total equity attributable to the parent company	<u>38,734,810</u>	<u>19</u>	<u>35,886,069</u>	<u>22</u>
306000 Non-controlling interests	<u>2,738,774</u>	<u>1</u>	<u>2,788,661</u>	<u>2</u>
Total equity	<u>41,473,584</u>	<u>20</u>	<u>38,674,730</u>	<u>24</u>
Total liabilities and equity	<u>\$ 203,693,939</u>	<u>100</u>	<u>163,062,634</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 years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
Income:				
401000	\$ 7,945,138	60	5,455,310	56
402000	292	-	118	-
403000	350,411	3	197,207	2
404000	151,211	1	214,290	2
406000	76,085	-	75,597	1
410000	3,964,813	30	1,432,840	15
421100	151,854	1	149,809	2
421200	1,704,793	13	1,433,190	15
421300	297,090	2	185,089	2
421500	(42,019)	-	214,415	2
421600	152,353	1	104,395	1
421610	(35,969)	-	(33,068)	-
421750	39,636	-	435,082	4
422000	37	-	(296)	-
422100	10	-	8	-
422200	(925,885)	(7)	219,278	2
424100	327,803	3	322,130	3
424400	(380,019)	(3)	(71,282)	(1)
424500	(722,553)	(6)	(793,315)	(8)
424800	2,349	-	732	-
424900	24,600	-	12,465	-
425300	(16,676)	-	(33,677)	-
428000	216,399	2	203,778	2
	<u>\$ 13,281,753</u>	<u>100</u>	<u>9,724,095</u>	<u>100</u>
Expenses:				
501000	897,179	7	661,845	7
502000	23,244	-	16,474	-
503000	3,537	-	3,696	-
504000	1,414	-	2,151	-
507000	438	-	62	-
521200	195,527	1	374,311	4
521640	5,872	-	1,874	-
524100	319,135	3	341,860	3
524300	193,739	1	180,753	2
528000	24,158	-	14,539	-
531000	3,807,047	29	2,901,750	30
532000	469,975	4	447,303	5
533000	2,020,161	15	1,525,282	16
	<u>7,961,426</u>	<u>60</u>	<u>6,471,900</u>	<u>67</u>
Other income (expenses):				
601000	206,656	2	180,924	2
602000	700,526	5	949,581	10
	<u>907,182</u>	<u>7</u>	<u>1,130,505</u>	<u>12</u>
902001	6,227,509	47	4,382,700	45
701000	765,860	6	542,021	6
	<u>5,461,649</u>	<u>41</u>	<u>3,840,679</u>	<u>39</u>
805000	Other comprehensive income:			
805500	Components that may not be reclassified to profit or loss in subsequent periods:			
805510	(377,622)	(3)	(217,219)	(2)
805540	967,513	7	235,976	2
805550	(855)	-	2,494	-
805599	-	-	-	-
	<u>589,036</u>	<u>4</u>	<u>21,251</u>	<u>-</u>
805600	Components that may be reclassified to profit or loss in subsequent periods:			
805610	(131,617)	-	(210,366)	(2)
805615	(476,719)	(4)	249,289	3
805690	(2,129)	-	-	-
805699	(8,807)	-	(15,801)	-
	<u>(601,658)</u>	<u>(4)</u>	<u>54,724</u>	<u>1</u>
805000	(12,622)	-	75,975	1
902006	<u>\$ 5,449,027</u>	<u>41</u>	<u>3,916,654</u>	<u>40</u>
Net income attributable to:				
913100	\$ 5,249,590	39	3,569,529	36
913200	212,059	2	271,150	3
	<u>\$ 5,461,649</u>	<u>41</u>	<u>3,840,679</u>	<u>39</u>
Total comprehensive income attributable to:				
914100	\$ 5,236,705	39	3,665,024	38
914200	212,322	2	251,630	2
	<u>\$ 5,449,027</u>	<u>41</u>	<u>3,916,654</u>	<u>40</u>
975000	<u>\$ 2.42</u>		<u>1.64</u>	
985000	<u>\$ 2.41</u>		<u>1.64</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 years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company											Total Equity
	Stock	Retained earnings				Total other equity interest						
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Treasury shares	Total equity attributable to the parent company	Non-controlling interests	
Balance at January 1, 2020	\$ 23,209,081	2,852,299	1,658,360	3,587,197	2,681,569	(118,543)	1,696,677	-	(1,574,000)	33,992,640	2,223,489	36,216,129
Net income for the year ended December 31, 2020	-	-	-	-	3,569,529	-	-	-	-	3,569,529	271,150	3,840,679
Other comprehensive income	-	-	-	-	(216,868)	(174,632)	486,995	-	-	95,495	(19,520)	75,975
Total comprehensive income	-	-	-	-	3,352,661	(174,632)	486,995	-	-	3,665,024	251,630	3,916,654
Appropriation and distribution of retained earnings: (note 6(t))												
Legal reserve	-	-	264,579	-	(264,579)	-	-	-	-	-	-	-
Special reserve	-	-	-	529,159	(529,159)	-	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(1,736,726)	-	-	-	-	(1,736,726)	-	(1,736,726)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(30,387)	(30,387)	-	(30,387)
Retirement of treasury shares	(1,500,000)	(104,387)	-	-	-	-	-	-	1,604,387	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	96,272	-	(96,272)	-	-	-	-	-
Capital surplus changes in ownership interests in subsidiaries	-	(4,482)	-	-	-	-	-	-	-	(4,482)	-	(4,482)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	313,542	313,542
Balance at December 31, 2020	21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400	-	-	35,886,069	2,788,661	38,674,730
Net income for the year ended December 31, 2021	-	-	-	-	5,249,590	-	-	-	-	5,249,590	212,059	5,461,649
Other comprehensive income	-	-	-	-	(378,003)	(109,862)	476,185	(1,205)	-	(12,885)	263	(12,622)
Total comprehensive income	-	-	-	-	4,871,587	(109,862)	476,185	(1,205)	-	5,236,705	212,322	5,449,027
Appropriation and distribution of retained earnings: (note 6(t))												
Legal reserve	-	-	344,894	-	(344,894)	-	-	-	-	-	-	-
Special reserve	-	-	-	689,786	(689,786)	-	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(2,387,999)	-	-	-	-	(2,387,999)	-	(2,387,999)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	32,651	-	(32,651)	-	-	-	-	-
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	-	35	-	35
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(262,209)	(262,209)
Balance at December 31, 2021	\$ 21,709,081	2,743,465	2,267,833	4,806,142	5,081,597	(403,037)	2,530,934	(1,205)	-	38,734,810	2,738,774	41,473,584

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 years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Net income before tax	\$ 6,227,509	4,382,700
Adjustments:		
Income and expenses items:		
Depreciation expense	434,960	411,796
Amortization expense	35,015	35,507
Impairment loss	16,676	33,677
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	77,988	(181,347)
Financial cost	195,527	374,311
Interest revenue (including financial revenue)	(1,897,064)	(1,816,908)
Dividend revenue	(375,628)	(267,845)
Cash dividend received from investments under equity method	158,395	172,822
Share of profit of associates and joint ventures accounted for using equity method	(206,656)	(180,924)
Losses (gains) on disposal and retirement of property and equipment	136	(11,317)
Net losses (gains) on non-operating financial instruments at fair value through profit or loss	18,679	(4,504)
Net losses (gains) on lease modifications	258	(24)
Impairment loss on non-financial assets	4,951	1,204
Subtotal of income of non-cash activities	(1,536,763)	(1,433,552)
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(10,324,269)	(4,011,311)
Decrease (increase) in financial assets at fair value through other comprehensive income	3,059,953	(2,177,680)
Increase in receivable for securities provided as collateral	(6,116,216)	(2,833,425)
Decrease (increase) in refinancing margin	53,887	(6,561)
Decrease in receivable on refinancing collateral	48,742	52,078
Increase in receivable of securities business money lending	(39,439)	(314,026)
Decrease (increase) in customers' margin account	501,642	(3,546,113)
Decrease (increase) in margin receivable of futures trading	236	(411)
Decrease (increase) in collateral for securities borrowed	686,922	(451,739)
Increase in security borrowing margin	(4,767,595)	(444,857)
Decrease (increase) in notes receivable	6,810	(378)
Increase in accounts receivable	(237,870)	(4,645,365)
Decrease (increase) in prepayments	4,821	(3,704)
Increase in other receivables	(400,647)	(10,623)
Increase in leverage contract trading - customers' margin account	(271,270)	(44,419)
Increase in other current assets	(7,509,789)	(1,056,337)
Increase in guarantee deposited for business operations	(24,868)	(507)
Increase in settlement fund	(25,527)	(17,257)
Decrease in refundable deposits	-	15,196
Decrease (increase) in other non-current assets	48,891	(26,711)
Increase in financial liabilities at fair value through profit or loss	1,368,161	2,172,881
Increase in bonds sold under repurchase agreements	2,080,353	3,418,051
Increase in guarantee deposited for short sales	217,071	241,299
Increase in proceeds payable from short sales	225,543	265,844
Increase in securities lending refundable deposits	7,116,361	696,712
Increase (decrease) in futures traders' equity	(518,228)	3,569,090
Increase in leverage contract trading - customers' equity	278,774	43,466
Increase in notes payable	-	152
Increase in accounts payable	20,646	4,539,546
Decrease in advance receipts	(1,334)	(25,390)
Increase in receipts under custody	7,171,633	1,522,075
Increase in other payable	258,269	440,026
Increase in other financial liabilities - current	234,354	655,878
Decrease in provision - current	(565)	(2,397)
Increase(decrease) in other current liabilities	(4,831)	5,912
Increase in other financial liabilities - non-current	60,436	165,743
Decrease in other non-current liabilities	(246,713)	(10,533)
Total changes in assets and liabilities from operating activities	(7,045,656)	(1,825,795)
Total adjustments	(8,582,419)	(3,259,347)

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash generated from (used in) operating activities	\$ (2,354,910)	1,123,353
Interest received	1,773,553	1,923,310
Dividends received	373,066	268,363
Interest paid	(202,837)	(405,951)
Income taxes paid	(587,218)	(222,647)
Net Cash flows provided by (used in) operating activities	<u>(998,346)</u>	<u>2,686,428</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(411,996)	(97,880)
Proceeds from disposal of financial assets at fair value through other comprehensive income	439,755	48,822
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,921	207,270
Increase in deferred debits	(623)	(45)
Acquisition of investments using equity method	(400)	-
Acquisition of property and equipment	(215,085)	(116,387)
Proceeds from disposal of property and equipment	9	20,287
Acquisition of intangible assets	(35,752)	(46,035)
Net cash flows (used in) provided by investing activities	<u>(220,171)</u>	<u>16,032</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(583,291)	(2,959,891)
Increase in commercial papers payable	6,098,114	2,299,692
Payment of lease liabilities	(203,872)	(204,206)
Cash dividends paid	(2,650,236)	(1,910,332)
Proceed from issue of share capital	-	482,278
Purchase of treasury shares	-	(30,387)
Change in non-controlling interests	-	(10)
Proceed from right of inclusion options exercised	62	398
Net cash flows (used in) provided by financing activities	<u>2,660,777</u>	<u>(2,322,458)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(132,219)</u>	<u>(206,556)</u>
Increase in cash and cash equivalents	1,310,041	173,446
Cash and cash equivalents, beginning of period	8,497,082	8,323,636
Cash and cash equivalents, end of period	<u>\$ 9,807,123</u>	<u>8,497,082</u>

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

For the years ended December 31, 2021 and 2020

(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 December 31, 2021, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of December 31, 2021, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The consolidated financial statements were authorized for issuance by the board of directors on March 14, 2022.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, 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, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

The Group does not expect the following 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 IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(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 IFRSs, IAS, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(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 amounts have been rounded to the nearest thousand, unless otherwise indicated.

(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	
			December 31, 2021	December 31, 2020
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and discretionary investment services.	100.00 %	100.00 %
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	- %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			December 31, 2021	December 31, 2020	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$7,400. As of December 31, 2021 and 2020, the total assets constituted 0.02% and 0.03% of the Group's total assets, respectively. For the year ended December 31, 2021 and 2020, the operation revenue constituted 0.39% and 0.51% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.
"	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of December 31, 2021 and 2020, the total assets constituted 0.05% and 0.05% of the Group's total assets, respectively. For the year ended December 31, 2021 and 2020, the operation revenue constituted 1.00% and 1.12% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the presentation currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) Assets held for the trading purposes;
- (iii) Assets that are expected to be realized within twelve months from the reporting period;
- (iv) Cash and cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) Liabilities arising from operating activities that are expected to be settled in the normal operating cycle;
- (ii) Liabilities incurred for the trading purposes;
- (iii) Liabilities that are to be settled within twelve months from the reporting period;
- (iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular transactions of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following criteria and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI if it meets both of the following criteria and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividends derived from equity investments are recognized as revenue when the right to receive payment is established, which is normally the ex-dividend date.

3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including accounts receivable), debt instrument investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12 month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Loss allowances for financial assets measured at amortized cost are deducted from the carrying amount of the assets. For debt instrument investments at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

When the treasury stock is retired, the capital surplus premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7) Interest rate benchmark reform-phase 2 (policy applicable from January 1, 2021)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If changes are made to a financial asset or financial liability in addition to changes made to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the changes that are required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications set out above to the additional changes.

(iii) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Group and are recorded under the proceeds payable from securities lent. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Group operates margin loan business, if capital is insufficient, the Group can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Group operates short sale business, if securities are insufficient, the Group can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(i) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under “bonds sold under repurchase agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as financial costs. When bonds are resold, they are reflected under “bonds purchased under resell agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Customers' margin accounts and futures customers' equity

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customers' margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet. Margin deposits received from customers for futures transactions and futures traders' equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures traders' equity cannot be offset unless these accounts pertain to the same customers. When futures customers' equity is in debit of balance, they are reflected under "receivable futures margin".

(k) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

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

Investments in associate accounted for using equity method that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, these investments are remeasured in accordance with the Group's accounting policies. Thereafter, generally, these investments are measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, any equity-accounted investee is no longer equity accounted.

(m) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in capital surplus in proportion to its ownership.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated the Group's interests in the associate.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date. The difference between the fair value of retained investment and proceeds from disposal of the part of interest in the investment, and the carrying amount of the investment at that date was recognized in profit or loss. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amount previously recognized in other comprehensive income in relation to that associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

If the investments in associates become the investment in joint ventures, or vice versa, the Group is accounted for using the equity method consistently and does not remeasure the retained equity.

If the Group does not subscribe the new issuance of capital based on holding percentage and result in a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments under equity method. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments under equity method is insufficient, the shortage is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis.

(n) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

- | | |
|---|------------|
| 1) Buildings | 3~55 years |
| 2) Transportation equipment | 5 years |
| 3) Office equipment and computer facilities | 3~5 years |
| 4) Miscellaneous equipment | 5~10 years |
| 5) Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period. | |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(o) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease

(p) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset less its residual value, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- 1) Customer relationships: 5 years
- 2) Computer software cost and dial-up service charges: 3 years

Amortization method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(q) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Lessee

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right of use asset, or in profit and loss if the carrying amount of the right of use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right of use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has listed right of use assets and leasing liabilities that are not categorized as investment properties as individual items in the balance sheet.

The Group has elected not to recognize right of use assets and lease liabilities for short term leases of office equipment and transportation equipment etc. that have a lease term of 12 months or less and leases of low value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

(ii) Lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(r) Non-financial assets impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(s) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(t) Revenue recognition

The recognition of the Group's major revenue:

(i) Brokerage commissions, gains or loss on securities sold and related handling fees is recognized on the settlement date.

(ii) Underwriting commissions

Underwriting brokerage revenue is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

(iii) Interest revenue and expense arising from margin loan, short sale and bonds with repurchase agreements is recognized on an accrual basis during trading.

(iv) Futures commission revenue arising from accessory services of futures trading, collecting commission from appointed futures dealer, the revenue is recognized on an accrual basis in accordance with related agreement.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- (v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.
- (vi) Dividend revenue is recognized as the right of receiving payment confirmed.
- (vii) Gains on Futures and Options transactions: Futures transaction margins are recognized as costs and valued at daily fair value. The gains or losses arising from reverse trading or execution of the futures and options recognized as Net Profit or Loss for the period.

(u) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(v) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year measured using tax rates enacted or substantively enacted and any adjustment to the tax payable or receivable in respect of previous years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) The same taxable entity; or

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Income tax of overseas subsidiaries is estimated in accordance with local regulation. Income tax of the Group is the sum of the income tax of subsidiaries in the consolidated financial statements.

(w) Business combinations

The Group only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation.

(x) Earnings per share (EPS)

The Group presents its basic and dilutive earnings per share attributable to the Company's ordinary equity holders. The basic earnings per share of the Group is calculated by dividing profit or loss attributable to the Company's ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Group include the estimation of employee remuneration.

(y) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's CEO who allocates resources and assesses segment performance. Each operating segment consists of standalone financial information.

(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 IFRSs endorsed by the FSC 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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The preparation of the consolidated financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

(a) The fair value of financial instrument:

The fair value of non active market or non quoted financial instruments is determined by evaluation method. In this case, fair value is assessed from observable data or patterns of similar financial instruments. If there are no market observables, the fair value of financial instruments is assessed using appropriate assumptions. When using the evaluation model to determine fair value, all models must be calibrated to ensure that the output reflects actual data and market prices. The model uses only observable data as much as possible; however, for the part of credit risk (risk of itself and the counterparty), the Company must estimate the fluctuation and correlation for the fair value of financial assets. For sensitivity analysis of financial instruments, please refer to note 6(x).

(b) The impairment evaluation of goodwill:

The Group performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Group chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash	\$ <u>3,021</u>	<u>2,723</u>
Bank deposits		
Checking accounts	25,007	34,481
Demand deposits	<u>2,334,466</u>	<u>1,761,846</u>
Subtotal	<u>2,359,473</u>	<u>1,796,327</u>
Cash equivalents		
Time deposits	5,757,638	5,238,883
Futures margin - excess margin	1,676,997	1,365,163
Commercial papers	<u>9,994</u>	<u>93,986</u>
Subtotal	<u>7,444,629</u>	<u>6,698,032</u>
Total	<u>\$ 9,807,123</u>	<u>8,497,082</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(b) Financial assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Open-ended funds and money-market instruments		
Open-ended funds and money-market instruments	\$ 184,074	187,563
Valuation adjustment	<u>1,645</u>	<u>14,275</u>
Subtotal	<u>185,719</u>	<u>201,838</u>
Securities invested by securities broker		
Securities invested by securities broker	37,931	48,166
Valuation adjustment	<u>(2,531)</u>	<u>934</u>
Subtotal	<u>35,400</u>	<u>49,100</u>
Trading securities - proprietary trading		
Listed stocks	2,075,807	907,307
Listed funds	2,221,337	666,617
OTC stocks	377,385	252,856
OTC funds	220,838	149,083
Emerging market stocks	466,424	617,219
Convertible bonds	677,306	921,050
Government bonds	2,826,231	3,328,813
Corporate bonds	11,013,683	8,266,818
International bonds	5,601,278	5,149,292
Financial debentures	1,757,778	957,778
Foreign stocks	117,593	159,732
Foreign bonds	249,209	191,652
Others	<u>1,980</u>	<u>7,500</u>
	27,606,849	21,575,717
Valuation adjustment	<u>170,316</u>	<u>211,927</u>
Subtotal	<u>27,777,165</u>	<u>21,787,644</u>
Trading securities - underwriting:		
Listed stocks	34,488	203,906
OTC stocks	-	700
Convertible bonds	<u>58,498</u>	<u>39,845</u>
	92,986	244,451
Valuation adjustment	<u>5,175</u>	<u>4,393</u>
Subtotal	<u>98,161</u>	<u>248,844</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Trading securities - hedging		
Listed stocks	\$ 4,294,213	2,371,659
OTC stocks	1,052,623	751,136
Convertible bonds	9,224,117	6,864,305
Others	<u>1,007,075</u>	<u>1,826,385</u>
	15,578,028	11,813,485
Valuation adjustment	<u>469,008</u>	<u>468,042</u>
Subtotal	<u>16,047,036</u>	<u>12,281,527</u>
Derivatives		
Buy options	61,687	40,215
Futures margin - proprietary fund	564,132	348,012
IRS asset swaps	13,301	13,100
Asset swap options - long position	555,469	157,459
Leverage derivatives - non-hedging	81,844	63,380
Structured notes	4,183	7,785
Currency swaps	635	-
Equity derivatives	<u>2,483</u>	<u>-</u>
Subtotal	<u>1,283,734</u>	<u>629,951</u>
Total	<u>\$ 45,427,215</u>	<u>35,198,904</u>

As of December 31, 2021 and 2020, trading securities and financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Debt instruments at fair value through other comprehensive income		
Government bonds	\$ 2,216,205	2,220,744
International bonds	442,880	797,101
Foreign bonds	<u>11,805,725</u>	<u>14,607,024</u>
	14,464,810	17,624,869
Valuation adjustment	<u>112,543</u>	<u>593,315</u>
Subtotal	<u>14,577,353</u>	<u>18,218,184</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	December 31, 2021	December 31, 2020
Equity instrument at fair value through other comprehensive income		
Listed stocks	288,563	272,065
OTC stocks	44,743	48,478
Emerging market stocks	86,868	59,622
	420,174	380,165
Valuation adjustment	35,616	65,130
Subtotal	455,790	445,295
Total	\$ 15,033,143	18,663,479

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 year ended December 31, 2021 and 2020, the dividends were recognized from the Group designated the aforementioned equity instrument investments measured at fair value through other comprehensive income – current amounted to \$32,425 and \$18,855, 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 \$1,092,073 and \$447,158, respectively, cumulative dispose gains (losses) for the year ended December 31, 2021 and 2020, amounted to \$105,406 and \$69,951, 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 years ended December 31, 2021 and 2020, impairment test has been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(w).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Government bonds	\$ 181,457	180,329
Valuation adjustment	(861)	600
Total	\$ 180,596	180,929

As of December 31, 2021 and 2020, the Group took advantage of government bonds as guaranty deposited of bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business (for details please refer to note 8).

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

	December 31, 2021	December 31, 2020
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	\$ 1,051,825	945,135
Valuation adjustment	2,267,368	1,341,950
Total	\$ 3,319,193	2,287,085

For the years ended December 31, 2021 and 2020, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to \$76,046 and \$82,756, respectively.

For the years ended December 31, 2021 and 2020, 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 \$720 and \$27,422, generated cumulative dispose (losses) gains \$(29,280) and \$4,921, and the gains were transferred from other equity items to retained earnings. Furthermore, the Group acquired proceeds from capital reduction of the investees amounted to \$3,921 and \$207,270, and the distribution of residual property from liquidation amounted to \$660 and \$21,400 for the year ended December 31, 2021 and 2020.

- (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 years ended December 31, 2021 and 2020 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	For the years ended December 31,							
	2021			2020				
	December 31, 2021	December 31, 2020	Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,761,408	1,351,429	1,680,057	1,883,240	1,527,654	1,237,326	1,378,457	1,066,520

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Accounts Receivable

	December 31, 2021	December 31, 2020
Receivable on securities purchased by customers	\$ 132,534	40,983
Settlement	995,267	1,426,058
Interests receivable	560,798	434,085
Receivables on securities sold	9,598,623	9,066,249
Others	<u>119,115</u>	<u>72,122</u>
Subtotal	11,406,337	11,039,497
Less: allowance for doubtful accounts	<u>(50)</u>	<u>(241)</u>
Total	<u>\$ 11,406,287</u>	<u>11,039,256</u>

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

(ii) For the year ended December 31, 2021 and 2020, impairment test has been applied by the Group, the variation of loss allowance in receivables, please refer to note 6(w).

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

As of December 31, 2021 and 2020, a reconciliation of the customers' margin account and the futures traders' equity was as follows:

	December 31, 2021	December 31, 2020
Customers' margin account		
Cash in banks	\$ 26,264,654	28,320,264
Customers' margin account - futures clearing house	7,926,606	6,038,034
Customers' margin account - other futures commission merchants	3,652,626	3,990,936
Marketable securities	<u>4,304</u>	<u>598</u>
Total customers' margin account	<u>37,848,190</u>	<u>38,349,832</u>
Add:		
Commission expense	3,439	2,352
Other	364	26
Less:		
Brokerage fee revenue	(12,674)	(11,746)
Futures transaction tax	(1,652)	(2,289)
Interest revenues	(523)	(789)
Temporary receipts	(3,122)	(3,034)
Remittance amount of the customers after the market closed	(7,535)	(11,879)
Other receivable	(28,094)	(5,848)
Other	<u>-</u>	<u>(4)</u>
Futures traders' equity	<u>\$ 37,798,393</u>	<u>38,316,621</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(f) Investments accounted for under equity method

As of December 31, 2021 and 2020, investments under equity method consisted of the following:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
Capital Insurance Advisory Corp.	\$ 60,571	51,986
Capital Insurance Agency Corp.	<u>38,364</u>	<u>39,190</u>
Subtotal	<u>98,935</u>	<u>91,176</u>
Associates		
True Partner Advisor Hong Kong Ltd.	-	49,281
Capital Investment Trust Corp.	1,379,659	1,340,829
EnnoCap Venture Inc.	<u>324</u>	<u>-</u>
Subtotal	<u>1,379,983</u>	<u>1,390,110</u>
Total	<u>\$ 1,478,918</u>	<u>1,481,286</u>

(i) Subsidiaries:

For the years ended December 31, 2021 and 2020, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
The Group's share of gains based on the subsidiaries' financial statements	<u>33,884</u>	<u>25,908</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total assets	<u>\$ 144,295</u>	<u>120,492</u>
Total liabilities	<u>\$ 45,360</u>	<u>29,316</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 184,934</u>	<u>158,956</u>
Net income	<u>\$ 33,884</u>	<u>25,908</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights	
			December 31, 2021	December 31, 2020
True Partner Advisor Hong Kong Ltd.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Hong Kong	49.00 %	49.00 %
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %
EnnoCap Venture Inc.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Taiwan	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:

	December 31, 2021	December 31, 2020
Total carrying amount of interests in associates that were individually immaterial	<u>\$ 1,379,983</u>	<u>1,390,110</u>
	For the years ended December 31,	
	<u>2021</u>	<u>2020</u>
The Group's share of gains based on the associates' financial statements:		
Net gains from continuing operations	\$ 172,772	155,016
Other comprehensive income (losses)	(855)	1,789
Total comprehensive income (losses)	<u>\$ 171,917</u>	<u>156,805</u>

(iii) Collateral

As of December 31, 2021 and 2020, none of the investment accounted for under equity method of the Group was pledged for collateral.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Property and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2021	\$ 1,990,853	1,315,804	607,709	268,310	4,182,676
Additions	-	-	170,646	44,439	215,085
Transferred from investment property	358,419	206,350	-	-	564,769
Reclassified to investment property	(416,242)	(320,559)	-	-	(736,801)
Disposals and retirements	-	-	(131,304)	(47,630)	(178,934)
Effect of exchange rate changes	-	(2,353)	(2,592)	(396)	(5,341)
Balance at December 31, 2021	<u>\$ 1,933,030</u>	<u>1,199,242</u>	<u>644,459</u>	<u>264,723</u>	<u>4,041,454</u>
Balance at January 1, 2020	\$ 1,881,232	1,182,520	667,875	265,792	3,997,419
Additions	-	-	93,880	22,507	116,387
Transferred from investment property	449,616	294,230	-	-	743,846
Reclassified to investment property	(339,995)	(155,423)	-	-	(495,418)
Disposals and retirements	-	(255)	(149,614)	(19,369)	(169,238)
Effect of exchange rate changes	-	(5,268)	(4,432)	(620)	(10,320)
Balance at December 31, 2020	<u>\$ 1,990,853</u>	<u>1,315,804</u>	<u>607,709</u>	<u>268,310</u>	<u>4,182,676</u>
Depreciation and impairment loss					
Balance at January 1, 2021	\$ -	577,627	344,866	148,860	1,071,353
Depreciation	-	25,534	129,541	52,571	207,646
Transferred from investment property	-	42,102	-	-	42,102
Reclassified to investment property	-	(150,184)	-	-	(150,184)
Disposals and retirements	-	-	(131,166)	(47,623)	(178,789)
Effect of exchange rate changes	-	(1,117)	(2,164)	(191)	(3,472)
Balance at December 31, 2021	<u>\$ -</u>	<u>493,962</u>	<u>341,077</u>	<u>153,617</u>	<u>988,656</u>
Balance at January 1, 2020	\$ -	460,046	394,091	117,677	971,814
Depreciation	-	26,695	104,244	51,100	182,039
Transferred from investment property	-	129,155	-	-	129,155
Reclassified to investment property	-	(35,618)	-	-	(35,618)
Disposals and retirements	-	(255)	(149,614)	(19,369)	(169,238)
Effect of exchange rate changes	-	(2,396)	(3,855)	(548)	(6,799)
Balance at December 31, 2020	<u>\$ -</u>	<u>577,627</u>	<u>344,866</u>	<u>148,860</u>	<u>1,071,353</u>
Carrying amount:					
At December 31, 2021	<u>\$ 1,933,030</u>	<u>705,280</u>	<u>303,382</u>	<u>111,106</u>	<u>3,052,798</u>
At December 31, 2020	<u>\$ 1,990,853</u>	<u>738,177</u>	<u>262,843</u>	<u>119,450</u>	<u>3,111,323</u>

As of December 31, 2021 and 2020, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

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(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2021	\$ 1,165,635	23,566	1,189,201
Additions	145,292	12,829	158,121
Reductions	(138,444)	(10,975)	(149,419)
Effect of changes in foreign exchange rates	(1,823)	-	(1,823)
Balance at December 31, 2021	<u>\$ 1,170,660</u>	<u>25,420</u>	<u>1,196,080</u>
Balance at January 1, 2020	\$ 1,116,803	22,336	1,139,139
Additions	101,925	4,944	106,869
Reductions	(50,667)	(3,714)	(54,381)
Effect of changes in foreign exchange rates	(2,426)	-	(2,426)
Balance at December 31, 2020	<u>\$ 1,165,635</u>	<u>23,566</u>	<u>1,189,201</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2021	\$ 327,134	11,857	338,991
Depreciation	197,631	6,581	204,212
Reductions	(130,204)	(7,703)	(137,907)
Effect of changes in foreign exchange rates	(846)	-	(846)
Balance at December 31, 2021	<u>\$ 393,715</u>	<u>10,735</u>	<u>404,450</u>
Balance at January 1, 2020	\$ 176,718	7,171	183,889
Depreciation	199,483	8,252	207,735
Reductions	(47,745)	(3,566)	(51,311)
Effect of changes in foreign exchange rates	(1,322)	-	(1,322)
Balance at December 31, 2020	<u>\$ 327,134</u>	<u>11,857</u>	<u>338,991</u>
Carrying amount:			
At December 31, 2021	<u>\$ 776,945</u>	<u>14,685</u>	<u>791,630</u>
At December 31, 2020	<u>\$ 838,501</u>	<u>11,709</u>	<u>850,210</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(i) Investment property

Movements in investment property of the Group are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or deemed cost</u>			
Balance at January 1, 2021	\$ 2,964,854	1,099,613	4,064,467
Transferred from property and equipment	416,242	320,559	736,801
Reclassified to Property and equipment	(358,419)	(206,350)	(564,769)
Disposals and retirements	-	(260)	(260)
Effect of changes in foreign exchange rates	-	(456)	(456)
Balance at December 31, 2021	<u>\$ 3,022,677</u>	<u>1,213,106</u>	<u>4,235,783</u>
Balance at January 1, 2020	\$ 3,083,445	1,238,683	4,322,128
Transferred from property and equipment	339,995	155,423	495,418
Reclassified to Property and equipment	(449,616)	(294,230)	(743,846)
Disposals and retirements	(8,970)	(263)	(9,233)
Balance at December 31, 2020	<u>\$ 2,964,854</u>	<u>1,099,613</u>	<u>4,064,467</u>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2021	\$ -	453,360	453,360
Depreciation	-	23,102	23,102
Transferred from property and equipment	-	150,184	150,184
Reclassified to Property and equipment	-	(42,102)	(42,102)
Disposals and retirements	-	(260)	(260)
Effect of changes in foreign exchange rates	-	(221)	(221)
Balance at December 31, 2021	<u>\$ -</u>	<u>584,063</u>	<u>584,063</u>
Balance at January 1, 2020	\$ -	525,138	525,138
Depreciation	-	22,022	22,022
Transferred from property and equipment	-	35,618	35,618
Reclassified to Property and equipment	-	(129,155)	(129,155)
Disposals and retirements	-	(263)	(263)
Balance at December 31, 2020	<u>\$ -</u>	<u>453,360</u>	<u>453,360</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Buildings	Total
<u>Carrying Amount:</u>			
At December 31, 2021	\$ <u>3,022,677</u>	<u>629,043</u>	<u>3,651,720</u>
At December 31, 2020	\$ <u>2,964,854</u>	<u>646,253</u>	<u>3,611,107</u>
<u>Fair Value:</u>			
At December 31, 2021			<u>7,520,041</u>
At December 31, 2020			<u>7,295,403</u>

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

As of December 31, 2021 and 2020, the investment properties were provided as collateral or pledged, for details please refer to note 8.

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:

	December 31, 2021	December 31, 2020
Within 1 year	\$ 156,076	141,942
1-5 years	484,702	452,023
Over 5 years	<u>217,936</u>	<u>301,791</u>
	<u>\$ 858,714</u>	<u>895,756</u>

The rental revenue from investment property for the year ended December 31, 2021 and 2020 amounted to \$158,044 and \$159,425, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(j) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of December 31, 2021 and 2020, the carrying amounts were all \$3,126,698.

Goodwill is allocated to the operating segments as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	<u>1,557,096</u>	<u>1,557,096</u>
Total	<u>\$ 3,126,698</u>	<u>3,126,698</u>

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 3.69% and 2.77% in year 2021 and 2020 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2021 and 2020 exceeded the carrying amount, no impairment occurred for both years.

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 December 31, 2021 and 2020, the carrying amounts of goodwill were \$15,933 and \$20,884, respectively. Furthermore, the Group recognized an impairment loss of \$4,951 and \$1,204 for the years ended December 31, 2021 and 2020 respectively, by using discount rate of 4.65% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 "Intangible Assets" endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2021 and 2020, 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 December 31, 2021 and 2020, the carrying amounts of intangible assets were \$46,084 and \$46,146, 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 December 31, 2021 and 2020, the amortized book value were \$37,046 and \$35,836, respectively.

(k) Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Collateralized loan	\$ 1,336,944	1,449,632
Credit loan	1,750,876	2,221,479
Total	<u>\$ 3,087,820</u>	<u>3,671,111</u>
Interest rate range	<u>0.60%~1.46%</u>	<u>0.44%~1.45%</u>

As of December 31, 2021 and 2020, 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>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 8,400,000	2,300,000
Less: Unamortized discount	(2,194)	(308)
Net amount	<u>\$ 8,397,806</u>	<u>2,299,692</u>
Interest rate range	<u>0.448%~0.588%</u>	<u>0.358%~0.418%</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
Liabilities on sale of borrowed securities	\$ 1,036,721	947,588
Valuation adjustment	<u>18,741</u>	<u>(17,227)</u>
Subtotal	<u>1,055,462</u>	<u>930,361</u>
Liabilities for issuance of Exchange Traded Notes	781	868
Valuation adjustment	<u>162</u>	<u>260</u>
Subtotal	<u>943</u>	<u>1,128</u>
Stock warrants issued	18,396,778	9,668,055
Stock warrants repurchased	<u>(17,130,305)</u>	<u>(8,941,544)</u>
Subtotal	<u>1,266,473</u>	<u>726,511</u>
Sale options	51,288	59,577
IRS asset swaps	42,823	10,968
Asset swap options - short position	2,270,540	1,267,802
Structured notes	286,362	619,483
Leverage derivatives - non-hedging	16,671	1,772
Currency swaps	7,417	12,759
Interest rate swaps	397	505
Equity derivatives	<u>651</u>	<u>-</u>
Subtotal	<u>2,676,149</u>	<u>1,972,866</u>
Total	<u><u>\$ 4,999,027</u></u>	<u><u>3,630,866</u></u>

(n) Bonds sold under repurchase agreements

	December 31, 2021	December 31, 2020
Bonds sold under repurchase agreements	<u>\$ 37,345,935</u>	<u>35,265,582</u>
Agreed-upon repurchase amounts	<u>37,375,943</u>	<u>35,315,617</u>
Interest rates	<u>0.00%~0.55%</u>	<u>0.10%~2.60%</u>
Date of repurchase	<u>2022.1.3~2022.12.22</u>	<u>2021.1.4~2021.12.16</u>

(o) Equity for each customer in the account

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

	December 31, 2021	December 31, 2020
Equity for each customer in the account	<u>\$ 26,706,922</u>	<u>13,063,932</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(p) Accounts payable

	December 31, 2021	December 31, 2020
Payable of securities sold by customers	\$ 106,032	65,929
Payable of settlements	10,514,342	10,333,791
Others	139,724	347,004
Total	<u>\$ 10,760,098</u>	<u>10,746,724</u>

(q) Lease liabilities

The Group's lease liabilities are as follow:

	December 31, 2021	December 31, 2020
Current	<u>\$ 164,321</u>	<u>173,381</u>
Non-current	<u>\$ 685,850</u>	<u>736,969</u>

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	<u>12,150</u>	<u>13,052</u>
Expenses relating to short-term leases	<u>7,613</u>	<u>6,293</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>8,183</u>	<u>19,011</u>
Covid-19-related rent concessions	<u>864</u>	<u>-</u>

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

	For the years ended December 31,	
	2021	2020
Total cash outflow for leases	<u>\$ 231,818</u>	<u>242,562</u>

(r) Employee benefit

(i) Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ (1,212,469)	(1,046,957)
Fair value of plan assets	334,271	303,061
Recognized liabilities for defined benefit obligations	<u>\$ (878,198)</u>	<u>(743,896)</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's employee benefits liabilities are as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Compensated absences	\$ <u>49,604</u>	<u>50,169</u>

Under the defined benefit plan, the Group deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

1) Composition of plan assets

The Group set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Bureau of labor funds, ministry of labor. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Group's labor pension preparatory special account in Bank of Taiwan amounted to \$336,599 and \$307,229 as of December 31, 2021 and 2020, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$436 and \$1,782 as of December 31, 2021 and 2020, respectively.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2021 and 2020 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Defined benefit obligation on January 1	\$ 1,046,957	877,621
Current service costs and interest	9,612	10,079
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in demographical assumptions	(13,008)	-
-Actuarial loss (gain) arising from changes in financial assumptions	(2,139)	30,369
-Experience adjustments	397,667	196,531
Benefits paid by the plan	<u>(226,620)</u>	<u>(67,643)</u>
Defined benefit obligation on December 31	<u>\$ 1,212,469</u>	<u>1,046,957</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Fair value of plan assets on January 1	\$ 303,061	343,634
Interest revenue	1,269	2,300
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	4,898	9,681
Contributions from the employer	243,447	15,089
Benefits paid from plan assets	(218,404)	(67,643)
Fair value of plan assets on December 31	\$ 334,271	303,061

4) Expense recognized in profit or loss

The expenses recognized by the Group in 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Current service cost	\$ 5,246	4,245
Net interest of net defined benefit liabilities (assets)	3,097	3,534
Current pension cost	\$ 8,343	7,779

5) Re-measurement of net defined benefit plan recognized in other comprehensive income

For the years ended December 31, 2021 and 2020, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ (331,988)	(114,769)
Recognized amount during the period	(377,622)	(217,219)
Balance at December 31	\$ (709,610)	(331,988)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.46 %	0.41%~0.42%
Future salary growth rate	2.50%~3.00%	2.50%~3.00%

The expected contribution to the defined benefit plan for the next year is \$3,054. The weighted average duration of the defined benefit obligation is 1 years.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2021 and 2020, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	Effects to Defined Benefit Obligations	
	Increase 0.5%	Decrease 0.5%
December 31, 2021		
Discount rate	(29,763)	28,451
Future salary growth rate	24,218	(23,577)
	Effects to Defined Benefit Obligations	
	Increase 0.5%	Decrease 0.5%
December 31, 2020		
Discount rate	(26,117)	22,763
Future salary growth rate	21,334	(20,752)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability.

The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

(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 \$106,194 and \$89,431 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2021 and 2020, respectively.

(iii) For the years ended December 31, 2021 and 2020, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$4,391 and \$3,259, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Income tax

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

The Company and its subsidiaries including Capital Investment Management Corp., Capital Futures Corp., Taiwan International Securities Investment Consulting Corp., CSC Venture Capital Corp. and CSC Capital Management Co. are founded in Taiwan. The corporate income tax rates are both 20% for the years ended December 31, 2021 and 2020.

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 years ended December 31, 2021 and 2020.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the years ended December 31, 2021 and 2020.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the years ended December 31, 2021 and 2020.

(ii) Income tax expense (benefit)

The amount of income tax expense (benefit) were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax expense		
Current year	\$ 658,861	543,968
Adjustment to the prior years' income tax	<u>(15,152)</u>	<u>(11,073)</u>
	<u>643,709</u>	<u>532,895</u>
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	123,201	19,827
Unrealized gains (losses) on foreign investments under Equity Method	(3,844)	703
Unrealized gains (losses) on non-current assets held-for-sale	2,794	-
Amortization of operation franchise	-	(42,881)
Adjustments of temporary differences for prior years	<u>-</u>	<u>31,477</u>
	<u>122,151</u>	<u>9,126</u>
Income tax expense from continuing operations	<u>\$ 765,860</u>	<u>542,021</u>

The amount of income tax expense or benefit recognized in other comprehensive income were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Foreign exchange difference from translating financial statements of foreign operations	<u>\$ (8,807)</u>	<u>(15,801)</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Reconciliation of income tax expense (benefit) and income before tax were as follows:

	For the years ended December 31,	
	2021	2020
Net income before tax	\$ 6,227,509	4,382,700
Income tax using the domestic tax rate of each Group entity	\$ 1,298,888	941,886
Tax exempt income	(534,470)	(434,764)
Alternative minimum tax	696	31,833
Unrecognized deferred tax assets for current-year losses	5,468	3,533
Changes in unrecognized temporary differences	5,107	2,607
Additional surtax on undistributed retained earnings	1,313	5,815
Amortization of operation franchise	-	(42,881)
Adjustments to prior years' income tax	(15,152)	(3,780)
Adjustments of temporary differences for prior years	-	31,477
Others	4,010	6,295
Total	<u>\$ 765,860</u>	<u>542,021</u>

(iii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	December 31, 2021	December 31, 2020
Unrealized losses on foreign investments under Equity Method	\$ 6,335	5,421
Foreign exchange difference from translating financial statements of foreign operations	27,233	18,426
Unrecognized loss in derivative financial instruments	-	54,277
Total	<u>\$ 33,568</u>	<u>78,124</u>

2) Unrecognized deferred tax assets

	December 31, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 8,896	620
Tax loss carried forward	10,870	5,851
Total	<u>\$ 19,766</u>	<u>6,471</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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As of December 31, 2021, the Group's estimated tax losses recognized under deferred income tax asset were as follows:

<u>Year or loss</u>	<u>Amount</u>	<u>Expiry date</u>
2016 (Declared)	\$ 1,431	2026
2017 (Declared)	2,480	2027
2018 (Declared)	816	2028
2019 (Declared)	1,717	2029
2020 (Reported)	18,399	2030
2021 (Estimated)	<u>29,507</u>	2031
Total	<u>\$ 54,350</u>	

3) Recognized deferred income tax liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unrealized gains on derivative financial instruments	\$ 81,245	12,321
Unrealized gains on foreign investments under Equity Method	-	2,930
Losses on intercompany transactions	1,928	1,928
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Unrealized gains on non-current asset held-for-sale	<u>2,794</u>	<u>-</u>
Total	<u>\$ 496,354</u>	<u>427,566</u>

4) Unrecognized deferred tax liabilities

As of December 31, 2021 and 2020, the Group's temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 59</u>	<u>3,605</u>

The dividend policies of the Group's second level subsidiaries, Capital True Partner Technology Co., Ltd, was prescribed not to appropriate the retained earnings until December 31, 2021. Also, the Group does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iv) Income tax assessment status

- 1) The Company's income tax returns through 2019 were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2020 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 4) Subsidiary - Taiwan International Securities Investment Consulting Corp.'s income tax returns for the liquidation date as of June 30, 2012 and the period of liquidation from July 1, 2012 to September 16, 2019 were assessed by the Tax Authority. On June 15, 2020, the entity was been admitted the completion of liquidation by the court.
- 5) Second level Subsidiary - Capital International Technology Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 7) Subsidiary - CSC Capital Management Co. was approved and established on December 3, 2020 and has not had a case of profit-seeking income tax reporting assessed by the Tax Authority.
- 8) Second level Subsidiary - CSC Private Equity Fund I Co. was established on April 30, 2021, and has not had a case of profit-seeking enterprise income tax.

(v) Income tax administrative relief

Since the tax losses carried forward in year 2015 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 December 31, 2021 and 2020, the Company had authorized capital of \$30,000,000 and issued common stock were all 2,170,908 thousand shares, with a par value of \$10 per share.

(ii) Capital surplus

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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The followings are the capital surplus of the Company:

	December 31, 2021	December 31, 2020
Premium from stock issuance	\$ 1,661,604	1,661,604
Treasury stock transactions	486,556	486,556
Paid-in capital from merger	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,251	1,251
Changes in ownership interests in subsidiaries	<u>30,339</u>	<u>30,304</u>
	<u>\$ 2,743,465</u>	<u>2,743,430</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. 1010028514 issued by the Financial Supervisory Commission on June 29, 2012, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative deduction in stockholders' equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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 2020 earnings distribution has reached the statutory resolution threshold by electronic voting on June 25, 2021, and the Company held the resolution of the shareholder's meeting on July 14, 2021. Besides, fiscal year 2019 earnings distribution resolved by the shareholders' meeting on June 22, 2020, were as follows:

	2020		2019	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Cash dividends	\$ 2,387,999	1.1	1,736,726	0.8

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

(iv) Treasury stocks

Pursuant to Article 28-2 of the "Securities and Exchange Act", the Company repurchased 150,000 thousand shares as treasury shares to maintain the Company's credit standing and shareholders' equity from November, 2019 to January 31, 2020, and retired all shares on February, 2020.

Based on the "Securities and Exchange Act" of the ROC, the number of reacquired shares should not exceed 10% of a company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par and realized capital surplus. Under the "Securities and Exchange Act", the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

On November 11, 2019, the Company's board meeting resolved a share buyback plan, in which basis of calculation was in accordance with the latest reviewed financial report on September 30, 2019. The cap of the repurchase was 232,090 thousand shares which were amounted to \$9,861,897. The Company repurchased 150,000 thousand shares in total and all the repurchased shares were retired, and the registration of capital reduction was completed on February 21, 2020.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Earnings per share

The basic earnings per share and dilutive earnings per share for the years ended December 31, 2021 and 2020 were calculated as follows:

	For the years ended December 31,	
	2021	2020
Net income attributable to common shareholders of the Company	\$ <u>5,249,590</u>	<u>3,569,529</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,916</u>
Basic earnings per share (dollar)	\$ <u>2.42</u>	<u>1.64</u>
Effect of potentially dilutive common stock		
- Employee remuneration (thousands of shares) (Note)	<u>4,307</u>	<u>3,363</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,175,215</u>	<u>2,174,279</u>
Dilutive earnings per share (dollar)	\$ <u>2.41</u>	<u>1.64</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 years ended December 31,	
	2021	2020
Brokerage commission from TSE market	\$ 4,680,964	2,523,123
Brokerage commission from OTC market	1,253,910	847,544
Handling fee from security financing	45,441	34,006
Futures commission income - brokerage	1,769,866	1,891,408
Overseas subsidiaries	46,638	50,199
Others	<u>148,319</u>	<u>109,030</u>
	\$ <u>7,945,138</u>	<u>5,455,310</u>

(ii) Underwriting commissions

	For the years ended December 31,	
	2021	2020
Revenue from underwriting securities on a firm commitment basis	\$ 87,868	86,283
Handling fee revenues from underwriting securities on consignment	584	531
Processing fee revenues from underwriting operations	51,381	117,575
Revenue from underwriting consultation	6,270	8,290
Others	<u>5,108</u>	<u>1,611</u>
	\$ <u>151,211</u>	<u>214,290</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31,	
	2021	2020
Gains (losses) on securities sold - proprietary trading	\$ 1,212,555	696,182
Gains (losses) on securities sold - underwriting	26,374	78,546
Gains (losses) on securities sold - hedging	2,725,884	658,112
	\$ 3,964,813	1,432,840

(iv) Interest revenue

	For the years ended December 31,	
	2021	2020
Interest revenue - margin loans	\$ 987,213	613,935
Interest revenue - bonds	515,433	646,278
Overseas subsidiaries	32,627	51,658
Others	169,520	121,319
	\$ 1,704,793	1,433,190

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

	For the years ended December 31,	
	2021	2020
Trading securities - proprietary	\$ (43,767)	47,338
Trading securities - underwriting	782	(21,660)
Trading securities - hedging	966	188,737
	\$ (42,019)	214,415

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

	For the years ended December 31,	
	2021	2020
Gains on changes in fair value of stock warrants	\$ 5,039,396	10,507,461
Gains on exercise of stock warrants before maturity	43,893,835	42,355,800
Losses on changes in fair value of stock warrants repurchased	(49,640,754)	(52,489,556)
Gains on expiration of stock warrants	46,545	43,514
Stock warrants issuance expenses	(264,907)	(197,941)
	\$ (925,885)	219,278

(vii) Futures commission revenues

	For the years ended December 31,	
	2021	2020
Futures commission revenues - CSC Futures (HK) Ltd.	\$ 327,803	322,130

(Continued)

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 years ended December 31,	
	2021	2020
Future trading - reassignment	\$ 215,936	266,087
Future trading - introducing brokers	1,193	1,530
Commission expenses - CSC Futures (HK) Ltd.	102,006	74,243
	\$ 319,135	341,860

(ix) Employee benefits, depreciation, and amortization expenses

	For the years ended December 31,	
	2021	2020
Employee benefit expenses		
Salary expense	\$ 3,396,513	2,571,187
Health and labor insurance expense	213,825	167,792
Pension expense	118,928	100,469
Others	77,781	62,302
Depreciation expense	434,960	411,796
Amortization expense	35,015	35,507
	\$ 4,277,022	3,349,053

(x) Other operating expenses

	For the years ended December 31,	
	2021	2020
Rental expense	\$ 15,821	25,278
Taxes	640,149	421,345
Information technology expense	260,604	235,734
Postage expense	227,770	212,178
Professional service fee	25,827	24,462
Other expenses	849,990	606,285
	\$ 2,020,161	1,525,282

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Other gains and losses

	For the years ended December 31,	
	2021	2020
Financial revenue	\$ 192,271	383,718
Currency exchange gains (losses)	(14,279)	(5,751)
Net gains (losses) on disposal of investment	17,905	73,800
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	(18,679)	4,504
Revenue from bank's allocation fee	196,413	173,071
Net gains (losses) on disposal of property and equipment	(136)	11,317
Dividend revenue	78,538	82,756
Gains on reversal of prior year's liabilities	12,689	21,856
Rental income	158,044	159,425
Others	<u>77,760</u>	<u>44,885</u>
	<u>\$ 700,526</u>	<u>949,581</u>

(xii) Remuneration to employees and directors

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

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

For the years ended December 31, 2021 and 2020, the estimated amounts of remuneration to employees were \$82,129 and \$45,574, respectively, and to directors were \$100,380 and \$76,446, 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
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019, the estimated amounts of remuneration to employees were \$45,574 and \$32,756, and to directors were \$76,446 and \$54,594 by the Company. The difference between actual employee remuneration of \$47,228 and \$27,027 and actual remuneration to directors of \$71,657 and \$45,335 were \$3,135 and \$14,988 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2021 and 2020. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the years ended December 31, 2021 and 2020, the estimated amounts of remuneration to employees were \$7,196 and \$9,071 and to directors were \$7,196 and \$9,071 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 December 31, 2021 and 2020, the maximum credit exposure amounted to \$152,088,665 and \$127,764,174, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Group is as the list below. The region of exposure is mostly in Taiwan (accounted for 83.29%); secondly, is in Asia (accounted for 8.68%, exclusion of Taiwan); then, is in America (accounted for 5.03%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan	\$ 126,675,667	99,319,538
Asia (Taiwan is excluded)	13,198,006	15,927,212
Europe	4,515,220	3,761,898
America	7,649,360	8,348,552
Other	<u>50,412</u>	<u>903,821</u>
Total	<u>\$ 152,088,665</u>	<u>128,261,021</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Impairment loss

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

	December 31, 2021		December 31, 2020	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 35,425,789	30,132	28,531,443	36,508
Past due 0~30 days	-	-	182	182
Past due 31~120 days	906	906	399	399
Past due 121~360 days	18,148	18,148	841	841
Past due more than 360 days	240,988	240,988	276,004	276,004
	\$ 35,685,831	290,174	28,808,869	313,934

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 December 31, 2021 and 2020, the impairment losses of receivables were \$290,174 and \$313,934, respectively.

3) Credit risk of receivables and debt securities

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision for the years ended December 31, 2021 and 2020 was as follows:

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2021	\$ -	9,391	-	-	313,934	-	323,325
Provision or reversal of Impairment loss	-	(2,612)	-	-	19,288	-	16,676
Amounts written off	-	-	-	-	(40,887)	-	(40,887)
Effect of exchange rate	-	-	-	-	(2,161)	-	(2,161)
Balance on December 31, 2021	<u>\$ -</u>	<u>6,779</u>	<u>-</u>	<u>-</u>	<u>290,174</u>	<u>-</u>	<u>296,953</u>

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2020	\$ -	7,567	-	-	315,554	-	323,121
Provision or reversal of Impairment loss	-	1,824	-	-	31,853	-	33,677
Amounts written off	-	-	-	-	(30,415)	-	(30,415)
Effect of exchange rate	-	-	-	-	(3,058)	-	(3,058)
Balance on December 31, 2020	<u>\$ -</u>	<u>9,391</u>	<u>-</u>	<u>-</u>	<u>313,934</u>	<u>-</u>	<u>323,325</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2021							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,055,462	1,055,462	1,055,462	-	-	-	-
Stock warrants issued	1,266,473	1,266,473	1,137,294	129,179	-	-	-
Put options	51,288	51,288	51,288	-	-	-	-
Exchange traded notes	943	943	943	-	-	-	-
Equity derivatives	651	651	651	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	50,637	50,637	517	9,637	14,568	25,915	-
Asset swap option - short position	2,270,540	2,270,540	163,941	259,226	770,553	1,076,820	-
Leverage derivatives - non- hedging	16,671	16,671	16,671	-	-	-	-
Structured notes	286,362	286,362	11,936	-	232,119	42,307	-
Short-term borrowings	3,087,820	3,087,820	3,087,820	-	-	-	-
Commercial paper payable	8,397,806	8,400,000	8,400,000	-	-	-	-
Bonds sold under repurchase agreements	37,345,935	37,375,943	30,250,072	7,125,871	-	-	-
Guarantee deposited for short sales	2,848,834	2,848,834	2,848,834	-	-	-	-
Proceeds payable from short sales	3,246,792	3,246,792	3,246,792	-	-	-	-
Securities lending refundable deposits	8,149,786	8,149,786	8,149,786	-	-	-	-
Futures traders' equity	37,798,393	37,798,393	37,798,393	-	-	-	-
Equity for each customer in the account	26,706,922	26,706,922	26,706,922	-	-	-	-
Leverage contract trading customers' equity	630,830	630,830	630,830	-	-	-	-
Notes payable and accounts payable	139,876	139,876	139,876	-	-	-	-
Receipts under custody	8,808,150	8,808,150	8,808,150	-	-	-	-
Other payables	1,358,477	1,358,477	1,357,251	1,226	-	-	-
Other financial liabilities	5,045,880	5,045,880	4,355,627	114,556	470,764	104,933	-
Lease liabilities	850,171	882,864	94,709	79,610	161,493	385,136	161,916
	<u>\$ 149,414,699</u>	<u>149,479,594</u>	<u>138,313,765</u>	<u>7,719,305</u>	<u>1,649,497</u>	<u>1,635,111</u>	<u>161,916</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<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, 2020							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 930,361	930,361	930,361	-	-	-	-
Stock warrants issued	726,511	726,511	644,819	81,692	-	-	-
Put options	59,577	59,577	59,577	-	-	-	-
Exchange traded notes	1,128	1,128	1,128	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	24,232	24,232	13,298	(1,809)	4,829	7,914	-
Asset swap option - short position	1,267,802	1,267,802	280,120	137,993	399,655	450,034	-
Leverage derivatives - non- hedging	1,772	1,772	1,772	-	-	-	-
Structured notes	619,483	619,483	10,768	359	-	608,356	-
Short-term borrowings	3,671,111	3,671,111	3,671,111	-	-	-	-
Commercial papers payable	2,299,692	2,300,000	2,300,000	-	-	-	-
Bonds sold under repurchase agreements	35,265,582	35,315,617	26,903,159	8,412,458	-	-	-
Guarantee deposited for short sales	2,631,763	2,631,763	2,631,763	-	-	-	-
Proceeds payable from short sales	3,021,249	3,021,249	3,021,249	-	-	-	-
Securities lending refundable deposits	1,033,425	1,033,425	1,033,425	-	-	-	-
Futures traders' equity	38,316,621	38,316,621	38,316,621	-	-	-	-
Equity for each customer in the account	13,063,932	13,063,932	13,063,932	-	-	-	-
Leverage contract trading customers' equity	352,056	352,056	352,056	-	-	-	-
Notes payable and accounts payable	384,516	384,516	384,516	-	-	-	-
Receipts under custody	1,636,517	1,636,517	1,636,517	-	-	-	-
Other payables	1,100,126	1,100,126	1,096,990	3,136	-	-	-
Other financial liabilities	4,751,090	4,751,090	3,969,342	266,487	171,945	343,316	-
Lease liabilities	910,350	950,943	104,433	79,719	143,812	361,069	261,910
	<u>\$ 112,068,896</u>	<u>112,159,832</u>	<u>100,426,957</u>	<u>8,980,035</u>	<u>720,241</u>	<u>1,770,689</u>	<u>261,910</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:

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 706,900	28.4800	20,132,512
AUD	3,532	21.9500	77,527
CAD	74	22.3500	1,654
CHF	52	32.3050	1,680
EUR	7,745	35.0200	271,230
GBP	2,569	38.9000	99,934
HKD	112,234	3.6730	412,235
JPY	888,657	0.2763	245,536
SGD	544	21.5600	11,729
CNY	94,309	4.3770	412,790
ZAR	66	1.9490	129
KRW	384,841	0.0264	10,160
NZD	43	20.5800	885
THB	3,468	0.9556	3,314
MYR	180	6.7895	1,222
<u>Non-Monetary Item</u>			
USD	585,631	28.4800	16,678,771
AUD	105,749	21.9500	2,321,191
EUR	33,014	35.0200	1,156,150
GBP	2	38.9000	78
HKD	1,031	3.6730	3,787
JPY	10,105	0.2763	2,792
CNY	238,236	4.3770	1,042,759
NZD	1	20.5800	21
<u>Investments under equity method</u>			
HKD	13,417	3.6730	49,281

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

				December 31, 2020		
				Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>						
<u>Monetary Item</u>						
USD	\$	1,259,306		28.4800		35,865,035
AUD		98,768		21.9500		2,167,958
CAD		67		22.3500		1,497
CHF		53		32.3050		1,712
EUR		39,104		35.0200		1,369,422
GBP		2,460		38.9000		95,694
HKD		221,137		3.6730		812,236
JPY		894,512		0.2763		247,154
SGD		631		21.5600		13,604
CNY		168,410		4.3770		737,131
KRW		381,095		0.0264		10,061
THB		2,572		0.9556		2,458
MYR		166		6.7895		1,127
<u>Non-Monetary Item</u>						
USD		12		28.4800		342
CAD		4		22.3500		89
JPY		1,023		0.2763		283
CNY		240		4.3770		1,050
ZAR		1		1.9490		2

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the years ended December 31, 2021 and 2020, the realized and unrealized currency exchange gains (losses) amounted to \$46,636 and \$89,023, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2021 and 2020, 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 years ended December 31, 2021		For the years ended December 31, 2020	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(537,609)	537,609	(575,927)
Other comprehensive income	493,972	(493,972)	640,346	(640,346)

(iv) Sensitivity analysis of interest rate risk

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

Market risk type	December 31, 2021	December 31, 2020	For the years ended December 31,					
			2021			2020		
			Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,598,692	1,560,150	1,549,226	1,731,621	1,373,366	1,574,731	1,758,733	1,378,218

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

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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

As of December 31, 2021 and 2020, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:				
Cash and cash equivalents	\$ 9,807,123	9,807,123	8,497,082	8,497,082
Accrued receivable	67,836,874	67,836,874	43,345,297	43,345,297
Customers' margin account	37,848,190	37,848,190	38,349,832	38,349,832
Leverage contract trading - customers' margin account	624,232	624,232	352,962	352,962
Restricted assets - current	285,135	285,135	87,357	87,357
Other non-current assets	1,510,089	1,510,089	1,469,407	1,469,407
Financial liabilities:				
Short-term borrowings	3,087,820	3,087,820	3,671,111	3,671,111
Commercial paper payable	8,397,806	8,397,806	2,299,692	2,299,692
Bonds sold under repurchase agreements	37,345,935	37,345,935	35,265,582	35,265,582
Accrued payable	62,492,329	62,492,329	33,813,887	33,813,887
Futures traders' equity	37,798,393	37,798,393	38,316,621	38,316,621
Leverage contract trading - customers' equity	630,830	630,830	352,056	352,056
Other financial liabilities - current	4,470,183	4,470,183	4,235,829	4,235,829
Other financial liabilities - non-current	575,697	575,697	515,261	515,261
Other non-current liabilities	98,265	98,265	99,911	99,911

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>
Investment property				
December 31, 2021	\$ -	-	<u>7,520,041</u>	<u>7,520,041</u>
December 31, 2020	\$ -	-	<u>7,295,403</u>	<u>7,295,403</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading-customers' equity, other financial liabilities-current, other financial liabilities-non-current, and other non-current liabilities.
- ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.

3) Measured at fair value

a) Hierarchy information of fair value

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021				
Financial assets at fair value through profit or loss	\$ 15,442,463	28,881,614	-	44,324,077
Financial assets at fair value through other comprehensive income	2,683,955	12,349,188	3,319,193	18,352,336
Derivative financial assets	<u>625,819</u>	<u>657,915</u>	<u>-</u>	<u>1,283,734</u>
	<u>\$ 18,752,237</u>	<u>41,888,717</u>	<u>3,319,193</u>	<u>63,960,147</u>
Financial liabilities at fair value through profit or loss	\$ 2,322,878	-	-	2,322,878
Derivative financial liabilities	<u>325,714</u>	<u>2,350,435</u>	<u>-</u>	<u>2,676,149</u>
	<u>\$ 2,648,592</u>	<u>2,350,435</u>	<u>-</u>	<u>4,999,027</u>
December 31, 2020				
Financial assets at fair value through profit or loss	\$ 11,862,682	22,887,200	-	34,749,882
Financial assets at fair value through other comprehensive income	2,704,200	15,959,279	2,287,085	20,950,564
Derivative financial assets	<u>388,227</u>	<u>241,724</u>	<u>-</u>	<u>629,951</u>
	<u>\$ 14,955,109</u>	<u>39,088,203</u>	<u>2,287,085</u>	<u>56,330,397</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities at fair value through profit or loss	\$ 1,658,000	-	-	1,658,000
Derivative financial liabilities	667,933	1,304,933	-	1,972,866
	<u>\$ 2,325,933</u>	<u>1,304,933</u>	<u>-</u>	<u>3,630,866</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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4) Transfer between Level 1 and Level 2

For the years ended December 31, 2021 and 2020, there is no transfer of financial instruments between Level 1 and Level 2.

5) Fair value adjustments

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

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

(In Thousands Dollars)

Item	For the year ended December 31, 2021								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,287,085	-	891,620	153,621	-	1,212	3,921	8,000	3,319,193

Item	For the year ended December 31, 2020								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,464,932	-	103,023	97,880	-	48,822	207,270	122,658	2,287,085

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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	· Price-to-Book Ratio · Discount for lack of marketability	· The higher the multiple, the higher fair value. · The higher the discount for lack of marketability, the lower the fair value.
Financial assets at fair value through other comprehensive income - equity instruments without an active market - venture capital corporation	Net Asset Value Method	· Net Asset Value	Not applicable

- 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>
December 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>33,192</u>	<u>(33,192)</u>
December 31, 2020		
Financial assets fair value through other comprehensive income	\$ <u>22,871</u>	<u>(22,871)</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(vi) Transfer of financial assets

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

December 31, 2021					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 39,185,058	37,345,935	-	-	-

December 31, 2020					
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	\$ 37,366,476	35,265,582	-	-	-

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:

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

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

December 31, 2020						
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	\$ 241,724	-	241,724	-	-	241,724

December 31, 2020						
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	\$ 1,913,289	-	1,913,289	-	-	1,913,289
Under repurchase agreements	35,265,582	-	35,265,582	35,265,582	-	-
Total	\$ 37,178,871	-	37,178,871	35,265,582	-	1,913,289

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

(x) Financial risk management

(i) Brief

The Group is exposed to the following risks due to the usage of financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The disclosure hereby presents above-mentioned risk information, evaluation, and objectives, policies, and procedures of managing information. Further information regarding quantity disclosure please refers to related disclosures.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Group also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Group set up a risk management information system to assist whole risk management execute effectively.

(iii) Credit risk

1) Determining whether credit risk has increased significantly since initial recognition

- a) The Group measures each financial instrument that applies under IFRS9 if the credit risk of financial asset at the reporting date has increased significantly since initial recognition. The Group considers reasonable and supportable information that is relevant and available, including forward-looking information, since initial recognition for assessment. Main factors taking into consideration include credit risk rating and information of past due condition.
- b) Low Credit Risk: A financial instrument has low credit risk at the reporting date, assumed to have no significant increase in credit risk since initial recognition. The determination criteria are the financial instrument's external credit rating is 'investment grade' or above.

2) Measurement of Expected Credit Losses (ECL)

a) Methods adopted and assumptions

The Group applies 12-month ECLs to measure the impairment loss of financial instruments, which have not increased significantly since initial recognition. For those financial instruments have increased significantly after initial recognition or with credit loss, the Group adopts lifetime ECLs to measure.

In order to measure ECLs, the Group takes into the future 12 months and lifetime probability of default (PD) on the financial assets, issuer, and counterparty to the possibility of Loss given default (LGD), then multiplies the amount of exposure at default (EAD) with the consideration of time value on currency, to calculate the 12 month and lifetime ECLs respectively.

Probability of PD is the probability of defaults occurring of an issuer or the counterparty. Probability of LGD is the percentage of the amount of loss incurred when issuers or the counterparty default. The probability of PD and LGD used by the Group was referring to the information periodically release from international credit rating institutions such as S&P, Moody's and Fitch. The Group measures EAD by the amortized cost plus interest receivables of financial instruments.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iv) Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Group also to diversify the financing channels for funding. The Group plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Group has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc to address the liquidity risk of each holding position. Moreover, the Group operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

(v) Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Group's revenue or the value of its holdings of financial instruments.

The Group has set up the trading quotas and upper limit of Value at Risk ("VaR") in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Group uses to measure the market risk are as follows:

- 1) Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- 2) Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 3) Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 4) Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Group can utilize approved financial hedging instruments (such as Futures, Options, Swap and etc.) to adjust the risk level to improve the risk management system implemented.

(vi) Hedging strategies (financial hedging)

The Group's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Group sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Group also formulates principal to conduct over or under limitations with hedging position

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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1) Equity securities:

As equity securities price fluctuate, the Group will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Group not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

2) Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Group will suffer losses when unfavorable variation of market rate is incurred. The Group uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

3) Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors' exercising the stock warrants. The Group will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Group will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

4) Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Group uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Group establishes related hedged position to hedge the stock price and the volatility risk.

5) Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Group manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

(vii) Financial risk information of financial derivatives and other financial instruments as approved by the authority

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As of December 31, 2021 and 2020, 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	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Stock warrants issued	\$ 22,242,386	-	14,988,329	-

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

(ii) Market risk:

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

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

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

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

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

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

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(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 years ended December 31, 2021 and 2020:

a) Gains (losses) on valuation

	For the years ended December 31,		Account
	2021	2020	
Stock warrants issued	\$ 17,315,545	17,825,096	Gains (losses) on stock warrants issued
Stock warrants repurchased	(17,452,496)	(17,761,848)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the years ended December 31,		Account
	2021	2020	
Security borrowing	\$ 137,627	48,780	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	1,673,217	61,457	Gains (losses) on sale of trading securities
Futures transaction	(201,373)	(132,451)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the years ended December 31,		Account
	2021	2020	
Stock warrants issued	\$ 31,664,231	35,081,679	Gains (losses) on stock warrants issued
Stock warrants repurchased	(32,188,258)	(34,727,708)	Gains (losses) on stock warrants issued

Exchange traded notes

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

Financial Instruments	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Exchange traded notes issued	\$ 943	-	1,128	-

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Market risk:

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

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

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

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

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

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

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>Account</u>	
Margin - exchange traded notes	\$ 25	25	Other non-current assets	
Outstanding liabilities - exchange traded notes	943	1,128	Financial liabilities at fair value through profit or loss - current	
	<u>For the years ended December 31,</u>			
	<u>2021</u>	<u>2020</u>	<u>Account</u>	
Gains (losses) on exchange traded notes	\$ 37	(296)	Net gains (losses) from exchange traded notes	
Management and commissions revenue on exchange traded notes		10	8	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes		(438)	(62)	Management and commissions expense on exchange traded notes

Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of December 31, 2021 and 2020.

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.

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(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.

(iv) Presentation of financial derivatives:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Account</u>
Futures margin - proprietary fund	\$ 564,132	348,012	Financial assets at fair value through profit or loss - current
Excess futures margin	1,676,997	1,365,163	Cash and cash equivalent
Buy options	61,687	40,215	Financial assets at fair value through profit or loss - current
Sale options	51,288	59,577	Financial liabilities at fair value through profit or loss - current
	<u>For the years ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>Account</u>
Gains (losses) on futures transactions	\$ (380,019)	(71,282)	Gains (losses) on derivatives - futures

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Derivative instruments - OTC

(i) Interest rate financial derivatives

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

Financial Instruments	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 9,900,000	-	10,900,000	-

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

2) Market risk:

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

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

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

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

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 883,000	-	1,311,000	-
Principal guaranteed notes	3,729,644	-	3,264,693	-
Credit-linked notes	769,300	-	783,100	-
Principal guaranteed notes (in USD thousands)	USD -	-	USD 100	-

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

2) Market risk

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

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

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

(iii) Convertible bond asset swaps

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

Financial Instruments	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset swaps	\$ 2,478,500	-	1,109,900	-
Convertible bond options	10,283,100	-	7,035,300	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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.

(iv) Options

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

Financial Instruments	December 31, 2021		December 31, 2020	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Equity options	\$ 287,577	-	839	-

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

2) Market risk:

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(v) Leverage derivatives

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

<u>Financial Instruments</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Leverage derivatives-long position	\$ 3,800,382	-	1,321,887	-
Leverage derivatives-short position	3,787,547	-	1,282,847	-

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.

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.

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(vi) Presentation of derivative instruments in financial statement

As of December 31, 2021 and 2020, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps were presented on the balance sheets as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 13,301	13,100
Asset swap options-long position	555,469	157,459
Leverage derivatives - non-hedging	81,844	63,380
Structured notes	4,183	7,785
Currency swaps	635	-
Equity derivatives	<u>2,483</u>	<u>-</u>
Total	<u>\$ 657,915</u>	<u>241,724</u>
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	\$ 42,823	10,968
Asset swap options-short position	2,270,540	1,267,802
Leverage derivatives - non-hedging	16,671	1,772
Structured notes	286,362	619,483
Currency swaps	7,417	12,759
Interest rate swaps	397	505
Equity derivatives	<u>651</u>	<u>-</u>
Total	<u>\$ 2,624,861</u>	<u>1,913,289</u>
Other financial liabilities - current		
Structured notes principal value	<u>\$ 4,470,183</u>	<u>4,235,829</u>
Other financial liabilities - non-current		
Structured notes principal value	<u>\$ 575,697</u>	<u>515,261</u>

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For the year ended December 31, 2021 and 2020, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, currency swaps and interest rate swaps are presented on statements of income as follows:

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	\$ (154)	(397)	(1,065)	(505)
Equity derivatives	2,206	3,116	(21)	38
Structured notes	31,839	49,970	(27,345)	(8,650)
IRS asset swaps	(245)	(55)	86	2,131
Asset swap options	(828,422)	144,330	(803,808)	(251,220)
Currency swaps	(17,583)	(6,782)	(23,764)	(12,759)
Leverage derivatives - non-hedging	89,806	3,565	62,602	30,158
Total	\$ (722,553)	193,747	(793,315)	(240,807)

(vii) Managing interest rate benchmark reform and associated risks

1) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure on December 31, 2021 was indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR it is the Secured Overnight Financing Rate (SOFR). As of December 31, 2021, it is still unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place. Nevertheless, the Group had finished the process of implementing appropriate fallback provisions for all US dollar LIBOR indexed exposures by the end of 2021.

2) Non-derivative financial assets

The Group's IBOR exposures to non-derivative financial assets as of December 31, 2021 were Corporate bonds indexed to US dollar LIBOR. In respect of US dollar LIBOR exposures, the Group has been a party to agreements that introduce fallback clauses into all such instruments. These clauses automatically switch the instrument from US dollar LIBOR to SOFR as and when US dollar LIBOR ceases. It is unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place.

3) Non-derivative financial liabilities

The Group has modified all of its floating-rate liabilities indexed to US dollar LIBOR to reference HIBOR during the year ended December 31, 2021.

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- 4) Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an ‘unreformed contract’).

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on January 1, 2021 and December 31, 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	USD LIBOR				EUR LIBOR			
	Total amount of unreformed contracts		Amount with appropriate fallback clause		Total amount of unreformed contracts		Amount with appropriate fallback clause	
December 31, 2021								
Financial assets								
Corporate bonds	USD	163,500	USD	158,500	-		-	
Financial liabilities								
Credit loan	USD	4,000	USD	4,000	-		-	
January 1, 2021								
Financial assets								
Corporate bonds	USD	208,000	USD	203,000	-		-	
Financial liabilities								
Secured bank loans	USD	50,900	USD	50,900	-		-	
Credit loan	USD	46,500	USD	46,500	EUR	1,200	EUR	1,200
Derivatives								
Structured notes	USD	100	USD	100	-		-	

- (y) Capital management

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

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

	December 31, 2021	December 31, 2020
Capital adequacy ratio	358 %	369 %

(z) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

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

	January 1, 2021	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2021
Lease liabilities	\$ <u>910,350</u>	<u>(216,022)</u>	<u>156,588</u>	<u>(745)</u>	<u>-</u>	<u>850,171</u>

	January 1, 2020	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2020
Lease liabilities	\$ <u>1,012,605</u>	<u>(217,258)</u>	<u>116,715</u>	<u>(1,712)</u>	<u>-</u>	<u>910,350</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Names of related parties and relationships

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

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp.	Subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Other related parties	Key management personnel

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(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 348,294	256,544
Post-employment benefits	7,282	2,760
Total	<u>\$ 355,576</u>	<u>259,304</u>

(ii) Bonds sold under repurchase agreements

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Key management personnel	\$ 8,036	8,128	8,262	8,267
	<u>For the years ended December 31,</u>		<u>For the years ended December 31,</u>	
	<u>2021</u>		<u>2020</u>	
Total financial expenses	<u>\$ 18</u>		<u>120</u>	

(iii) Structured notes transactions - remaining balance

	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Key management personnel	<u>\$ 49,300</u>	<u>106,800</u>

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Subsidiaries	\$ 27,000	27,000	27,000	27,000
Funds issued by associate	-	-	31,178	30,871
Total	<u>\$ 27,000</u>	<u>27,000</u>	<u>58,178</u>	<u>57,871</u>
	<u>For the years ended December 31,</u>		<u>For the years ended December 31,</u>	
	<u>2021</u>		<u>2020</u>	
Total financial expenses	<u>\$ 104</u>		<u>9</u>	
Subsidiaries	104		9	
Funds issued by associate	244		135	
Total	<u>\$ 348</u>		<u>144</u>	

Transaction terms are the same as the general clients.

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(ii) Futures transactions

<u>Futures traders' equity</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates	\$ 269,049	335,742
Other related parties	763	182
Total	<u>\$ 269,812</u>	<u>335,924</u>
	<u>For the years ended December 31,</u>	
<u>Total financial expenses</u>	<u>2021</u>	<u>2020</u>
Funds issued by associate	<u>\$ 27</u>	<u>149</u>

Transaction terms are the same as the general clients.

(iii) Lease agreements

<u>Lease revenue</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Associates	<u>\$ 17,237</u>	<u>17,247</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Guarantee deposits received</u>		
Associates	<u>\$ 3,811</u>	<u>3,811</u>

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

(iv) 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 years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ 9,685</u>	<u>8,158</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Accounts receivable</u>		
Subsidiaries	<u>\$ 3,667</u>	<u>811</u>

(v) Brokerage and sub-brokerage

<u>Brokerage commissions</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Funds issued by associate	\$ 43,080	45,629
Other related parties	4,521	3,429
Total	<u>\$ 47,601</u>	<u>49,058</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	For the years ended December 31,	
Re-consigned handling commissions	2021	2020
Funds issued by associate	\$ 13,733	6,703
Other related parties	313	559
Total	\$ 14,046	7,262
(vi) Fund services business		
	For the years ended December 31,	
Fund services revenue	2021	2020
Associates	\$ 4,657	2,108
	For the years ended December 31,	
Channel services revenue	2021	2020
Associates	\$ 4,657	2,108
	December 31,	December 31,
Account receivable	2021	2020
Associates	\$ 509	870
(vii) Wealth management business		
	For the years ended December 31,	
Trust account commissions revenue	2021	2020
Associates	\$ 9,728	5,708
	For the years ended December 31,	
Trust account management fee revenue	2021	2020
Associates	\$ 1,035	605
(viii) Underwriting business		
	For the years ended December 31,	
Stock service income	2021	2020
Associates	\$ 121	122
	For the years ended December 31,	
Handling fee revenues from underwriting securities on consignment	2021	2020
Funds issued by associate	\$ -	1
	December 31,	December 31,
Accounts receivable	2021	2020
Associates	\$ 10	10

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(ix) Other revenue

Other revenue	For the years ended December 31,	
	2021	2020
Associates	\$ 3	3
Other related parties	42	-
Total	\$ 45	3

Receipts in advance	December 31,	
	2021	2020
Associates	\$ 2	-

(x) Custody account business

Custody account business revenue	For the years ended December 31,	
	2021	2020
Second-level subsidiaries (note)	\$ 7,514	6,600

Accounts receivable	December 31,	
	2021	2020
Second-level subsidiaries (note)	\$ 571	680

(xi) Accrued receivable

Accounts receivable/ Other receivable	December 31,	
	2021	2020
Subsidiaries	\$ 84	114
Other related parties	-	3
Total	\$ 84	117

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.

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

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(8) Pledged assets:

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

	December 31, 2021	December 31, 2020	The collateral use
Restricted assets - current	\$ 285,135	87,357	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	38,081,111	35,557,111	Repurchase agreement
Property (cost)	2,071,440	1,758,898	Bank borrowings
Financial assets at fair value through profit or loss - non - current	180,596	180,929	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property (cost)	<u>3,183,055</u>	<u>2,787,973</u>	Bank borrowings
Total	<u>\$ 43,801,337</u>	<u>40,372,268</u>	

(9) Significant contingent liability and unrecognized contract commitment:

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

	December 31, 2021		December 31, 2020	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	612,683	\$ 6,126,830	595,559	5,955,590
Collateral for margin purchase	11,332	113,321	10,578	105,780
Lending securities to customers through short sales	41,166	411,660	67,810	678,100
Collateral for short sales	7,659	76,588	13,284	132,840

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

	December 31, 2021		December 31, 2020	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	491	\$ 4,910	2,117	21,170
Collateral for refinancing margin	-	-	83	830

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

	December 31, 2021	December 31, 2020
Promissory notes	<u>\$ 24,660,000</u>	<u>21,980,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 65,000</u>

(d) As of December 31, 2021 and 2020, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$7,342,642 and \$7,031,255, respectively.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(i) Balance sheet of trust accounts

Balance Sheet of Trust Accounts

December 31, 2021 and 2020

	December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
Trust Assets			Trust Liabilities		
Bank deposits	\$ 1,316,300	1,459,272	Accounts payable	\$ 97	72
Short-term investment			Trust capital	11,104,225	12,097,468
Funds	9,195,789	9,959,655	Net income	(53,638)	401,500
Stocks	276,944	252,364	Accumulated earnings or deficit	90,269	(102,859)
Bonds	58,590	57,995			
Structured notes	277,623	610,954			
Accounts receivable	15,707	55,941			
Total Assets	<u>\$ 11,140,953</u>	<u>12,396,181</u>	Total Liabilities	<u>\$ 11,140,953</u>	<u>12,396,181</u>

(ii) Income statement of trust accounts

Income Statement of Trust Accounts

For the years ended December 31, 2021 and 2020

	For the years ended December 31,	
	2021	2020
Trust revenue		
Interest revenue	\$ 79,809	35,710
Cash dividends revenue	354,505	405,516
Rental revenue	6,037	7,319
Investment gains - realized	-	823
Investment gains - unrealized	52,524	104,218
Subtotal	<u>492,875</u>	<u>553,586</u>
Trust expense		
Management fee	427	371
Service fee	34,562	39,599
Investment losses - realized	83,746	109,835
Investment losses - unrealized	427,654	2,060
Other fees	44	31
Subtotal	<u>546,433</u>	<u>151,896</u>
Gain (loss) before income tax	(53,558)	401,690
Less: Income tax expense	80	190
Net gain (loss)	<u>\$ (53,638)</u>	<u>401,500</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Property list of trust accounts

Property list of trust accounts

December 31, 2021 and 2020

Investment items	December 31, 2021	December 31, 2020
Bank deposits	\$ 1,316,300	1,459,272
Short-term investment		
Funds	9,195,789	9,959,655
Stocks	276,944	252,364
Bonds	58,590	57,995
Structured Notes	277,623	610,954
Other assets	<u>15,707</u>	<u>55,941</u>
Total	<u>\$ 11,140,953</u>	<u>12,396,181</u>

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events:

On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group. All shares would be transferred on February 15, 2022.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) As of December 31, 2021 and 2020, the open positions of futures and option contracts were as follows:

(i) December 31, 2021

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	131	\$ 463,863	475,472	
	TAIEX Futures	Short	249	(896,578)	(906,678)	
	Mini-TAIEX Futures	Short	292	(263,581)	(265,111)	
	Electronic Sector Index Futures	Long	24	83,370	84,072	
	Electronic Sector Index Futures	Short	38	(131,759)	(133,114)	
	Finance Sector Index Futures	Long	33	55,909	56,540	
	Mini-Finance Sector Futures	Short	98	(41,516)	(41,983)	
	Single Stock Futures	Long	4,486	479,591	484,127	
	Single Stock Futures	Short	4,063	(848,134)	(870,892)	
	HHI Futures	Short	14	(20,172)	(20,538)	
	HSI Futures	Short	7	(28,603)	(29,130)	
	Mini-HSI Futures	Long	17	13,949	14,149	
	Mini-HSI Futures	Short	10	(8,199)	(8,323)	
	E-Mini-Nasdaq Futures	Short	21	(190,948)	(189,739)	
	Micro E-Mini-Nasdaq Futures	Long	1	883	904	
	Wheat Futures	Long	1	1,115	1,067	
	Gold Futures	Short	9	(45,308)	(45,554)	
	Micro Gold Futures	Short	50	(25,549)	(25,308)	
	Silver Futures	Short	1	(3,178)	(3,232)	
	FTSE China A50 Index Futures	Long	151	65,580	65,471	
	FTSE China A50 Index Futures	Short	238	(104,235)	(103,423)	
	Micro E-mini S&P 500 Futures	Short	7	(4,634)	(4,610)	
	FTSE Vietnam 30 Index Futures	Short	21	(8,184)	(8,243)	
	TOPIX Futures	Short	9	(42,932)	(43,117)	
	Crude Oil Futures	Short	54	(114,155)	(112,418)	
	Brent Crude Oil Futures	Short	752	(1,583,222)	(1,619,019)	
	SGX Nikkei 225 Index Futures	Short	11	(37,653)	(38,042)	
	Mini-TOPIX Futures	Short	57	(27,228)	(27,307)	
	5 Year U.S. T-Note Futures	Short	40	(134,187)	(133,945)	
	2 Year U.S. T-Note Futures	Short	1	(6,049)	(6,039)	
	10 Year U.S. T-Note Futures	Short	1	(3,611)	(3,611)	
	30 Year U.S. Treasury Bond	Short	5	(22,418)	(22,205)	
	Ultra U.S. Treasury Bond	Short	6	(32,969)	(32,739)	
	US Dollar Index Futures	Short	18	(47,926)	(47,628)	
	Mini Electronic Futures	Long	155	66,410	67,871	
	Mini Electronic Futures	Short	383	(165,124)	(167,704)	
	Subtotal			(3,607,382)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Long	2,337	30,615	39,560	
	TAIEX Options (Put)	Long	3,429	31,784	16,237	
	TAIEX Options (Call)	Short	2,154	(24,743)	(30,982)	
	TAIEX Options (Put)	Short	2,753	(29,808)	(16,231)	
	Stock Options (Call)	Long	1	16	28	
	TAIEX Weekly Options (Call)	Long	375	1,979	1,614	
	TAIEX Weekly Options (Put)	Long	352	816	719	
	TAIEX Weekly Options (Call)	Short	442	(1,733)	(1,136)	
	TAIEX Weekly Options (Put)	Short	226	(1,082)	(1,135)	
	Finance Insurance Index Options (Call)	Long	127	475	732	
	Finance Insurance Index Options (Put)	Long	196	1,446	778	
	Finance Insurance Index Options (Call)	Short	88	(169)	(253)	
	Finance Insurance Index Options (Put)	Short	50	(95)	(7)	
	Electronic Sector Index Options (Call)	Long	107	851	1,457	
	Electronic Sector Index Options (Put)	Long	124	917	562	
	Electronic Sector Index Options (Call)	Short	68	(572)	(766)	
	Electronic Sector Index Options (Put)	Short	176	(1,610)	(778)	
	Subtotal			<u>9,087</u>		
Total				<u>\$ (3,598,295)</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) December 31, 2020

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	53	\$ 152,446	154,812	
	TAIEX Futures	Short	127	(363,477)	(371,538)	
	Mini-TAIEX Futures	Long	354	254,049	259,165	
	Mini-TAIEX Futures	Short	10	(6,770)	(7,040)	
	Single Stock Futures	Long	1,721	314,059	336,332	
	Single Stock Futures	Short	1,496	(236,471)	(239,651)	
	HSI Futures	Short	9	(44,464)	(44,989)	
	E-Mini-Nasdaq Futures	Short	1	(7,129)	(7,340)	
	Wheat Futures	Long	3	2,732	2,736	
	Soybean Futures	Long	4	7,499	7,467	
	Soybean Futures	Short	6	(10,636)	(11,201)	
	Gold Futures	Long	10	53,681	53,972	
	Gold Futures	Short	45	(240,756)	(242,876)	
	FTSE China A50 Index Futures	Long	66	32,370	33,293	
	FTSE China A50 Index Futures	Short	546	(267,827)	(275,423)	
	E-Mini-S&P 500 Futures	Short	10	(52,133)	(53,383)	
	SGX Nikkei 225 Index Futures	Short	5	(18,423)	(18,989)	
	10 Year U.S. T-Note Futures	Short	28	(109,920)	(110,109)	
	TOPIX Futures	Short	7	(34,977)	(34,901)	
	Dollar Index Futures	Short	15	(38,497)	(38,403)	
	Japanese Yen Futures	Short	1	(3,429)	(3,449)	
	Long-term Euro-BTP Futures	Long	55	292,916	292,786	
	Euro-Bond Futures	Short	10	(62,338)	(62,210)	
	VIX Futures	Long	391	281,920	273,810	
	Brent Crude Oil Futures	Long	3	4,316	4,426	
	Subtotal			(101,259)		
Options contract :						
	TAIEX Options (Call)	Long	858	9,293	27,885	
	TAIEX Options (Put)	Long	1,376	12,285	6,320	
	TAIEX Options (Call)	Short	1,494	(23,968)	(51,486)	
	TAIEX Options (Put)	Short	748	(11,981)	(7,066)	
	Stock Options (Put)	Long	15	62	51	
	TAIEX Weekly Options (Call)	Long	144	1,007	1,836	
	TAIEX Weekly Options (Put)	Long	222	1,085	923	
	TAIEX Weekly Options (Call)	Short	231	(688)	(753)	
	TAIEX Weekly Options (Put)	Short	98	(274)	(195)	
	CSI 300 Index Call Options (Call)	Long	30	2,803	3,194	
	CSI 300 Index Call Options (Put)	Long	18	11	6	
	CSI 300 Index Call Options (Put)	Short	18	(122)	(77)	
	Subtotal			(10,487)		
Total				\$ (111,746)		

(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	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	6,248,364	6.27	6,359,664	7.32	≥ 1	Satisfactory to requirement
		996,339		869,294			
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	43,681,868	1.13	43,978,617	1.13	≥ 1	"
		38,702,447		39,018,015			
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	6,248,364	560.39 %	6,359,664	570.37 %	$\geq 60\%$	"
		1,115,000		1,115,000		$\geq 40\%$	
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	4,910,332	54.88 %	4,868,930	66.09 %	$\geq 20\%$	"
		8,947,102		7,366,955		$\geq 15\%$	

- (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	\$ 810,160	810,160	782,530	- %	2	-	Working capital	-	-	-	1,477,776	1,477,776
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	93,389	93,389	93,389	- %	2	-	Working capital & repayment of financing	-	-	-	93,389	93,389
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,148	5,148	5,148	- %	2	-	Repayment of financing	-	-	-	5,148	5,148
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	38,425	38,425	-	5 %	1	12,950		-	-	-	170,380	851,899
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	384,245	384,245	384,245	1.38%~2.63%	1	194,973		-	-	-	384,245	851,899
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	82,338	82,338	-	1.13%~3.13%	1	37,634		-	-	-	170,380	851,899
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	76,849	13,723	6,862	3.13 %	1	2,934		-	-	-	170,380	851,899
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	76,849	-	-	3.13 %	1	475		-	-	-	170,380	851,899
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	82,338	54,892	-	3.13 %	1	7,802		-	-	-	170,380	851,899
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	41,169	41,169	9,112	3.13 %	1	1,048		-	-	-	170,380	851,899

Note: Type of Loans

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Significant transactions between parent company and subsidiaries for the year ended December 31, 2021:

(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	3,016		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	11,448		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	341		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	84,013		0.04 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,841		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	170,416	General transaction	1.28 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	17,935	General transaction	0.14 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	562	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	248	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	145	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	27,152	General transaction	0.20 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	78	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	10,612	General transaction	0.08 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	48,286	General transaction	0.36 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	114	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	134		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	69,000	General transaction	0.52 %
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	26		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	15		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	5		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	5,359	General transaction	0.04 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	59		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	17	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Financial costs	1	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	183		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	734	General transaction	0.01 %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	6	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp.	1	Prepayments	24		- %
0	Capital Securities Corp.	CSC Futures (HK) Ltd.	1	Miscellaneous expense	6	General transaction	- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	1,406,887		0.69 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,406,887		0.69 %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Other payable	1,836		- %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	20,969	General transaction	0.16 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	487,391		0.24 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	4,994,128		2.45 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	6,562		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	6,105	General transaction	0.05 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	117,469	General transaction	0.88 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	1,534	General transaction	0.01 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	3,072	General transaction	0.02 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,779,596		2.35 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	272,859		0.13 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	1,187	General transaction	0.01 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Accumulated depreciation	1,200		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HK 269		0.47 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK 866	General transaction	23.56 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HK 171	General transaction	4.66 %
4	CSC Venture Capital Corp.	CSC Capital Management Co.	3	Lease revenue	66	General transaction	- %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	320	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	2,857	General transaction	0.02 %

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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) Subsidiaries to parent company.

(3) Subsidiaries to subsidiaries.

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Highest Percentage of ownership	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 December 31, 2021	Balance on December 31, 2020		Shares	Ratio	Book value					
0	Capital- Investment Management Corp.	Taipei, Taiwan, R.O.C.	February 16, 1990		Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	100.00 %	7,000,000	100.00 %	79,368	75,125	3,488	3,488	-	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	56.58 %	119,066,014	56.58 %	3,535,529	2,201,851	490,039	277,373	341,719	*
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	100.00 %	45,000,000	100.00 %	1,477,776	17,248	(4,000)	(4,000)	-	*
0	Capital Insurance Advisory Corp.	Taipei, Taiwan, R.O.C.	November 9, 2000		Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	100.00 %	500,000	100.00 %	60,571	132,918	34,710	34,710	26,125	Subsidiary
0	Capital Insurance Agency Corp.	Taipei, Taiwan, R.O.C.	November 8, 2000		Manages personal insurance agent business.	7,400	7,400	100.00 %	740,000	100.00 %	38,364	52,016	(826)	(826)	-	*
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	100.00 %	300	100.00 %	15	(568)	(569)	(569)	-	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	100.00 %	100,000,000	100.00 %	791,454	4,425	(642)	(642)	2,850	*
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	100.00 %	33,000,000	100.00 %	348,207	(416)	(3,506)	(3,506)	-	*
0	Capital Investment Trust Corp.	Taipei, Taiwan, R.O.C.	October 16, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	20.00 %	33,067,507	20.00 %	1,379,659	2,249,375	859,776	171,954	132,270	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	100.00 %	128,000,000	100.00 %	HK 177,604 thousands	HK 30,772 thousands	HK 4,776 thousands	-	-	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	100.00 %	265,000,000	100.00 %	HK (26,209) thousands	HK - thousands	HK (157) thousands	-	-	*
3	Taiwan International Capital (HK)Ltd. (Note 4)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	100.00 %	2	100.00 %	HK (66,108) thousands	HK - thousands	HK (88) thousands	-	-	*
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.	862,631	862,631	97.27 %	214,000,000	97.27 %	828,642	360,895	(26,253)	-	-	*
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	100 %	5,000,000	100.00 %	33,816	3,072	(7,112)	-	-	*
4	True Partner Advisor Hong Kong Ltd.(Note 5)	Hong Kong	May 31, 2010	No. FSC-1040027513 date July 16, 2015	Asset Management.	36,701	36,701	49.00 %	245,000	49.00 %	50,112	132,349	3,776	-	-	Associates
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	100.00 %	2	100.00 %	HK -	HK -	HK -	-	-	The transaction has been eliminated in the consolidated financial statements
6	Capital Private Equity Fund I Co.	Taipei, Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business.	300,000	-	100.00 %	30,000,000	100.00 %	318,697	(186)	(3,274)	-	-	*

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Highest	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 December 31, 2021	Balance on December 31, 2020	Percentage of ownership	Shares	Ratio	Book value					
7	EnnoCap Venture Inc.	Taipei, Taiwan, R.O.C.	July 30, 2021		Investment and management consulting, venture capital and general investing.	400	-	40.00 %	40,000	40.00 %	324	-	(190)	-	-	Associates

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

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

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

Note 4: The board of directors of the Company resolved to dissolve the investee company on 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: On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group. All shares would be transferred on February 15, 2022.

(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, 2021	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2021	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Highest Percentage of ownership	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of December 31, 2021
					Remittance amount	Recoverable amount							
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	2	28.86%	28.86 %	B(2)	10,474	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(4,051)	56.58%	56.58 %	(2,292) B(2)	6,582	-

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

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

Note 2: Investment gains and losses recognized during the period

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2021 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd. December 31, 2021	Taiwan International Securities (B.V.I) Corp. December 31, 2021
Nature		
Current assets	9,593	1
Long-term investments	22,774	-
Property and premises	1,852	-
Other assets	19,395	3,380
Total assets	53,614	3,381
Current liabilities	87	19
Other liabilities	43	3,361
Total liabilities	130	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	8,637	(9,451)
Cumulative translation adjustments	(153)	(64)
Total stockholders' equity	53,484	1
Total liabilities and stockholders' equity	53,614	3,381

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	For the years ended December 31, 2021	For the years ended December 31, 2021
Operating revenue	614	(20)
Operating expense	(816)	-
Non-operating revenue	61	-
Non-operating expense	(2)	-
Income (loss) before tax	(143)	(20)
Net income (loss)	(143)	(20)

(ii) Securities held as of December 31, 2021

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2021	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u>22,774</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	\$ <u>(3,361)</u>

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

For the year ended December 31, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 7,824,703	382,153	1,898,293	834,149	193,350	2,439,197	(290,092)	13,281,753
Segment profit or loss	\$ 4,406,296	187,851	1,539,717	512,033	(749,528)	599,901	(268,761)	6,227,509

For the year ended December 31, 2020								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 4,665,261	461,664	2,033,609	207,200	211,875	2,425,823	(281,337)	9,724,095
Segment profit or loss	\$ 2,287,685	295,051	1,665,221	(11,572)	(306,210)	784,506	(331,981)	4,382,700

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Capital Securities Corporation:

Opinion

We have audited the financial statements of Capital Securities Corporation (“the Company”), which comprise the statements of financial position as of December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Company's financial statements are stated as follows:

1. Valuation of financial instruments

Please refer to Note 4(f) for the related accounting policy regarding the valuation of financial instruments, Note 6(b) financial assets, Note 6(k) financial liabilities at fair value through profit or loss and Note 6(u)(v), fair value and fair value hierarchy of financial instruments for details.

Risk and descriptions of the key audit matter:

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



Procedures performed:

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

2. Goodwill impairment

Please refer to Note 4(p) for the related accounting policy regarding the impairment of non-financial assets, Note 5 for accounting assumptions and estimation uncertainty of the goodwill impairment, Note 6(h)(i). for details about measurement of goodwill impairment.

Risk and descriptions of the key audit matter:

Assessment of the Company's goodwill impairment is one of our significant audit processes, because it mainly depends on the prediction of future operation and there is a high uncertainty on assessing recoverable amounts by discounted future cash flows. Therefore, the measurement of goodwill impairment is one of our key audit matters.

Procedures performed:

Our key audit procedures included evaluating tests of goodwill impairment implemented by management and related procedures of internal control, certifying the assumptions of management by related available external information, making professional assessment on main parameters of predictable growth rate, discount rate, etc. adopted by management, and performing the retrospective analysis for testing the precision of previous years' forecasts including sensitivity analyses on the key assumptions related to Goodwill impairment tests.

Other Matter

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.85% and 1.11% of total assets as of December 31, 2021 and 2020, respectively, and the recognized profit of loss under using equity method constituted 2.91% and 3.87% of net income before income tax for the years ended December 31, 2021 and 2020, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2022

Notes to Readers

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

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

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

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020		
	Amount	%	Amount	%	
Assets					
Current assets:					
110000					
111100	Cash and cash equivalents (note 6(a))	\$ 2,933,772	2	1,598,193	1
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	44,804,134	28	34,556,643	29
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))	14,878,453	9	18,397,898	15
114030	Receivable for securities provided as collateral	20,911,386	13	14,520,591	12
114040	Refinancing margin	43,827	-	97,714	-
114050	Refinancing collateral receivable	36,519	-	85,261	-
114060	Receivable of securities business money lending	2,349,669	1	2,310,230	2
114090	Collateral for securities borrowed	109,340	-	796,262	1
114100	Security borrowing margin	5,528,410	3	760,815	1
114110	Notes receivable	15,969	-	22,779	-
114130	Accounts receivable (note 6(c))	11,193,577	7	10,595,102	9
114150	Prepayments	20,559	-	27,347	-
114170	Other receivables	105,753	-	70,610	-
114600	Current income tax assets	-	-	22,037	-
119095	Amounts held for each customer in the account (note 6(m))	26,706,922	17	13,063,932	11
119990	Other current assets-others	9,259,342	6	1,747,335	1
		<u>138,897,632</u>	<u>86</u>	<u>98,672,749</u>	<u>82</u>
Non-current assets:					
120000					
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	180,596	-	180,929	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,040,586	2	2,070,040	2
124100	Investments accounted for under equity method (note 6(d))	7,710,943	5	7,805,609	6
125000	Property and equipment (notes 6(e) and 8)	2,388,771	1	2,417,207	2
125800	Right-of-use assets (notes 6(f))	709,440	-	784,960	1
126000	Investment property (notes 6(g) and 8)	4,201,808	3	4,179,792	3
127000	Intangible assets (note 6(h))	3,544,599	2	3,538,857	3
128000	Deferred income tax assets (note 6(q))	33,568	-	77,710	-
129000	Other non-current assets	1,209,001	1	1,209,519	1
		<u>23,019,312</u>	<u>14</u>	<u>22,264,623</u>	<u>18</u>
Total assets					
		<u>\$ 161,916,944</u>	<u>100</u>	<u>120,937,372</u>	<u>100</u>

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

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Liabilities and Equity				
Current liabilities:				
210000 Short-term borrowings (note 6(i))	\$ 2,978,036	2	3,561,089	3
211200 Commercial paper payable (note 6(j))	8,397,806	5	2,299,692	2
212000 Financial liabilities at fair value through profit or loss - current (note 6(k))	4,931,221	3	3,569,517	3
214010 Bonds sold under repurchase agreements (note 6(l))	37,407,572	23	35,482,996	29
214040 Guarantee deposited for short sales	2,848,834	2	2,631,763	2
214050 Proceeds payable from short sales	3,246,792	2	3,021,249	2
214070 Securities lending refundable deposits	8,149,786	5	1,033,425	1
214090 Equity for each customer in the account (note 6(m))	26,706,922	17	13,063,932	11
214110 Notes payable	152	-	152	-
214130 Accounts payable (note 6(n))	10,597,540	7	10,388,095	9
214150 Advance receipts	30,476	-	31,415	-
214160 Receipts under custody	8,802,836	5	1,631,028	1
214170 Other payables	1,192,514	1	929,072	1
214200 Other financial liabilities - current (note 6(v))	4,470,183	3	4,235,829	4
214600 Current income tax liabilities	574,218	-	518,241	-
215100 Provisions - current (note 6(p))	42,652	-	42,695	-
216000 Current lease liabilities (note 6(o))	144,423	-	150,214	-
219000 Other current liabilities	5,021	-	4,381	-
	<u>120,526,984</u>	<u>75</u>	<u>82,594,785</u>	<u>68</u>
Non-Current liabilities:				
220000 Other financial liabilities - non-current (note 6(v))	575,697	-	515,261	-
224200 Non-current lease liabilities (note 6(o))	620,853	-	691,314	1
228000 Deferred income tax liabilities(note 6(q))	480,030	-	412,315	-
229000 Other non-current liabilities (note 6(p))	978,570	1	837,628	1
	<u>2,655,150</u>	<u>1</u>	<u>2,456,518</u>	<u>2</u>
	<u>123,182,134</u>	<u>76</u>	<u>85,051,303</u>	<u>70</u>
Total liabilities				
Equity:				
301010 Common stock (note 6(r))	21,709,081	14	21,709,081	18
302000 Capital surplus (note 6(r))	2,743,465	2	2,743,430	2
304000 Retained earnings:				
304010 Legal reserve	2,267,833	1	1,922,939	2
304020 Special reserve	4,806,142	3	4,116,356	3
304040 Unappropriated earnings (note 6(s))	5,081,597	3	3,600,038	3
305120 Exchange differences on translation of foreign operations	(403,037)	-	(293,175)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,530,934	1	2,087,400	2
305170 Equity related to non-current assets classified as held for sale	(1,205)	-	-	-
	<u>38,734,810</u>	<u>24</u>	<u>35,886,069</u>	<u>30</u>
Total equity				
Total liabilities and equity	<u>\$ 161,916,944</u>	<u>100</u>	<u>120,937,372</u>	<u>100</u>

See accompanying notes to financial statements.

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

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
Income:				
401000	\$ 6,128,754	56	3,513,703	48
402000	292	-	118	-
403000	350,411	3	197,207	3
404000	151,211	1	214,290	3
406000	76,085	-	75,597	1
410000	3,906,747	36	1,308,526	18
421100	152,456	1	150,311	2
421200	1,672,243	15	1,381,690	19
421300	280,962	3	179,244	2
421500	(23,876)	-	210,821	3
421600	145,822	1	105,698	1
421610	(35,969)	-	(34,176)	-
421750	39,636	-	435,082	6
422000	37	-	(296)	-
422100	10	-	8	-
422200	(925,885)	(8)	219,278	3
424100	170,416	2	183,659	2
424400	(490,138)	(4)	(48,510)	(1)
424500	(814,373)	(8)	(855,917)	(12)
425300	(16,630)	-	(33,690)	-
428000	171,087	2	165,091	2
	<u>10,939,298</u>	<u>100</u>	<u>7,367,734</u>	<u>100</u>
Expenses:				
501000	522,775	5	266,816	4
502000	21,070	-	13,327	-
503000	3,537	-	3,696	-
504000	1,414	-	2,151	-
507000	438	-	62	-
521200	184,375	2	348,446	5
521640	5,872	-	1,804	-
524200	27,152	-	9,738	-
528000	24,069	-	12,551	-
531000	3,192,785	29	2,288,215	31
532000	385,314	4	359,977	5
533000	1,694,523	15	1,214,671	16
	<u>6,063,324</u>	<u>55</u>	<u>4,521,454</u>	<u>61</u>
Other income (expenses):				
601100	477,982	4	510,634	7
602000	549,627	5	592,474	8
	<u>1,027,609</u>	<u>9</u>	<u>1,103,108</u>	<u>15</u>
902001	5,903,583	54	3,949,388	54
701000	653,993	6	379,859	5
	<u>5,249,590</u>	<u>48</u>	<u>3,569,529</u>	<u>49</u>
805000	Other comprehensive income:			
805500	Components that may not be reclassified to profit or loss in subsequent periods:			
805510	(378,781)	(3)	(216,510)	(3)
805540	960,321	8	152,710	2
805560	(6,639)	-	84,638	1
805599	-	-	-	-
	<u>574,901</u>	<u>5</u>	<u>20,838</u>	<u>-</u>
805600	Components that may be reclassified to profit or loss in subsequent periods:			
805610	(103,313)	(1)	(165,741)	(2)
805615	(476,719)	(4)	249,289	3
805660	(16,975)	-	(24,514)	-
805699	(9,221)	-	(15,623)	-
	<u>(587,786)</u>	<u>(5)</u>	<u>74,657</u>	<u>1</u>
805000	(12,885)	-	95,495	1
902006	<u>5,236,705</u>	<u>48</u>	<u>3,665,024</u>	<u>50</u>
975000			<u>2.42</u>	<u>1.64</u>
985000			<u>2.41</u>	<u>1.64</u>

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Stock		Retained earnings			Total other equity interest					Total Equity
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Treasury shares		
Balance at January 1, 2020	\$ 23,209,081	2,852,299	1,658,360	3,587,197	2,681,569	(118,543)	1,696,677	-	(1,574,000)	33,992,640	
Net income for the year ended December 31, 2020	-	-	-	-	3,569,529	-	-	-	-	3,569,529	
Other comprehensive income	-	-	-	-	(216,868)	(174,632)	486,995	-	-	95,495	
Total comprehensive income	-	-	-	-	3,352,661	(174,632)	486,995	-	-	3,665,024	
Appropriation and distribution of retained earnings: (note 6(r))											
Legal reserve	-	-	264,579	-	(264,579)	-	-	-	-	-	
Special reserve	-	-	-	529,159	(529,159)	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(1,736,726)	-	-	-	-	(1,736,726)	
Purchase of treasury shares	-	-	-	-	-	-	-	-	(30,387)	(30,387)	
Retirement of treasury shares	(1,500,000)	(104,387)	-	-	-	-	-	-	1,604,387	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	96,272	-	(96,272)	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	(4,482)	-	-	-	-	-	-	-	(4,482)	
Balance at December 31, 2020	21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400	-	-	35,886,069	
Net income for the year ended December 31, 2021	-	-	-	-	5,249,590	-	-	-	-	5,249,590	
Other comprehensive income	-	-	-	-	(378,003)	(109,862)	476,185	(1,205)	-	(12,885)	
Total comprehensive income	-	-	-	-	4,871,587	(109,862)	476,185	(1,205)	-	5,236,705	
Appropriation and distribution of retained earnings: (note 6(r))											
Legal reserve	-	-	344,894	-	(344,894)	-	-	-	-	-	
Special reserve	-	-	-	689,786	(689,786)	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(2,387,999)	-	-	-	-	(2,387,999)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	32,651	-	(32,651)	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	-	35	
Balance at December 31, 2021	\$ 21,709,081	2,743,465	2,267,833	4,806,142	5,081,597	(403,037)	2,530,934	(1,205)	-	38,734,810	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Net income before tax	\$ 5,903,583	3,949,388
Adjustments:		
Income and expenses items:		
Depreciation expense	359,960	334,791
Amortization expense	25,354	25,186
Impairment loss	16,630	33,690
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	59,845	(176,645)
Financial cost	184,375	348,446
Interest revenue (including financial revenue)	(1,684,018)	(1,386,687)
Dividend revenue	(356,958)	(261,961)
Cash dividend received from investments under equity method	502,964	399,047
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(477,982)	(510,634)
Gains on disposal and retirement of property and equipment	-	(11,317)
Net losses (gains) on non-operating financial instruments at fair value through profit or loss	13,373	(591)
Net losses (gains) on lease modifications	24	(24)
Subtotal of income of non-cash activities	<u>(1,356,433)</u>	<u>(1,206,699)</u>
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(10,320,376)	(4,124,051)
Decrease (increase) in financial assets at fair value through other comprehensive income	3,125,532	(2,125,746)
Increase in receivable for securities provided as collateral	(6,390,795)	(2,585,691)
Decrease (increase) in refinancing margin	53,887	(6,561)
Decrease in receivable on refinancing collateral	48,742	52,078
Increase in receivable of securities business money lending	(39,439)	(314,026)
Decrease (increase) in collateral for securities borrowed	686,922	(451,739)
Increase in security borrowing margin	(4,767,595)	(448,731)
Decrease (increase) in notes receivable	6,810	(378)
Increase in accounts receivable	(469,314)	(4,294,342)
Decrease (increase) in prepayments	6,788	(5,287)
Increase in other receivables	(54,290)	(12,449)
Increase in other current assets	(7,512,007)	(1,047,805)
Increase in guarantee deposited for business operations	(25,879)	-
Increase in settlement fund	(13,249)	(513)
Decrease (increase) in other non-current assets	39,913	(18,493)
Increase in financial liabilities at fair value through profit or loss	1,361,704	2,133,259
Increase in bonds sold under repurchase agreements	1,924,576	3,589,465
Increase in guarantee deposited for short sales	217,071	241,299
Increase in proceeds payable from short sales	225,543	265,844
Increase in securities lending refundable deposits	7,116,361	696,712
Increase in notes payable	-	152
Increase in accounts payable	216,717	4,293,821
Decrease in advance receipts	(939)	(26,728)
Increase in receipts under custody	7,171,808	1,521,162
Increase in other payable	263,487	418,053
Increase in other financial liabilities - current	234,354	655,878
Decrease in provision - current	(43)	(1,915)
Increase in other current liabilities	640	1,334
Increase in other financial liabilities - non-current	60,436	165,743
Decrease in other non-current liabilities	(237,839)	(9,843)
Total changes in assets and liabilities from operating activities	<u>(7,070,474)</u>	<u>(1,439,498)</u>
Total adjustments	<u>(8,426,907)</u>	<u>(2,646,197)</u>

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

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash generated from operating activities	\$ (2,523,324)	1,303,191
Interest received	1,557,210	1,483,923
Dividends received	354,510	262,449
Interest paid	(191,692)	(378,766)
Income taxes paid	(454,901)	(42,145)
Net Cash flows (used in) provided by operating activities	(1,258,197)	2,628,652
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(95,001)	(20,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	660	21,400
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,921	207,270
Increase in deferred debits	(747)	(221)
Acquisition of investments using equity method	-	(1,013,981)
Proceeds from capital reduction of investments accounted for using equity method	-	12,638
Acquisition of property and equipment	(187,696)	(86,099)
Proceeds from disposal of property and equipment	-	20,287
Acquisition of intangible assets	(30,616)	(35,972)
Net cash flows used in investing activities	(309,479)	(894,678)
Cash flows from financing activities:		
Decrease in short-term borrowings	(583,053)	(3,069,913)
Increase in commercial papers payable	6,098,114	2,299,692
Payment of lease liabilities	(166,599)	(167,021)
Cash dividends paid	(2,387,999)	(1,736,726)
Purchase of treasury shares	-	(30,387)
Net cash flows provided by (used in) financing activities	2,960,463	(2,704,355)
Effect of exchange rate changes on cash and cash equivalents	(57,208)	(87,627)
Increase (decrease) in cash and cash equivalents	1,335,579	(1,058,008)
Cash and cash equivalents, beginning of period	1,598,193	2,656,201
Cash and cash equivalents, end of period	\$ 2,933,772	1,598,193

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

(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 December 31, 2021, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The financial statements were authorized for issuance by the board of directors on March 14, 2022.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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 IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The financial statements has been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Firms”.

(b) Basis of preparation

(i) Basis of measurement

The financial statements have 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
Notes to the Financial Statements

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The Company's functional currency is New Taiwan dollars. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the presentation currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) Assets held for the trading purposes;
- (iii) Assets that are expected to be realized within twelve months after the reporting period;
- (iv) Cash and cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) Liabilities arising from operating activities that are expected to be settled in the normal operating cycle;
- (ii) Liabilities incurred for the trading purposes;
- (iii) Liabilities that are to be settled within twelve months after the reporting period;
- (iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalent it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(f) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(i) Financial assets

All regular transactions of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following criteria and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI if it meets both of the following criteria and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

CAPITAL SECURITIES CORPORATION

Notes to the Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividends derived from equity investments are recognized as revenue when the right to receive payment is established, which is normally the ex-dividend date.

3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including accounts receivable), debt instrument investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying amount of the assets. For debt instrument investments at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

(Continued)

CAPITAL SECURITIES CORPORATION

Notes to the Financial Statements

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and Equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

When the treasury stock is retired, the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

(Continued)

CAPITAL SECURITIES CORPORATION

Notes to the Financial Statements

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7) Interest rate benchmark reform-phase 2 (policy applicable from January 1, 2021)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, then the Company updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes made to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Company first updates the effective interest rate of the financial asset or financial liability to reflect the changes that are required by interest rate benchmark reform. Subsequently, the Company applies the policies on accounting for modifications set out above to the additional changes.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(iii) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Company and are recorded under the proceeds payable from securities lent. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Company operates margin loan business, if capital is insufficient, the Company can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Company operates short sale business, if securities are insufficient, the Company can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(h) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under “bonds sold under repurchase agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as financial cost. When bonds are resold, they are reflected under “bonds purchased under resell agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

(i) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(j) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in capital surplus in proportion to its ownership.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated the Company's interests in the associate.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date. The difference between the fair value of retained investment and proceeds from disposal of the part of interest in the investment, and the carrying amount of the investment at that date was recognized in profit or loss. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amount previously recognized in other comprehensive income in relation to that associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

If the investments in associates become the investment in joint ventures, or vice versa, the Company is accounted for using the equity method consistently and does not remeasure the retained equity.

If the Company does not subscribe the new issuance of capital based on holding percentage and result in a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments under equity method. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments under equity method is insufficient, the shortage is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(k) Investments in subsidiaries

When preparing the financial statement of the parent company, the Company uses the Equity Method in evaluating the control of an investee. Under Equity Method, the net income or loss for the period of separate financial statement and the other comprehensive income of separate financial statement are the same as net income or loss for the period attributed to owners of parents of consolidated statement and other comprehensive income attributed to owners of parents of consolidated statement, respectively. The equity of the separate financial statement is the same as the equity attributable to the owners of parents of the consolidated statements.

Any change in ownership interest of the subsidiaries, not resulting in loss of control, is treated as equity transaction between the owners.

(l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

- | | |
|---|------------|
| 1) Buildings | 3~55 years |
| 2) Transportation equipment | 5 years |
| 3) Office equipment and computer facilities | 3~5 years |
| 4) Miscellaneous equipment | 5~10 years |
| 5) Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period. | |

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(m) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset less its residual value, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- 1) Customer relationships: 5 years
- 2) Computer software cost and dial-up service charges: 3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Lease

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(Continued)

CAPITAL SECURITIES CORPORATION

Notes to the Financial Statements

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right of use asset, or in profit and loss if the carrying amount of the right of use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right of use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has listed right of use assets and leasing liabilities that are not categorized as investment properties as individual items in the balance sheet.

The Company has elected not to recognize right of use assets and lease liabilities for short term leases of office equipment and transportation equipment etc. that have a lease term of 12 months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

(ii) Lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(p) Non-financial assets impairment

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Revenue recognition

The recognition of the Company's major revenue:

(i) Brokerage commissions, gains or loss on securities sold and related handling fees is recognized on the settlement date.

(ii) Underwriting commissions

Underwriting brokerage revenue is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

(iii) Interest revenue and expense arising from margin loan, short sale and bonds with repurchase agreements is recognized on an accrual basis during trading.

(iv) Futures commission revenue arising from accessory services of futures trading, collecting commission from appointed futures dealer, the revenue is recognized on an accrual basis in accordance with related agreement.

(v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.

(vi) Dividend revenue is recognized as the right of receiving payment confirmed.

(vii) Gains on futures and options transactions: Futures transaction margins are recognized as cost and valued at daily fair value. The gains or losses arising from reverse trading or execution of the futures and options recognized as Net Profit or Loss for the period.

(s) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(t) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year measured using tax rates enacted or substantively enacted and any adjustment to the tax payable or receivable in respect of previous years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) The same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

- (u) Business combinations

The Company only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(v) Earnings per share (EPS)

The Company presents its basic and dilutive earnings per share attributable to the Company's ordinary equity holders. The basic earnings per share of the Company is calculated by dividing profit or loss attributable to the Company's ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company include the estimation of employee remuneration.

(w) Segment information

The Company has disclosed the segment information on the consolidated financial report, thus, the Company does not disclose it on this financial report.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms 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.

The preparation of the financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

(a) The fair value of financial instrument:

The fair value of non-active market or non-quoted financial instruments is determined by evaluation method. In this case, fair value is assessed from observable data or patterns of similar financial instruments. If there are no market observables, the fair value of financial instruments is assessed using appropriate assumptions. When using the evaluation model to determine fair value, all models must be calibrated to ensure that the output reflects actual data and market prices. The model uses only observable data as much as possible; however, for the part of credit risk (risk of itself and the counterparty), the Company must estimate the fluctuation and correlation for the fair value of financial assets. For sensitivity analysis of financial instruments, please refer to note 6(v).

(b) The impairment evaluation of goodwill:

The Company performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Company chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash	\$ 2,590	2,590
Bank deposits		
Checking accounts	25,007	34,481
Demand deposits	481,847	176,238
Subtotal	506,854	210,719
Cash equivalents		
Time deposits	1,491,700	773,975
Futures margin - excess margin	932,628	610,909
Subtotal	2,424,328	1,384,884
Total	\$ 2,933,772	1,598,193

(b) Financial assets

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

	December 31, 2021	December 31, 2020
Open-ended funds and money-market instruments		
Open-ended funds and money-market instruments	\$ 164,074	157,049
Valuation adjustment	1,079	14,452
Subtotal	165,153	171,501
Trading securities - proprietary trading		
Listed stocks	1,980,608	854,887
Listed funds	2,221,337	666,617
OTC stocks	373,248	219,099
OTC funds	220,838	149,083
Emerging market stocks	466,424	617,219
Convertible bonds	677,306	921,050
Government bonds	2,826,231	3,328,813
Corporate bonds	11,013,683	8,266,818
International bonds	5,601,278	5,149,292
Financial debentures	1,757,778	957,778
Foreign stocks	104,531	40,611
Others	1,980	7,500
	27,245,242	21,178,767
Valuation adjustment	177,258	201,296
Subtotal	27,422,500	21,380,063

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Trading securities - underwriting:		
Listed stocks	\$ 34,488	203,906
OTC stocks	-	700
Convertible bonds	<u>58,498</u>	<u>39,845</u>
	92,986	244,451
Valuation adjustment	<u>5,175</u>	<u>4,393</u>
Subtotal	<u>98,161</u>	<u>248,844</u>
Trading securities - hedging		
Listed stocks	4,294,213	2,371,659
OTC stocks	1,052,623	751,136
Convertible bonds	9,224,117	6,864,305
Others	<u>1,007,075</u>	<u>1,826,385</u>
	15,578,028	11,813,485
Valuation adjustment	<u>469,008</u>	<u>468,042</u>
Subtotal	<u>16,047,036</u>	<u>12,281,527</u>
Derivatives		
Buy options	2,419	51
Futures margin - proprietary fund	495,277	296,313
IRS asset swaps	13,301	13,100
Asset swap options - long position	555,469	157,459
Structured notes	4,183	7,785
Currency swaps	<u>635</u>	<u>-</u>
Subtotal	<u>1,071,284</u>	<u>474,708</u>
Total	<u>\$ 44,804,134</u>	<u>34,556,643</u>

As of December 31, 2021 and 2020, trading securities and financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Company, please refer to note 8 for details.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Debt instruments at fair value through other comprehensive income		
Government bonds	\$ 2,216,205	2,220,744
International bonds	442,880	797,101
Foreign bonds	<u>11,805,725</u>	<u>14,607,024</u>
	14,464,810	17,624,869
Valuation adjustment	<u>112,543</u>	<u>593,315</u>
Subtotal	<u>14,577,353</u>	<u>18,218,184</u>
Equity instrument at fair value through other comprehensive income		
Listed stocks	247,034	156,852
OTC stocks	<u>44,743</u>	<u>30,226</u>
	291,777	187,078
Valuation adjustment	<u>9,323</u>	<u>(7,364)</u>
Subtotal	<u>301,100</u>	<u>179,714</u>
Total	<u>\$ 14,878,453</u>	<u>18,397,898</u>

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

The Company 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 years ended December 31, 2021 and 2020, the dividends were recognized from the Company designated and disposed the aforementioned equity instrument investments measured at fair value through other comprehensive income – current amounted to \$21,509 and \$16,480, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Company sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$631,460 and \$380,907, respectively, cumulative dispose gains (losses) for the years ended December 31, 2021 and 2020, amounted to \$63,507 and \$57,675, 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(u).

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

4) For the years ended December 31, 2021 and 2020, impairment test has been applied by the Company, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Company please refer to note 6(u).

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

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Government bonds	\$ 181,457	180,329
Valuation adjustment	(861)	600
Total	\$ 180,596	180,929

As of December 31, 2021 and 2020, the Company took advantage of government bonds as guaranty deposited of bills, interest rate swaps, structured notes, settlement fund and compensation reserve for trust business (for details please refer to note 8).

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

	December 31, 2021	December 31, 2020
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	\$ 556,506	496,464
Valuation adjustment	2,484,080	1,573,576
Total	\$ 3,040,586	2,070,040

For the years ended December 31, 2021 and 2020, the dividends were recognized from the Company designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to \$75,996 and \$82,717, respectively.

For the years ended December 31, 2021 and 2020, the Company did not sell equities recognized in FVOCI -non-current. Furthermore, the Company acquired proceeds from capital reduction of the investees amounted to \$3,921 and \$207,270 and the distribution of residual property from liquidation amounted to \$660 and \$21,400 for the years ended December 31, 2021 and 2020.

(v) The Company 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 years ended December 31, 2021 and 2020 VaR (99%, per 10-day) of equity stocks are as follows:

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

Type of market risk	December 31, 2021	December 31, 2020	For the years ended December 31,					
			2021			2020		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,761,408	1,351,429	1,680,057	1,883,240	1,527,654	1,237,326	1,378,457	1,066,520

(c) Accounts Receivable

	December 31, 2021	December 31, 2020
Receivable on securities purchased by customers	\$ 132,534	40,983
Settlement	995,267	1,426,058
Interests receivable	560,798	434,085
Receivables on securities sold	9,375,305	8,609,466
Others	129,723	84,751
Subtotal	11,193,627	10,595,343
Less: allowance for doubtful accounts	(50)	(241)
Total	\$ 11,193,577	10,595,102

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

(ii) For the years ended December 31, 2021 and 2020, impairment test has been applied by the Company, the variation of loss allowance in receivables, please refer to note 6(u).

(d) Investments accounted for under equity method

Investments under equity method consisted of the following:

	December 31, 2021	December 31, 2020
Subsidiaries		
Capital Investment Management Corp.	\$ 79,368	75,880
CSC International Holdings Ltd.	1,477,776	1,528,445
Capital Futures Corp.	3,535,529	3,598,396
Capital Insurance Advisory Corp.	60,571	51,986
Capital Insurance Agency Corp.	38,364	39,190
CSC Venture Capital Corp.	791,454	841,121
Taiwan International Securities (B.V.I) Corp.	15	20
CSC Capital Management Co.	348,207	329,742
Subtotal	6,331,284	6,464,780
Associates		
Capital Investment Trust Corp.	1,379,659	1,340,829
Total	\$ 7,710,943	7,805,609

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(i) Subsidiaries:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2021 for further information.

For the years ended December 31, 2021 and 2020, the Company's share of gains or losses of the subsidiaries were as follows:

	For the years ended December 31,	
	2021	2020
Based on the audited financial statements	\$ 306,028	357,922

(ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights	
			December 31, 2021	December 31, 2020
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %

The Company 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 Company 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 Company has determined that it has significant influence on it.

Summarized financial information of associates accounted for under equity method to the Company was shown as follows:

	December 31, 2021	December 31, 2020
Total carrying amount of the associates	\$ 1,379,659	1,340,829
	For the years ended December 31,	
	2021	2020
Based on the financial statement attributed to the company:		
Net gains from continuing operations	\$ 171,954	152,712
Other comprehensive income (losses)	(855)	2,494
Total comprehensive income (losses)	\$ 171,099	155,206

(iii) Collateral

As of December 31, 2021 and 2020, none of the investment accounted for under equity method of the Company was pledged for collateral.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(e) Property and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2021	\$ 1,595,251	1,002,404	397,967	225,860	3,221,482
Additions	-	-	153,235	34,461	187,696
Transferred from investment property	358,419	206,350	-	-	564,769
Reclassified to investment property	(416,242)	(292,079)	-	-	(708,321)
Disposals and retirements	-	-	(44,955)	(27,500)	(72,455)
Balance at December 31, 2021	<u>\$ 1,537,428</u>	<u>916,675</u>	<u>506,247</u>	<u>232,821</u>	<u>3,193,171</u>
Balance at January 1, 2020	\$ 1,500,863	872,582	468,025	225,960	3,067,430
Additions	-	-	67,373	18,726	86,099
Transferred from investment property	453,207	296,634	-	-	749,841
Reclassified to investment property	(358,819)	(166,557)	-	-	(525,376)
Disposals and retirements	-	(255)	(137,431)	(18,826)	(156,512)
Balance at December 31, 2020	<u>\$ 1,595,251</u>	<u>1,002,404</u>	<u>397,967</u>	<u>225,860</u>	<u>3,221,482</u>
Depreciation and impairment loss					
Balance at January 1, 2021	\$ -	490,772	193,282	120,221	804,275
Depreciation	-	19,599	101,034	46,461	167,094
Transferred from investment property	-	42,102	-	-	42,102
Reclassified to investment property	-	(136,616)	-	-	(136,616)
Disposals and retirements	-	-	(44,955)	(27,500)	(72,455)
Balance at December 31, 2021	<u>\$ -</u>	<u>415,857</u>	<u>249,361</u>	<u>139,182</u>	<u>804,400</u>
Balance at January 1, 2020	\$ -	377,939	256,312	93,608	727,859
Depreciation	-	19,551	74,401	45,439	139,391
Transferred from investment property	-	129,155	-	-	129,155
Reclassified to investment property	-	(35,618)	-	-	(35,618)
Disposals and retirements	-	(255)	(137,431)	(18,826)	(156,512)
Balance at December 31, 2020	<u>\$ -</u>	<u>490,772</u>	<u>193,282</u>	<u>120,221</u>	<u>804,275</u>
Carrying amount:					
December 31, 2021	<u>\$ 1,537,428</u>	<u>500,818</u>	<u>256,886</u>	<u>93,639</u>	<u>2,388,771</u>
December 31, 2020	<u>\$ 1,595,251</u>	<u>511,632</u>	<u>204,685</u>	<u>105,639</u>	<u>2,417,207</u>

As of December 31, 2021 and 2020, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(f) Right-of-use assets

The Company leases many assets including buildings and equipment. Information about leases for which the Company as a lease is presented below:

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2021	\$ 1,045,168	13,326	1,058,494
Additions	87,699	8,930	96,629
Reductions	<u>(65,604)</u>	<u>(2,867)</u>	<u>(68,471)</u>
Balance at December 31, 2021	<u>\$ 1,067,263</u>	<u>19,389</u>	<u>1,086,652</u>
Balance at January 1, 2020	\$ 993,910	14,711	1,008,621
Additions	101,925	2,329	104,254
Reductions	<u>(50,667)</u>	<u>(3,714)</u>	<u>(54,381)</u>
Balance at December 31, 2020	<u>\$ 1,045,168</u>	<u>13,326</u>	<u>1,058,494</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2021	\$ 266,412	7,122	273,534
Depreciation	162,239	3,605	165,844
Reductions	<u>(60,175)</u>	<u>(1,991)</u>	<u>(62,166)</u>
Balance at December 31, 2021	<u>\$ 368,476</u>	<u>8,736</u>	<u>377,212</u>
Balance at January 1, 2020	\$ 151,405	5,109	156,514
Depreciation	162,751	5,579	168,330
Reductions	<u>(47,744)</u>	<u>(3,566)</u>	<u>(51,310)</u>
Balance at December 31, 2020	<u>\$ 266,412</u>	<u>7,122</u>	<u>273,534</u>
Carrying amount:			
At December 31, 2021	<u>\$ 698,787</u>	<u>10,653</u>	<u>709,440</u>
At December 31, 2020	<u>\$ 778,756</u>	<u>6,204</u>	<u>784,960</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(g) Investment property

Movements in investment property of the Company are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or deemed cost</u>			
Balance at January 1, 2021	\$ 3,360,456	1,313,175	4,673,631
Transferred from property and equipment	416,242	292,079	708,321
Reclassified to property and equipment	(358,419)	(206,350)	(564,769)
Disposals and retirements	-	(260)	(260)
Balance at December 31, 2021	<u>\$ 3,418,279</u>	<u>1,398,644</u>	<u>4,816,923</u>
Balance at January 1, 2020	\$ 3,463,814	1,443,515	4,907,329
Transferred from property and equipment	358,819	166,557	525,376
Reclassified to property and equipment	(453,207)	(296,634)	(749,841)
Disposals and retirements	(8,970)	(263)	(9,233)
Balance at December 31, 2020	<u>\$ 3,360,456</u>	<u>1,313,175</u>	<u>4,673,631</u>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2021	\$ -	493,839	493,839
Depreciation	-	27,022	27,022
Transferred from property and equipment	-	136,616	136,616
Reclassified to property and equipment	-	(42,102)	(42,102)
Disposals and retirements	-	(260)	(260)
Balance at December 31, 2021	<u>\$ -</u>	<u>615,115</u>	<u>615,115</u>
Balance at January 1, 2020	\$ -	560,569	560,569
Depreciation	-	27,070	27,070
Transferred from property and equipment	-	35,618	35,618
Reclassified to property and equipment	-	(129,155)	(129,155)
Disposals and retirements	-	(263)	(263)
Balance at December 31, 2020	<u>\$ -</u>	<u>493,839</u>	<u>493,839</u>
<u>Carrying Amount:</u>			
December 31, 2021	<u>\$ 3,418,279</u>	<u>783,529</u>	<u>4,201,808</u>
December 31, 2020	<u>\$ 3,360,456</u>	<u>819,336</u>	<u>4,179,792</u>
<u>Fair Value:</u>			
December 31, 2021			<u>8,212,496</u>
December 31, 2020			<u>8,022,826</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

As of December 31, 2021 and 2020, the investment properties which are provided as collateral or pledged, please refer to note 8 for details.

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(t).

Lessor

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

	December 31, 2021	December 31, 2020
Within 1 year	\$ 170,697	160,153
1-5 years	491,861	480,086
Over 5 years	<u>217,936</u>	<u>301,791</u>
	<u>\$ 880,494</u>	<u>942,030</u>

The rental revenue from investment property for the years ended December 31, 2021 and 2020 amounted to \$175,359 and \$177,569, respectively.

(h) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized as goodwill. As of December 31, 2021 and 2020, the book value was both \$3,126,698.

Goodwill is allocated to the operating segments as follows:

	December 31, 2021	December 31, 2020
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	<u>1,557,096</u>	<u>1,557,096</u>
Total	<u>\$ 3,126,698</u>	<u>3,126,698</u>

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 3.69% and 2.77% in year 2021 and 2020 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2021 and 2020 exceeded the carrying amount, no impairment occurred for both years.

(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 December 31, 2021 and 2020, the carrying amounts of the operation franchise were all \$389,999.

(iii) 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 December 31, 2021 and 2020, the amortized book value were \$27,902 and \$22,160, respectively.

(i) Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Collateralized loan	\$ 1,336,944	1,449,632
Credit loan	1,641,092	2,111,457
Total	<u>\$ 2,978,036</u>	<u>3,561,089</u>
Interest rate range	<u>0.6%~1.15%</u>	<u>0.44%~0.95%</u>

As of December 31, 2021 and 2020, the Company had provided the land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(j) Commercial paper payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 8,400,000	2,300,000
Less: Unamortized discount	(2,194)	(308)
Net amount	<u>\$ 8,397,806</u>	<u>2,299,692</u>
Interest rate range	<u>0.448%~0.588%</u>	<u>0.358%~0.418%</u>

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

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

	December 31, 2021	December 31, 2020
Liabilities on sale of borrowed securities	\$ 1,036,721	947,588
Valuation adjustment	<u>18,741</u>	<u>(17,227)</u>
Subtotal	<u>1,055,462</u>	<u>930,361</u>
Liabilities for issuance of Exchange Traded Notes	781	868
Valuation adjustment	<u>162</u>	<u>260</u>
Subtotal	<u>943</u>	<u>1,128</u>
Stock warrants issued	18,396,778	9,668,055
Stock warrants repurchased	<u>(17,130,305)</u>	<u>(8,941,544)</u>
Subtotal	<u>1,266,473</u>	<u>726,511</u>
Sale options	158	-
IRS asset swaps	42,823	10,968
Asset swap options - short position	2,270,540	1,267,802
Structured notes	286,362	619,483
Currency swaps	7,417	12,759
Interest rate swaps	397	505
Equity derivatives	<u>646</u>	<u>-</u>
Subtotal	<u>2,608,343</u>	<u>1,911,517</u>
Total	<u>\$ 4,931,221</u>	<u>3,569,517</u>

(l) Bonds sold under repurchase agreements

	December 31, 2021	December 31, 2020
Bonds sold under repurchase agreements	\$ <u>37,407,572</u>	<u>35,482,996</u>
Agreed-upon repurchase amounts	<u>37,437,587</u>	<u>35,533,047</u>
Interest rates	<u>0.00%~0.42%</u>	<u>0.10%~2.60%</u>
Date of repurchase	<u>2022.1.3~2022.12.22</u>	<u>2021.1.4~2021.12.16</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(m) Equity for each customer in the account

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

	December 31, 2021	December 31, 2020
Equity for each customer in the account	\$ 26,706,922	13,063,932

(n) Accounts payable

	December 31, 2021	December 31, 2020
Payable of securities sold by customers	\$ 106,032	65,929
Payable of settlements	10,390,629	10,241,587
Others	100,879	80,579
Total	\$ 10,597,540	10,388,095

(o) Lease liabilities

The Company’s lease liabilities are as follow:

	December 31, 2021	December 31, 2020
Current	\$ 144,423	150,214
Non-current	\$ 620,853	691,314

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31, 2021	2020
Interest on lease liabilities	\$ 10,397	11,398
Expenses relating to short-term leases	\$ 5,131	3,430
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	\$ 7,439	18,184
Covid-19-related rent concessions	\$ 864	-

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

	For the years ended December 31, 2021	2020
Total cash outflow for leases	\$ 189,566	200,033

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(p) Employee benefit

(i) Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ (1,195,594)	(1,022,188)
Fair value of plan assets	<u>316,997</u>	<u>286,220</u>
Recognized liabilities for defined benefit obligations	<u>\$ (878,597)</u>	<u>(735,968)</u>

The Company's employee benefits liabilities are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Compensated absences	<u>\$ 42,652</u>	<u>42,695</u>

Under the defined benefit plan, the Company deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

1) Composition of plan assets

The Company set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Bureau of labor funds, ministry of labor. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Company's labor pension preparatory special account in Bank of Taiwan amounted to \$316,561 and \$284,438 as of December 31, 2021 and 2020, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$436 and \$1,782 as of December 31, 2021 and 2020, respectively.

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CAPITAL SECURITIES CORPORATION
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2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company in 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Defined benefit obligation on January 1	\$ 1,022,188	852,588
Current service costs and interest	8,383	9,583
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in demographical assumptions	(13,216)	-
-Actuarial loss (gain) arising from changes in financial assumptions	(2,086)	29,578
-Experience adjustments	398,729	196,009
Benefits paid by the plan	(218,404)	(65,570)
Defined benefit obligation on December 31	\$ 1,195,594	1,022,188

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Fair value of plan assets on January 1	\$ 286,220	325,737
Interest revenue	1,200	2,178
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	4,646	9,077
Contributions from the employer	243,335	14,798
Benefits paid from plan assets	(218,404)	(65,570)
Fair value of plan assets on December 31	\$ 316,997	286,220

4) Expense recognized in profit or loss

The expenses recognized by the Company in 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Current service cost	\$ 4,117	3,914
Net interest of net defined benefit liabilities (assets)	3,066	3,491
Current pension cost	\$ 7,183	7,405

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

- 5) Re-measurement of net defined benefit plan recognized in other comprehensive income

For the years ended December 31, 2021 and 2020, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ (319,148)	(102,638)
Recognized amount during the period	(378,781)	(216,510)
Balance at December 31	<u>\$ (697,929)</u>	<u>(319,148)</u>

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Discount rate	0.46 %	0.42 %
Future salary growth rate	2.50 %	2.50 %

The expected contribution to the defined benefit plan for the next year is \$2,942. The weighted average duration of the defined benefit obligation is 1 years.

- 7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2021 and 2020, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<u>Effects to Defined Benefit Obligations</u>	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
December 31, 2021		
Discount rate	(29,437)	28,137
Future salary growth rate	23,945	(23,313)
December 31, 2020		
Discount rate	(25,592)	22,317
Future salary growth rate	20,925	(20,354)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability.

(Continued)

CAPITAL SECURITIES CORPORATION
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The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

(ii) Defined contribution plan

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

The Company contributed \$90,224 and \$73,516 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2021 and 2020, respectively.

(q) Income tax

(i) Income tax expense (benefit)

The amount of income tax expense (benefit) were as follows:

	For the years ended December 31,	
	2021	2020
Current tax expense		
Current year	\$ 544,665	388,290
Adjustment to the prior years' income tax	(11,750)	(11,073)
	<u>532,915</u>	<u>377,217</u>
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	121,992	13,804
Unrealized gains (losses) on foreign investments under Equity Method	(914)	242
Amortization of operation franchise	-	(42,881)
Adjustments of temporary differences for prior years	-	31,477
	<u>121,078</u>	<u>2,642</u>
Income tax expense from continuing operations	<u>\$ 653,993</u>	<u>379,859</u>

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

	For the years ended December 31,	
	2021	2020
Foreign exchange difference from translating financial statements of foreign operations	<u>\$ (9,221)</u>	<u>(15,623)</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

Reconciliation of income tax expense (benefit) and income before tax were as follows:

	For the years ended December 31,	
	2021	2020
Net income before tax	\$ 5,903,583	3,949,388
Income tax using the Company's domestic tax rate	\$ 1,180,716	789,878
Tax exempt income	(516,286)	(425,141)
Alternative minimum tax	-	31,833
Additional surtax on undistributed retained earnings	1,313	5,766
Amortization of operating franchise	-	(42,881)
Adjustments to prior years' income tax	(11,750)	(11,073)
Adjustments of temporary differences for prior years	-	31,477
Total	<u>\$ 653,993</u>	<u>379,859</u>

(ii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	December 31, 2021	December 31, 2020
Unrealized losses on foreign investments under Equity Method	6,335	5,421
Foreign exchange difference from translating financial statements of foreign operations	27,233	18,012
Unrecognized loss in derivative financial instruments	-	54,277
Total	<u>\$ 33,568</u>	<u>77,710</u>

2) Recognized deferred income tax liabilities

	December 31, 2021	December 31, 2020
Unrealized gains on derivative financial instruments	\$ 67,715	-
Losses on intercompany transactions	1,928	1,928
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Total	<u>\$ 480,030</u>	<u>412,315</u>

(iii) Income tax assessment status

The Company's income tax returns through 2019 were assessed by the Tax Authority.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(iv) Income tax administrative relief

Since the tax losses carried forward from year 2015 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.

(r) Capital and other equity

(i) Capital stock

As of December 31, 2021 and 2020, the Company had authorized capital of \$30,000,000 and issued common stock were all 2,170,908 thousand shares, with a par value of \$10 per share.

(ii) Capital surplus

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

The followings are the capital surplus of the Company:

	December 31, 2021	December 31, 2020
Premium from stock issuance	\$ 1,661,604	1,661,604
Treasury stock transactions	486,556	486,556
Paid-in capital from merger	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,251	1,251
Changes in ownership interests in subsidiaries	<u>30,339</u>	<u>30,304</u>
	<u>\$ 2,743,465</u>	<u>2,743,430</u>

(iii) Retained earnings

1) Legal reserve

If the company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders’ meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

2) Special reserve

In accordance with Article 41 of the “Securities and Exchange Act”, 20 percent of the current year’s earnings after tax should be set aside as special reserve. Ruling No. 1010028514 issued by the Financial Supervisory Commission on June 29, 2012, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders’ equity. For the cumulative deduction in stockholders’ equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders’ equity, the earnings may be distributed based on the reversal proportion.

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

3) Undistributed earnings

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

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

The Company’s fiscal year 2020 earnings distribution has reached the statutory resolution threshold by electronic voting on June 25, 2021, and the Company held the resolution of the shareholder’s meeting on July 14, 2021. Besides, fiscal year 2019 earnings distribution resolved by the shareholders' meeting on June 22, 2020, were as follows:

	2020		2019	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Cash dividends	\$ 2,387,999	1.1	1,736,726	0.8

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

(iv) Treasury stocks

Pursuant to Article 28-2 of the “Securities and Exchange Act”, the Company repurchased 150,000 thousand shares as treasury shares to maintain the Company’s credit standing and shareholders’ equity from November, 2019 to January 31, 2020, and retired all shares on February, 2020.

Based on the “Securities and Exchange Act” of the ROC, the number of reacquired shares should not exceed 10% of a company’s issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par and realized capital surplus. Under the “Securities and Exchange Act”, the Company shall neither pledge treasury shares nor exercise shareholders’ rights on these shares, such as rights to dividends and to vote.

On November 11, 2019, the Company’s board meeting resolved a share buyback plan, in which basis of calculation was in accordance with the latest reviewed financial report on September 30, 2019. The cap of the repurchase was 232,090 thousand shares which were amounted to \$9,861,897. The Company repurchased 150,000 thousand shares in total and all the repurchased shares were retired, and the registration of capital reduction was completed on February 21, 2020.

(s) Earnings per share

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

	For the years ended December 31,	
	2021	2020
Net income attributable to common shareholders of the Company	\$ <u>5,249,590</u>	<u>3,569,529</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,916</u>
Basic earnings per share (dollar)	\$ <u>2.42</u>	<u>1.64</u>
Effect of potentially dilutive common stock		
- Employee remuneration (thousands of shares) (Note)	<u>4,307</u>	<u>3,363</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,175,215</u>	<u>2,174,279</u>
Dilutive earnings per share (dollar)	\$ <u>2.41</u>	<u>1.64</u>

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

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(t) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the years ended December 31,	
	2021	2020
Brokerage commission from TSE market	\$ 4,681,084	2,523,123
Brokerage commission from OTC market	1,253,910	847,544
Handling fee from security financing	45,441	34,006
Others	<u>148,319</u>	<u>109,030</u>
	<u>\$ 6,128,754</u>	<u>3,513,703</u>

(ii) Underwriting commissions

	For the years ended December 31,	
	2021	2020
Revenue from underwriting securities on a firm commitment basis	\$ 87,868	86,283
Handling fee revenues from underwriting securities on consignment	584	531
Processing fee revenues from underwriting operations	51,381	117,575
Revenue from underwriting consultation	6,270	8,290
Others	<u>5,108</u>	<u>1,611</u>
	<u>\$ 151,211</u>	<u>214,290</u>

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

	For the years ended December 31,	
	2021	2020
Gains (losses) on securities sold - proprietary trading	\$ 1,154,489	571,868
Gains (losses) on securities sold - underwriting	26,374	78,546
Gains (losses) on securities sold - hedging	<u>2,725,884</u>	<u>658,112</u>
	<u>\$ 3,906,747</u>	<u>1,308,526</u>

(iv) Interest revenue

	For the years ended December 31,	
	2021	2020
Interest revenue - margin loans	\$ 987,213	613,935
Interest revenue - bonds	515,433	646,278
Others	<u>169,597</u>	<u>121,477</u>
	<u>\$ 1,672,243</u>	<u>1,381,690</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

	For the years ended December 31,	
	2021	2020
Trading securities - proprietary	\$ (25,624)	43,744
Trading securities - underwriting	782	(21,660)
Trading securities - hedging	966	188,737
	\$ (23,876)	210,821

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

	For the years ended December 31,	
	2021	2020
Gains on changes in fair value of stock warrants	\$ 5,039,396	10,507,461
Gains on exercise of stock warrants before maturity	43,893,835	42,355,800
Losses on changes in fair value of stock warrants repurchased	(49,640,754)	(52,489,556)
Gains on expiration of stock warrants	46,545	43,514
Stock warrants issuance expenses	(264,907)	(197,941)
	\$ (925,885)	219,278

(vii) Employee benefits, depreciation, and amortization expenses

	For the years ended December 31,	
	2021	2020
Employee benefit expenses		
Salary expense	\$ 2,854,918	2,019,464
Health and labor insurance expense	181,052	137,941
Pension expense	97,407	80,921
Others	59,408	49,889
Depreciation expense	359,960	334,791
Amortization expense	25,354	25,186
	\$ 3,578,099	2,648,192

(viii) Other operating expenses

	For the years ended December 31,	
	2021	2020
Rental expense	\$ 12,570	21,614
Taxes	559,967	349,310
Information technology expense	131,134	113,816
Postage expense	164,559	149,431
Professional service fee	76,531	72,749
Other expenses	749,762	507,751
	\$ 1,694,523	1,214,671

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(ix) Other gains and losses

	For the years ended December 31,	
	2021	2020
Financial revenue	\$ 11,775	4,997
Net gains (losses) on disposal of investment	3,076	41,033
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	(13,373)	591
Revenue from bank's allocation fee	196,413	173,191
Revenue from information technology service	47,986	50,943
Net gains (losses) on disposal of property and equipment	-	11,317
Dividend revenue	75,996	82,717
Gains on reversal of prior year's liabilities	12,689	21,856
Rental income	175,359	177,569
Others	<u>39,706</u>	<u>28,260</u>
	<u>\$ 549,627</u>	<u>592,474</u>

(x) 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 years ended December 31, 2021 and 2020, the estimated amounts of remuneration to employees were \$82,129 and \$45,574, respectively, and to directors were \$100,380 and \$76,446, 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
Notes to the Financial Statements

For the years ended December 31, 2020 and 2019, the estimated amounts of remuneration to employees were \$45,574 and \$32,756, and to directors were \$76,446 and \$54,594 by the Company. The difference between actual employee remuneration of \$47,228 and \$27,027 and actual remuneration to directors of \$71,657 and \$45,335 were \$3,135 and \$14,988 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2021 and 2020. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2021 and 2020, the maximum credit exposure amounted to \$105,014,695 and \$80,732,835, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Company is as the list below. The region of exposure is mostly in Taiwan (accounted for 83.15%); secondly, is in America (accounted for 6.74%); then, is in Asia (accounted for 6.13%, exclusion of Taiwan). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan	\$ 87,323,320	59,869,221
Asia (Taiwan is excluded)	6,439,512	8,340,313
Europe	4,171,338	3,671,081
America	7,080,525	7,963,866
Other	-	888,354
Total	<u>\$ 105,014,695</u>	<u>80,732,835</u>

2) Impairment loss

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Gross carrying amount</u>	<u>Allowance</u>	<u>Gross carrying amount</u>	<u>Allowance</u>
Not past due	\$ 34,583,498	23,112	27,525,783	29,250
Past due 0~30 days	-	-	182	182
Past due 31~120 days	906	906	399	399
Past due 121~360 days	18,148	18,148	297	297
Past due more than 360 days	219,180	219,180	212,496	212,496
	<u>\$ 34,821,732</u>	<u>261,346</u>	<u>27,739,157</u>	<u>242,624</u>

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CAPITAL SECURITIES CORPORATION
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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 December 31, 2021 and 2020, the impairment losses of receivables were \$261,346 and \$242,624, respectively.

3) Credit risk of receivables and debt securities

Debt securities held by the Company 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(f).

The Company 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 Company. Thus, the Company will recognize the impairment losses.

The loss allowance provision for the years ended December 31, 2021 and 2020 was as follows:

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2021	\$ -	9,391	-	-	242,624	-	252,015
Provision or reversal of Impairment loss	-	(2,612)	-	-	19,242	-	16,630
Amounts written off	-	-	-	-	(520)	-	(520)
Balance on December 31, 2021	<u>\$ -</u>	<u>6,779</u>	<u>-</u>	<u>-</u>	<u>261,346</u>	<u>-</u>	<u>268,125</u>

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2020	\$ -	7,567	-	-	217,580	-	225,147
Provision or reversal of Impairment loss	-	1,824	-	-	31,866	-	33,690
Amounts written off	-	-	-	-	(6,822)	-	(6,822)
Balance on December 31, 2020	<u>\$ -</u>	<u>9,391</u>	<u>-</u>	<u>-</u>	<u>242,624</u>	<u>-</u>	<u>252,015</u>

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(ii) Liquidity risk

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

December 31, 2021	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,055,462	1,055,462	1,055,462	-	-	-	-
Stock warrants issued	1,266,473	1,266,473	1,137,294	129,179	-	-	-
Put options	158	158	158	-	-	-	-
Exchange traded notes	943	943	943	-	-	-	-
Equity derivatives	646	646	646	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	50,637	50,637	517	9,637	14,568	25,915	-
Asset swap option - short position	2,270,540	2,270,540	163,941	259,226	770,553	1,076,820	-
Structured notes	286,362	286,362	11,936	-	232,119	42,307	-
Short-term borrowings	2,978,036	2,978,036	2,978,036	-	-	-	-
Commercial paper payable	8,397,806	8,400,000	8,400,000	-	-	-	-
Bonds sold under repurchase agreements	37,407,572	37,437,587	30,311,716	7,125,871	-	-	-
Guarantee deposited for short sales	2,848,834	2,848,834	2,848,834	-	-	-	-
Proceeds payable from short sales	3,246,792	3,246,792	3,246,792	-	-	-	-
Securities lending refundable deposits	8,149,786	8,149,786	8,149,786	-	-	-	-
Equity for each customer in the account	26,706,922	26,706,922	26,706,922	-	-	-	-
Notes payable and accounts payable	101,031	101,031	101,031	-	-	-	-
Receipts under custody	8,802,836	8,802,836	8,802,836	-	-	-	-
Other payables	1,192,514	1,192,514	1,192,514	-	-	-	-
Other financial liabilities	5,045,880	5,045,880	4,355,627	114,556	470,764	104,933	-
Lease liabilities	765,276	794,365	83,685	69,411	141,113	349,567	150,589
	<u>\$ 110,574,506</u>	<u>110,635,804</u>	<u>99,548,676</u>	<u>7,707,880</u>	<u>1,629,117</u>	<u>1,599,542</u>	<u>150,589</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2020							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 930,361	930,361	930,361	-	-	-	-
Stock warrants issued	726,511	726,511	644,819	81,692	-	-	-
Exchange traded notes	1,128	1,128	1,128	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	24,232	24,232	13,298	(1,809)	4,829	7,914	-
Asset swap option - short position	1,267,802	1,267,802	280,120	137,993	399,655	450,034	-
Structured notes	619,483	619,483	10,768	359	-	608,356	-
Short-term borrowings	3,561,089	3,561,089	3,561,089	-	-	-	-
Commercial papers payable	2,299,692	2,300,000	2,300,000	-	-	-	-
Bonds sold under repurchase agreements	35,482,996	35,533,047	27,120,589	8,412,458	-	-	-
Guarantee deposited for short sales	2,631,763	2,631,763	2,631,763	-	-	-	-
Proceeds payable from short sales	3,021,249	3,021,249	3,021,249	-	-	-	-
Securities lending refundable deposits	1,033,425	1,033,425	1,033,425	-	-	-	-
Equity for each customer in the account	13,063,932	13,063,932	13,063,932	-	-	-	-
Notes payable and accounts payable	118,382	118,382	118,382	-	-	-	-
Receipts under custody	1,631,028	1,631,028	1,631,028	-	-	-	-
Other payables	929,072	929,072	929,072	-	-	-	-
Other financial liabilities	4,751,090	4,751,090	3,969,342	266,487	171,945	343,316	-
Lease liabilities	841,528	879,357	86,267	73,930	135,568	339,931	243,661
	<u>\$ 72,934,763</u>	<u>73,022,951</u>	<u>61,346,632</u>	<u>8,971,110</u>	<u>711,997</u>	<u>1,749,551</u>	<u>243,661</u>

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

	December 31, 2021		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 209,592	27.6800	5,801,507
AUD	1,722	20.0800	34,578
CAD	1	21.6200	22
EUR	509	31.3200	15,942
GBP	1	37.3000	37
HKD	24,205	3.5490	85,904
JPY	26,547	0.2405	6,385
SGD	2	20.4600	41
CNY	78,121	4.3440	339,358
VND	6,782,896	0.0012	8,139
<u>Non-Monetary Item</u>			
USD	548,314	27.6800	15,177,332
AUD	122,718	20.0800	2,464,177
EUR	9,313	31.3200	291,683
HKD	7,691	3.5490	27,295
JPY	18,726	0.2405	4,504
CNY	10,261	4.3440	44,574
<u>Investments under equity method</u>			
USD	53,485	27.6300	1,477,791
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 851,410	27.6800	23,567,029
AUD	117,858	20.0800	2,366,589
EUR	8,669	31.3200	271,513
HKD	87,068	3.5490	309,004
JPY	210	0.2405	51
SGD	1	20.4600	20
CNY	208	4.3440	904

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

		December 31, 2020		
		Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>				
<u>Monetary Item</u>				
USD	\$	20,740	28.4800	590,675
AUD		1,791	21.9500	39,312
CAD		68	22.3500	1,520
EUR		488	35.0200	17,090
GBP		20	38.9000	778
HKD		10,380	3.6730	38,126
JPY		8,660	0.2763	2,393
SGD		7	21.5600	151
CNY		28,098	4.3770	122,985
<u>Non-Monetary Item</u>				
USD		582,021	28.4800	16,575,958
AUD		105,749	21.9500	2,321,191
EUR		33,014	35.0200	1,156,150
HKD		1,031	3.6730	3,787
JPY		10,105	0.2763	2,792
CNY		238,236	4.3770	1,042,759
<u>Investments under equity method</u>				
USD		53,763	28.4300	1,528,465
<u>Financial liabilities</u>				
<u>Monetary Item</u>				
USD	\$	606,539	28.4800	17,274,231
AUD		97,069	21.9500	2,130,665
CAD		66	22.3500	1,475
EUR		31,921	35.0200	1,117,873
GBP		20	38.9000	778
HKD		69,172	3.6730	254,069
JPY		13,959	0.2763	3,857
SGD		20	21.5600	431
CNY		157,183	4.3770	687,990

Because there are a variety of functional currencies, the Company discloses a summary of currency exchange variation on the monetary items. For the years ended December 31, 2021 and 2020, the realized and unrealized currency exchange gains (losses) amounted to \$64,825 and \$98,722, respectively.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

2) Sensitivity analysis

The currency risk of the Company 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, short-term borrowings, 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 years ended December 31, 2021 and 2020, 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 years ended December 31, 2021		For the years ended December 31, 2020	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(582,516)	582,516	(620,603)
Other comprehensive income	553,084	(553,084)	699,513	(699,513)

(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 Company's exposure to floating rates on its bond position.

Market risk type	December 31, 2021	December 31, 2020	For the years ended December 31,					
			2021			2020		
			Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,598,692	1,560,150	1,549,226	1,731,621	1,373,366	1,574,731	1,758,733	1,378,218

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the 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 Company 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 Company'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 Company 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
Notes to the Financial Statements

2) Not measured at fair value

As of December 31, 2021 and 2020, the fair value information of the financial assets and financial liabilities of the Company was as follows:

a) Fair value information

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:				
Cash and cash equivalents	\$ 2,933,772	2,933,772	1,598,193	1,598,193
Accrued receivable	67,001,372	67,001,372	42,345,333	42,345,333
Restricted assets - current	220,823	220,823	20,829	20,829
Other non-current assets	1,136,716	1,136,716	1,098,324	1,098,324
Financial liabilities:				
Short-term borrowings	2,978,036	2,978,036	3,561,089	3,561,089
Commercial paper payable	8,397,806	8,397,806	2,299,692	2,299,692
Bonds sold under repurchase agreements	37,407,572	37,407,572	35,482,996	35,482,996
Accrued payable	62,119,594	62,119,594	33,216,957	33,216,957
Other financial liabilities - current	4,470,183	4,470,183	4,235,829	4,235,829
Other financial liabilities - non-current	575,697	575,697	515,261	515,261
Other non-current liabilities	99,973	99,973	101,660	101,660

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>
Investment property				
December 31, 2021	<u>\$ -</u>	<u>-</u>	<u>8,212,496</u>	<u>8,212,496</u>
December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>8,022,826</u>	<u>8,022,826</u>

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

- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, accrued receivable, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, other financial liabilities - current, other financial liabilities - non-current, and other non-current liabilities.
- ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

3) Measured at fair value

a) Hierarchy information of fair value

The Company'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>
December 31, 2021				
Financial assets at fair value through profit or loss	\$ 15,274,621	28,638,824	-	43,913,445
Financial assets at fair value through other comprehensive income	2,529,265	12,349,188	3,040,586	17,919,039
Derivative financial assets	<u>497,696</u>	<u>573,588</u>	<u>-</u>	<u>1,071,284</u>
	<u>\$ 18,301,582</u>	<u>41,561,600</u>	<u>3,040,586</u>	<u>62,903,768</u>
Financial liabilities at fair value through profit or loss	\$ 2,322,878	-	-	2,322,878
Derivative financial liabilities	<u>274,584</u>	<u>2,333,759</u>	<u>-</u>	<u>2,608,343</u>
	<u>\$ 2,597,462</u>	<u>2,333,759</u>	<u>-</u>	<u>4,931,221</u>
December 31, 2020				
Financial assets at fair value through profit or loss	\$ 11,567,025	22,695,839	-	34,262,864
Financial assets at fair value through other comprehensive income	2,438,619	15,959,279	2,070,040	20,467,938
Derivative financial assets	<u>296,364</u>	<u>178,344</u>	<u>-</u>	<u>474,708</u>
	<u>\$ 14,302,008</u>	<u>38,833,462</u>	<u>2,070,040</u>	<u>55,205,510</u>
Financial liabilities at fair value through profit or loss	\$ 1,658,000	-	-	1,658,000
Derivative financial liabilities	<u>608,356</u>	<u>1,303,161</u>	<u>-</u>	<u>1,911,517</u>
	<u>\$ 2,266,356</u>	<u>1,303,161</u>	<u>-</u>	<u>3,569,517</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

(Continued)

CAPITAL SECURITIES CORPORATION

Notes to the Financial Statements

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2021 and 2020, 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 Company. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. The valuation models and adjustment parameters were verified to ensure valuation procedures and results are in accordance with the requirements, so the valuation adjustments are pertinent and appropriate. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

(In Thousands Dollars)

Item	For the year ended December 31, 2021								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,070,040	-	880,126	95,001	-	660	3,921	-	3,040,586

Item	For the year ended December 31, 2020								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,174,104	-	104,606	20,000	-	21,400	207,270	-	2,070,040

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

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

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

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

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
December 31, 2021		
Financial assets fair value through other comprehensive income	\$ 30,406	(30,406)
December 31, 2020		
Financial assets fair value through other comprehensive income	\$ 20,700	(20,700)

Favorable and unfavorable movements of the Company 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 Company 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 Company cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Company still bears the interest rate risk and credit risk, so transferred financial assets are not fully derecognized. Financial assets that do not meet criteria for de-recognition and related financial liabilities are as below:

Types of financial assets	December 31, 2021				
	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 39,243,260	37,407,572	-	-	-

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

December 31, 2020					
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	\$ 37,581,050	35,482,996	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Company; 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 Company 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 Company 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:

December 31, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 573,588	-	573,588	-	-	573,588

December 31, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 2,608,185	-	2,608,185	-	-	2,608,185
Under repurchase agreements	37,407,572	-	37,407,572	37,407,572	-	-
Total	\$ 40,015,757	-	40,015,757	37,407,572	-	2,608,185

December 31, 2020						
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	\$ 178,344	-	178,344	-	-	178,344

(Continued)

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Notes to the Financial Statements

December 31, 2020						
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	\$ 1,911,517	-	1,911,517	-	-	1,911,517
Under repurchase agreements	35,482,996	-	35,482,996	35,482,996	-	-
Total	\$ 37,394,513	-	37,394,513	35,482,996	-	1,911,517

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

(v) Financial risk management

(i) Brief

The Company is exposed to the following risks due to the usage of financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The disclosure hereby presents above-mentioned risk information, evaluation, and objectives, policies, and procedures of managing information. Further information regarding quantity disclosure please refers to related disclosures.

(ii) Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Company also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Company set up a risk management information system to assist whole risk management execute effectively.

(iii) Credit risk

- 1) Determining whether credit risk has increased significantly since initial recognition
 - a) The Company measures each financial instrument that applies under IFRS9 if the credit risk of financial asset at the reporting date has increased significantly since initial recognition. The Company considers reasonable and supportable information that is relevant and available, including forward-looking information, since initial recognition for assessment. Main factors taking into consideration include credit risk rating and information of past due condition.

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CAPITAL SECURITIES CORPORATION

Notes to the Financial Statements

- b) Low Credit Risk: A financial instrument has low credit risk at the reporting date, assumed to have no significant increase in credit risk since initial recognition. The determination criteria are the financial instrument's external credit rating is 'investment grade' or above.
- 2) Measurement of Expected Credit Losses (ECL)
- a) Methods adopted and assumptions

The Company applies 12-month ECLs to measure the impairment loss of financial instruments, which have not increased significantly since initial recognition. For those financial instruments have increased significantly after initial recognition or with credit loss, the Company adopts lifetime ECLs to measure.

In order to measure ECLs, the Company takes into the future 12 months and lifetime probability of default (PD) on the financial assets, issuer, and counterparty to the possibility of Loss given default (LGD), then multiplies the amount of exposure at default (EAD) with the consideration of time value on currency, to calculate the 12 month and lifetime ECLs respectively.

Probability of PD is the probability of defaults occurring of an issuer or the counterparty. Probability of LGD is the percentage of the amount of loss incurred when issuers or the counterparty default. The probability of PD and LGD used by the Company was referring to the information periodically release from international credit rating institutions such as S&P, Moody's and Fitch. The Company measures EAD by the amortized cost plus interest receivables of financial instruments.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Company also to diversify the financing channels for funding. The Company plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Company has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc to address the liquidity risk of each holding position. Moreover, the Company operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

(v) Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Company's revenue or the value of its holdings of financial instruments.

(Continued)

CAPITAL SECURITIES CORPORATION
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The Company has set up the trading quotas and upper limit of Value at Risk (“VaR”) in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Company uses to measure the market risk are as follows:

- 1) Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- 2) Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 3) Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 4) Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Company can utilize approved financial hedging instruments (such as Futures, Options, Swap and etc.) to adjust the risk level to improve the risk management system implemented.

(vi) Hedging strategies (financial hedging)

The Company’s strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Company sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Company also formulates principal to conduct over or under limitations with hedging position.

1) Equity securities:

As equity securities price fluctuate, the Company will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Company not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

2) Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Company will suffer losses when unfavorable variation of market rate is incurred. The Company uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

3) Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors’ exercising the stock warrants. The Company will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Company will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

4) Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Company uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Company establishes related hedged position to hedge the stock price and the volatility risk.

5) Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Company manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

(vii) Financial risk information of financial derivatives and other financial instruments as approved by the authority

As of December 31, 2021 and 2020, the related financial risk and the presentation of the Company'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	December 31, 2021		December 31, 2020	
		Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:					
	Stock warrants issued	\$ 22,242,386	-	14,988,329	-

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

(Continued)

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

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

The Company'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 year ended December 31, 2021 and 2020:

a) Gains (losses) on valuation

	For the years ended December 31,		Account
	2021	2020	
Stock warrants issued	\$ 17,315,545	17,825,096	Gains (losses) on stock warrants issued
Stock warrants repurchased	(17,452,496)	(17,761,848)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the years ended December 31,		Account
	2021	2020	
Security borrowing	\$ 137,627	48,780	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	1,673,217	61,457	Gains (losses) on sale of trading securities
Futures transaction	(201,373)	(132,451)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the years ended December 31,		Account
	2021	2020	
Stock warrants issued	\$ 31,664,231	35,081,679	Gains (losses) on stock warrants issued
Stock warrants repurchased	(32,188,258)	(34,727,708)	Gains (losses) on stock warrants issued

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

Exchange traded notes

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

Financial Instruments	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Exchange traded notes issued	\$ 943	-	1,128	-

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

(ii) Market risk:

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

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

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

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

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

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

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

	December 31, 2021	December 31, 2020	Account
	Margin - exchange traded notes	\$ 25	25
Outstanding liabilities - exchange traded notes	943	1,128	Financial liabilities at fair value through profit or loss - current
	For the years ended December 31,		
	2021	2020	Account
Gains (losses) on exchange traded notes	37	(296)	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	10	8	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	(438)	(62)	Management and commissions expense on exchange traded notes

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

Futures

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

Financial Instruments	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Taixex Futures	\$ 274,980	-	-	-
Electronic Sector Index Futures	83,370	-	-	-
Single Stock Futures	655,292	-	-	-
Mini Electronic Futures	164,284	-	-	-
US Dollar Index Futures	47,926	-	25,557	-
Gold Futures	9,939	-	53,681	-
Wheat Futures	1,115	-	2,732	-
Soybean Futures	-	-	7,499	-
10 Years U.S. T-Note Futures	3,611	-	109,920	-
Long-term Euro-BTP Futures	-	-	292,916	-
Euro-Bond Futures	-	-	62,338	-
5 Years U.S. T-Note Futures	134,187	-	-	-
Brent Crude Oil Futures	1,007,004	-	-	-
Crude Futures	80,317	-	-	-
FTSE China A50 Index Futures	30,821	-	-	-
HHI Futures	17,297	-	-	-
Micro E-mini - S&P 500 Futures	4,634	-	-	-
E-Mini - Nasdaq Futures	54,364	-	-	-
Silver Futures	3,178	-	-	-
2 Years U.S. T-Note Futures	6,049	-	-	-
Ultra U.S. Treasury Bond	32,969	-	-	-
30 Years U.S. Treasury Bond	22,418	-	-	-
For non-trading purpose:				
Taixex Futures	812,218	-	339,185	-
Electronic Sector Index Futures	45,128	-	-	-
Single Stock Futures	672,423	-	550,140	-
E-mini - S&P 500 Futures	-	-	52,133	-
E-mini - Nasdaq Futures	136,583	-	7,129	-
HSI Futures	28,603	-	44,464	-
U.S.dollar Index Futures	-	-	12,941	-
Soybean Futures	-	-	10,636	-
Gold Futures	35,369	-	240,756	-
Mini-HSI Futures	22,147	-	-	-
Crude Oil Futures	33,838	-	-	-
FTSE China A50 Index Futures	121,582	-	300,197	-
VIX Futures	-	-	281,920	-
SGX Nikkei 225 Index Futures	37,653	-	18,423	-
TOPIX Futures	42,932	-	34,977	-
Japanese Yen Futures	-	-	3,429	-
Brent Crude Oil Futures	576,218	-	4,316	-
FTSE Vietnam 30 Index Futures	8,184	-	-	-
HHI Futures	2,875	-	-	-
Mini-TOPIX Futures	27,228	-	-	-
Micro E-Mini-Nasdaq Futures	883	-	-	-
Micro Gold Futures	25,549	-	-	-
Stock Options	16	-	62	-
TAIEX Options	3,946	-	-	-
TAIEX Weekly Options	295	-	-	-

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

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CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(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 Company 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 Company 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 Company. For margin calls, the Company 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 Company has sufficient operating funds to meet the liquidity requirement. Therefore, there is no liquidity risk, no cash flow risk, and no significant cash demand.

(iv) Presentation of financial derivatives:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>Account</u>
Futures margin - proprietary fund	\$ 495,277	296,313	Financial assets at fair value through profit or loss - current
Excess futures margin	932,628	610,909	Cash and cash equivalent
Buy options	2,419	51	Financial assets at fair value through profit or loss - current
Sale options	158	-	Financial liabilities at fair value through profit or loss - current
	<u>For the years ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>Account</u>
Gains (losses) on futures transactions	(490,138)	(48,510)	Gains (losses) on derivatives - futures

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Derivative instruments - OTC

(i) Interest rate financial derivatives

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

Financial Instruments	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 9,900,000	-	10,900,000	-

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

2) Market risk:

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

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

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

The Company'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 Company entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Company'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.

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The Company 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	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 883,000	-	1,311,000	-
Principal guaranteed notes	3,729,644	-	3,264,693	-
Credit-linked notes	769,300	-	783,100	-
Principal guaranteed notes (in USD thousands)	USD -	-	USD 100	-

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

2) Market risk

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

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

The Company 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	December 31, 2021		December 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset swaps	\$ 2,478,500	-	1,109,900	-
Convertible bond options	10,283,100	-	7,035,300	-

Counterparties to convertible bond asset swaps are institutions with good credit ratings. The Company 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 Company maintains good credit risk control over counterparties, the credit risks is minimal.

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For convertible bond options, the Company 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 Company 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-backed swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Company 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.

(iv) Options

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

Financial Instruments	December 31, 2021		December 31, 2020	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Equity options	\$ 25,363	-	839	-

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

2) Market risk:

Market risk of trading equity options results from the purchase and sale of options. Since the fair values of options are available, and stop-loss points are established in order to manage risk, the Company 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 Company 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.

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(v) Presentation of derivative instruments in financial statement

As of December 31, 2021 and 2020, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps were presented on the balance sheets as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 13,301	13,100
Asset swap options-long position	555,469	157,459
Structured notes	4,183	7,785
Currency swaps	<u>635</u>	<u>-</u>
Total	<u>\$ 573,588</u>	<u>178,344</u>
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	\$ 42,823	10,968
Asset swap options-short position	2,270,540	1,267,802
Structured notes	286,362	619,483
Currency swaps	7,417	12,759
Interest rate swaps	397	505
Equity derivatives	<u>646</u>	<u>-</u>
Total	<u>\$ 2,608,185</u>	<u>1,911,517</u>
Other financial liabilities - current		
Structured notes principal value	<u>\$ 4,470,183</u>	<u>4,235,829</u>
Other financial liabilities - non-current		
Structured notes principal value	<u>\$ 575,697</u>	<u>515,261</u>

For the years ended December 31, 2021 and 2020, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, currency swaps and interest rate swaps are presented on statements of income as follows:

	<u>For the year ended December 31, 2021</u>		<u>For the year ended December 31, 2020</u>	
	<u>Gains (losses) on</u> <u>derivative instruments -</u> <u>OTC</u>	<u>Unrealized Gains</u> <u>(losses)</u>	<u>Gains (losses) on</u> <u>derivative instruments -</u> <u>OTC</u>	<u>Unrealized Gains</u> <u>(losses)</u>
Interest rate swaps	\$ (154)	(397)	(1,065)	(505)
Equity derivatives	192	637	(21)	38
Structured notes	31,839	49,970	(27,345)	(8,650)
IRS asset swaps	(245)	(55)	86	2,131
Asset swap options	(828,422)	144,330	(803,808)	(251,220)
Currency swaps	<u>(17,583)</u>	<u>(6,782)</u>	<u>(23,764)</u>	<u>(12,759)</u>
Total	<u>\$ (814,373)</u>	<u>187,703</u>	<u>(855,917)</u>	<u>(270,965)</u>

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(vi) Managing interest rate benchmark reform and associated risks

1) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Company has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Company's main IBOR exposure on December 31, 2021 was indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR it is the Secured Overnight Financing Rate (SOFR). As of December 31, 2021, it is still unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place. Nevertheless, the Company had finished the process of implementing appropriate fallback provisions for all US dollar LIBOR indexed exposures by the end of 2021.

2) Non-derivative financial assets

The Company's IBOR exposures to non-derivative financial assets as of December 31, 2021 were Corporate bonds indexed to US dollar LIBOR. In respect of US dollar LIBOR exposures, the Company has been a party to agreements that introduce fallback clauses into all such instruments. These clauses automatically switch the instrument from US dollar LIBOR to SOFR as and when US dollar LIBOR ceases. It is unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place.

3) Non-derivative financial liabilities

The Company has no non-derivative financial liabilities exposed to IBOR on December 31, 2021.

4) Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Company monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Company considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on January 1, 2021 and December 31, 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

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	<u>USD LIBOR</u>				<u>EUR LIBOR</u>			
	<u>Total amount of unreformed contracts</u>		<u>Amount with appropriate fallback clause</u>		<u>Total amount of unreformed contracts</u>		<u>Amount with appropriate fallback clause</u>	
December 31, 2021								
Financial assets								
Corporate bonds	USD	163,500	USD	158,500	-		-	
January 1, 2021								
Financial assets								
Corporate bonds	USD	208,000	USD	203,000	-		-	
Financial liabilities								
Secured bank loans	USD	50,900	USD	50,900	-		-	
Credit loan	USD	46,500	USD	46,500	EUR	1,200	EUR	1,200
Derivatives								
Structured notes	USD	100	USD	100	-		-	

(w) 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 Company has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Capital adequacy ratio	358 %	369 %

(x) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

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

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2021</u>
			<u>Other</u>	<u>Foreign exchange movement</u>	<u>Fair value changes</u>	
Lease liabilities	\$ 841,528	(176,996)	100,744	-	-	765,276
	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2020</u>
			<u>Other</u>	<u>Foreign exchange movement</u>	<u>Fair value changes</u>	
Lease liabilities	\$ 907,390	(178,419)	112,557	-	-	841,528

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Notes to the Financial Statements

(7) Related-party transactions:

- (a) Relationships between parents and subsidiaries

Refer to Note 13(b) for a detailed list of the Company's subsidiaries.

- (b) Parent company and ultimate controlling party

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

- (c) Parent company and ultimate controlling party

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

<u>Names of related parties</u>	<u>Relationships</u>
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp.	Subsidiary
Capital Futures Corp.	Subsidiary
Capital Investment Management Corp.	Subsidiary
CSC Venture Capital Corp.	Subsidiary
CSC Capital Management Co.	Subsidiary
CSC Securities (HK) Ltd.	Second-level subsidiary
Capital International Technology Corp.	Second-level subsidiary
Capital Investment Trust Corp.	Associates
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Other related parties	Key management personnel and others

- (d) Key management personnel transactions

- (i) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 271,728	174,327
Post-employment benefits	1,385	1,344
Total	<u>\$ 273,113</u>	<u>175,671</u>

- (ii) Bonds sold under repurchase agreements

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Key management personnel	\$ 8,036	8,128	8,262	8,267

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Total financial expenses	<u>\$ 18</u>	<u>120</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(iii) Structured notes transactions - remaining balance

	December 31, 2021	December 31, 2020
Key management personnel	\$ 49,300	106,800

(e) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	December 31, 2021		December 31, 2020	
	Par value	Purchase price	Par value	Purchase price
Funds issued by associate	\$ -	-	31,178	30,871
Subsidiaries	111,000	111,013	271,500	271,530
Total	\$ 111,000	111,013	302,678	302,401

	For the years ended December 31,	
	2021	2020
Total financial expenses		
Funds issued by associate	\$ 244	135
Subsidiaries	316	338
Total	\$ 560	473

Transaction terms are the same as the general clients.

(ii) Futures commission revenue

The Company provided futures trading assistance for subsidiary.

	December 31, 2021	December 31, 2020
Commission receivable	\$ 11,448	14,679
Other Payable (Default loss)	\$ 3,771	3,832

	For the years ended December 31,	
	2021	2020
Futures commission revenue	\$ 170,416	183,659

(iii) Futures transactions

The futures margin in subsidiary of the Company is as follow:

	December 31, 2021	December 31, 2020
Futures margin-proprietary fund	\$ 1,406,887	824,368

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

		<u>For the years ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
	Interest revenue of futures margin	\$ <u>80</u>	<u>169</u>
	Handling fees charge	\$ <u>10,625</u>	<u>4,881</u>
 (iv) Lease agreements			
		<u>For the years ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
	Lease revenue		
	Subsidiaries	\$ 17,935	18,144
	Second-level Subsidiaries	734	-
	Associates	<u>17,237</u>	<u>17,247</u>
	Total	\$ <u>35,906</u>	<u>35,391</u>
		<u>December 31,</u>	<u>December 31,</u>
		<u>2021</u>	<u>2020</u>
	Guarantee deposits received		
	Subsidiaries	\$ 4,450	4,450
	Second-level Subsidiaries	183	183
	Associates	<u>3,811</u>	<u>3,811</u>
	Total	\$ <u>8,444</u>	<u>8,444</u>

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

(v) Information Technology Service

		<u>For the years ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
	Subsidiaries	\$ <u>47,986</u>	<u>50,943</u>

(vi) Insurance commission revenues

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

		<u>For the years ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
	Commission revenues		
	Subsidiaries	\$ <u>9,685</u>	<u>8,158</u>
		<u>December 31,</u>	<u>December 31,</u>
		<u>2021</u>	<u>2020</u>
	Accounts receivable		
	Subsidiaries	\$ <u>3,667</u>	<u>811</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(vii) Brokerage and sub-brokerage

Brokerage commissions	For the years ended December 31,	
	2021	2020
Subsidiaries	\$ 131	22
Second-level Subsidiaries	6	-
Funds issued by associate	42,957	45,083
Other related parties	4,244	2,517
Total	\$ 47,338	47,622

Re-consigned handling commissions	For the years ended December 31,	
	2021	2020
Second-level Subsidiaries	\$ -	9
Funds issued by associate	13,733	6,703
Other related parties	313	559
Total	\$ 14,046	7,271

Re-consigned handling costs		
Second-level Subsidiaries	\$ 5,359	2,547

(viii) Fund services business

Fund services revenue	For the years ended December 31,	
	2021	2020
Associates	\$ 4,657	2,108

Channel services revenue	For the years ended December 31,	
	2021	2020
Associates	\$ 4,657	2,108

Account receivable	December 31,	December 31,
	2021	2020
Associates	\$ 509	870

(ix) Wealth management business

Trust account commissions revenue	For the years ended December 31,	
	2021	2020
Associates	\$ 9,728	5,708

Trust account management fee revenue	For the years ended December 31,	
	2021	2020
Associates	\$ 1,035	605

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(x) Underwriting business

<u>Stock service income</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ 582	502
Second-level subsidiaries	20	-
Associates	<u>121</u>	<u>122</u>
Total	<u>\$ 723</u>	<u>624</u>

<u>Handling fee revenues from underwriting securities on consignment</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Funds issued by associates	<u>\$ -</u>	<u>1</u>

<u>Revenue from underwriting securities on a firm commitment basis</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ -</u>	<u>138</u>

<u>Accounts receivable</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Associates	<u>\$ 10</u>	<u>10</u>

(xi) Other revenues

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ 445	679
Associates	<u>3</u>	<u>3</u>
Total	<u>\$ 448</u>	<u>682</u>

(xii) Custody account business

<u>Custody account business revenue</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Second-level subsidiaries	<u>\$ 7,514</u>	<u>6,600</u>

<u>Accounts receivable</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Second-level subsidiaries	<u>\$ 571</u>	<u>680</u>

(xiii) Consulting business

<u>Consulting fee expense</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ 69,000</u>	<u>63,000</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(xiv) Stock commission expense

Accounts payable	December 31, 2021	December 31, 2020
Subsidiaries	\$ 3,011	2,679
Stock commission expense		
	For the years ended December 31, 2021	2020
Subsidiaries	\$ 27,152	9,738

(xv) Information technology fees

Information technology fees	For the years ended December 31,	
	2021	2020
Subsidiaries	\$ 2,813	1,989

(xvi) Accrued receivables

Other receivable	December 31, 2021	December 31, 2020
Subsidiaries	\$ 618	5,111
Second-level subsidiaries	26	55
Total	\$ 644	5,166

Other payable	December 31, 2021	December 31, 2020
Subsidiaries	\$ 148	-
Second-level subsidiaries	15	16
Total	\$ 163	16

Receipts under custody	December 31, 2021	December 31, 2020
Second-level subsidiaries	\$ 5	58

(xvii) Receipts in advance

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 24	-

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

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(8) Pledged assets:

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>The collateral use</u>
Restricted assets - current	\$ 220,823	20,829	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	38,137,431	35,773,131	Repurchase agreement
Property (cost)	1,528,788	1,369,767	Bank borrowings
Financial assets at fair value through profit or loss - non - current	180,596	180,929	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property (cost)	3,725,707	3,177,104	Bank borrowings
Total	<u>\$ 43,793,345</u>	<u>40,521,760</u>	

(9) Significant contingent liability and unrecognized contract commitment:

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities procured through margin purchase	612,683	\$ 6,126,830	595,559	5,955,590
Collateral for margin purchase	11,332	113,321	10,578	105,780
Lending securities to customers through short sales	41,166	411,660	67,810	678,100
Collateral for short sales	7,659	76,588	13,284	132,840

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities borrowed from securities finance companies	491	\$ 4,910	2,117	21,170
Collateral for refinancing margin	-	-	83	830

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Promissory notes	\$ <u>24,660,000</u>	<u>21,980,000</u>
Promissory notes (in USD thousands)	USD <u>85,000</u>	USD <u>65,000</u>

- (d) As of December 31, 2021 and 2020, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$7,342,642 and \$7,031,255, respectively.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

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

(i) Balance sheet of trust accounts

Balance Sheet of Trust Accounts

December 31, 2021 and 2020

Trust Assets	December 31, 2021	December 31, 2020	Trust Liabilities	December 31, 2021	December 31, 2020
Bank deposits	\$ 1,316,300	1,459,272	Accounts payable	\$ 97	72
Short-term investment			Trust capital	11,104,225	12,097,468
Funds	9,195,789	9,959,655	Net income	(53,638)	401,500
Stocks	276,944	252,364	Accumulated earnings or deficit	90,269	(102,859)
Bonds	58,590	57,995			
Structured notes	277,623	610,954			
Accounts receivable	<u>15,707</u>	<u>55,941</u>			
Total Assets	<u>\$ 11,140,953</u>	<u>12,396,181</u>	Total Liabilities	<u>\$ 11,140,953</u>	<u>12,396,181</u>

(ii) Income statement of trust accounts

Income Statement of Trust Accounts

For the years ended December 31, 2021 and 2020

	For the years ended December 31,	
	2021	2020
Trust revenue		
Interest revenue	\$ 79,809	35,710
Cash dividends revenue	354,505	405,516
Rental revenue	6,037	7,319
Investment gains - realized	-	823
Investment gains - unrealized	52,524	104,218
Subtotal	<u>492,875</u>	<u>553,586</u>
Trust expense		
Management fee	427	371
Service fee	34,562	39,599
Investment losses - realized	83,746	109,835
Investment losses - unrealized	427,654	2,060
Other fees	44	31
Subtotal	<u>546,433</u>	<u>151,896</u>
Gain (loss) before income tax	(53,558)	401,690
Less: Income tax expense	<u>80</u>	<u>190</u>
Net gain (loss)	<u>\$ (53,638)</u>	<u>401,500</u>

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(iii) Property list of trust accounts

Property list of trust accounts

December 31, 2021 and 2020

Investment items	December 31, 2021	December 31, 2020
Bank deposits	\$ 1,316,300	1,459,272
Short-term investment		
Funds	9,195,789	9,959,655
Stocks	276,944	252,364
Bonds	58,590	57,995
Structured Notes	277,623	610,954
Other assets	15,707	55,941
Total	\$ 11,140,953	12,396,181

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events:

On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd. the associate of the Company. All shares would be transferred on February 15, 2022.

(12) Other:None

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the 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 Company:

(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	\$ 810,160	\$ 810,160	\$ 782,530	- %	2	-	Working capital	-	-	-	\$ 1,477,776	\$ 1,477,776
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	93,389	93,389	93,389	- %	2	-	Working capital & repayment of financing	-	-	-	93,389	93,389
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,148	5,148	5,148	- %	2	-	Repayment of financing	-	-	-	5,148	5,148
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	38,425	38,425	-	5 %	1	12,950		-	-	-	170,380	851,899
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	384,245	384,245	384,245	1.38%~2.63%	1	194,973		-	-	-	384,245	851,899
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	82,338	82,338	-	1.13%~3.13%	1	37,634		-	-	-	170,380	851,899
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	76,849	13,723	6,862	3.13 %	1	2,934		-	-	-	170,380	851,899
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	76,849	-	-	3.13 %	1	475		-	-	-	170,380	851,899
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	82,338	54,892	-	3.13 %	1	7,802		-	-	-	170,380	851,899
10	CSC Futures(HK) Ltd.	F613091	Account receivables - Customer	No	41,169	41,169	9,112	3.13 %	1	1,048		-	-	-	170,380	851,899

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
Notes to the 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 December 31, 2021	Balance on December 31, 2020	Shares	Ratio	Book value					
0	Capital-Investment Management Corp.	Taipei, Taiwan, R.O.C.	February 16, 1990		Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00 %	79,368	75,125	3,488	3,488	-	Subsidiary
0	Capital Futures Corp.	Taipei, Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58 %	3,535,529	2,201,851	490,039	277,373	341,719	-
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 %	1,477,776	17,248	(4,000)	(4,000)	-	-
0	Capital Insurance Advisory Corp.	Taipei, Taiwan, R.O.C.	November 9, 2000		Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00 %	60,571	132,918	34,710	34,710	26,125	-
0	Capital Insurance Agency Corp.	Taipei, Taiwan, R.O.C.	November 8, 2000		Manages personal insurance agent business.	7,400	7,400	740,000	100.00 %	38,364	52,016	(826)	(826)	-	-
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	300	100.00 %	15	(568)	(569)	(569)	-	-
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 %	791,454	4,425	(642)	(642)	2,850	-
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 %	348,207	(416)	(3,506)	(3,506)	-	-
0	Capital Investment Trust Corp.	Taipei, Taiwan, R.O.C.	October 16, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00 %	1,379,659	2,249,375	859,776	171,954	132,270	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 %	HK 177,604 thousands	HK 30,772 thousands	HK 4,776 thousands	Note 5	-	Second-level subsidiary
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 %	HK (26,209) thousands	HK - thousands	HK (157) thousands	Note 5	-	-
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 %	HK (66,108)	HK - thousands	HK (88) thousands	Note 5	-	Third-level subsidiary
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.	862,631	862,631	214,000,000	97.27 %	828,642	360,895	(26,253)	Note 5	-	Second-level subsidiary
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 %	33,816	3,072	(7,112)	Note 5	-	-
4	True Partner Advisor Hong Kong Ltd	Hong Kong	May 31, 2010	No. FSC-1040027513 dated July 16, 2015	Asset Management.	36,701	36,701	245,000	49.00 %	50,112	132,349	3,776	Note 6	-	Associates
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	2	100.00 %	HK -	HK -	HK -	Note 5	-	Third-level subsidiary
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	-	30,000,000	100.00 %	318,697	(186)	(3,274)	Note 5	-	Second-level subsidiary
7	EnnoCap Venture Inc.	Taipei, Taiwan, R.O.C.	July 30, 2021		Investment and management consulting, venture capital and general investing.	400	-	40,000	40.00 %	324	-	(190)	Note 5	-	Associates

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CAPITAL SECURITIES CORPORATION

Notes to the 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: The investment gains and losses is recognized with equity method.

Note 6: On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell the True Partner Advisor Hong Kong Ltd. the associate of the Company. All shares would be transferred on February 15, 2022.

(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, 2021	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2021	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 December 31, 2021
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	2	28.86%	B(2)	10,474	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(4,051)	56.58%	(2,292) B(2)	6,582	-

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.

(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.

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

(e) Major shareholders:

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

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

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

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2021 are as follows:

(i) Balance sheet and income statement:

1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd. December 31, 2021	Taiwan International Securities (B.V.I) Corp. December 31, 2021
Nature		
Current assets	9,593	1
Long-term investments	22,774	-
Property and premises	1,852	-
Other assets	19,395	3,380
Total assets	53,614	3,381
Current liabilities	87	19
Other liabilities	43	3,361
Total liabilities	130	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	8,637	(9,451)
Cumulative translation adjustments	(153)	(64)
Total stockholders' equity	53,484	1
Total liabilities and stockholders' equity	53,614	3,381

(Continued)

CAPITAL SECURITIES CORPORATION
Notes to the Financial Statements

2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	For the years ended December 31, 2021	For the years ended December 31, 2021
Operating revenue	614	(20)
Operating expense	(816)	-
Non-operating revenue	61	-
Non-operating expense	(2)	-
Income (loss) before tax	(143)	(20)
Net income (loss)	(143)	(20)

(ii) Securities held as of December 31, 2021

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2021	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities(HK) Ltd.	Long-term investments	128,000,000	\$ <u>22,774</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	\$ <u>(3,361)</u>

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

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

(14) Segment information:

Please refer to the consolidated financial statements of the Company as of and for the years ended December 31, 2021.

Review, Analysis and Risk Issues of the VII. Financial Status and Operating Results

1. Financial status

Consolidated financial statements

Unit: 1,000s of NT\$

Item	Year	2021	2020	Difference	
				Amount	%
Current assets		185,983,038	146,258,737	39,724,301	27.16
Property and equipment		3,052,798	3,111,323	(58,525)	(1.88)
Other non-current assets		14,658,103	13,692,574	965,529	7.05
Total assets		203,693,939	163,062,634	40,631,305	24.92
Current liabilities		159,485,189	121,864,300	37,620,889	30.87
Non-current liabilities		2,735,166	2,523,604	211,562	8.38
Total liabilities		162,220,355	124,387,904	37,832,451	30.41
Share capital		21,709,081	21,709,081	0	0.00
Capital reserves		2,743,465	2,743,430	35	0.00
Retained earnings		12,155,572	9,639,333	2,516,239	26.10
Other equity items		2,126,692	1,794,225	332,467	18.53
Non-controlling interests		2,738,774	2,788,661	(49,887)	(1.79)
Total stockholders' equity		41,473,584	38,674,730	2,798,854	7.24

Individual financial statements

Unit: 1,000s of NT\$

Item	Year	2021	2020	Difference	
				Amount	%
Current assets		138,897,632	98,672,749	40,224,883	40.77
Property and equipment		2,388,771	2,417,207	(28,436)	(1.18)
Other non-current assets		20,630,541	19,847,416	783,125	3.95
Total assets		161,916,944	120,937,372	40,979,572	33.88
Current liabilities		120,526,984	82,594,785	37,932,199	45.93
Non-current liabilities		2,655,150	2,456,518	198,632	8.09
Total liabilities		123,182,134	85,051,303	38,130,831	44.83
Share capital		21,709,081	21,709,081	0	0.00
Capital reserves		2,743,465	2,743,430	35	0.00
Retained earnings		12,155,572	9,639,333	2,516,239	26.10
Other equity items		2,126,692	1,794,225	332,467	18.53
Total stockholders' equity		38,734,810	35,886,069	2,848,741	7.94

Explanation to major variations:

- (1) Current assets: Current assets increased mainly because of higher receivable for securities provided as collateral, and amounts held for each customer in the account compared to the previous year.
- (2) Current liabilities: Current liabilities increased mainly because of higher commercial paper payables, bonds sold under repurchase agreements, and equity for each customer in the account compared to the previous year.

2. Financial performance:

Consolidated financial statements

Unit: 1,000s of NT\$

Item	Year	2021	2020	Difference	
				Amount	%
Income		13,281,753	9,724,095	3,557,658	36.59
Operating expense		7,961,426	6,471,900	1,489,526	23.02
Share of profit of associates and joint ventures		206,656	180,924	25,732	14.22
Other gains and losses		700,526	949,581	(249,055)	(26.23)
Pre-tax profit/loss		6,227,509	4,382,700	1,844,809	42.09
Net income/loss		5,461,649	3,840,679	1,620,970	42.21

Individual financial statements

Unit: 1,000s of NT\$

Item	Year	2021	2020	Difference	
				Amount	%
Income		10,939,298	7,367,734	3,571,564	48.48
Operating expense		6,063,324	4,521,454	1,541,870	34.10
Share of profit of associates and joint ventures		477,982	510,634	(32,652)	(6.39)
Other gains and losses		549,627	592,474	(42,847)	(7.23)
Pre-tax profit/loss		5,903,583	3,949,388	1,954,195	49.48
Net income/loss		5,249,590	3,569,529	1,680,061	47.07

Explanation to major variations:

- (1) Income, pre-tax income and net income: Income, pre-tax income and net income increased mainly due to increased brokerage fee revenue.
- (2) Expenses: Expenses increased mainly due to increased brokerage fee and employee benefits expenses.

3. Cash flow

(1) Liquidity analysis in 2021

Unit: 1,000s of NT\$

Cash and cash equivalents, beginning of the year (1)	Net cash flow from operating activities (2)	Cash outflow for the year (3)	Cash surplus (deficit) (1)+(2)-(3)	Leverage of cash deficits	
				Investment plans	Financing plans
1,598,193	(1,258,197)	(2,593,776)	2,933,772	-	-

(2) Liquidity analysis for the last 2 years

Unit: 1,000s of NT\$

Item	Year	2021	2020	% of increase (decrease)
Cash flow ratio (%)		Note 1	3.18	Note 1
Cash flow adequacy ratio (%)		127.37	132.40	(3.80)
Cash reinvestment ratio (%)		Note 1	2.28	Note 1

Note1: Due to cash outflow of operating activities, cash flow ratio wasn't calculated.

Explanation to major variations:

Decrease in cash flow adequacy ratio was mainly due to increased cash outflow of operating activities caused by increased investments such as bonds, stocks and funds.

(3) Liquidity analysis for the next year

Unit: 1,000s of NT\$

Cash beginning of the year	Net cash flow from operating activities for the year	Projected annual Cash outflow	Estimated cash surplus (deficit)	Leverage of cash deficits	
				Investment plan	Financial plan
2,933,772	3,796,694	4,581,998	2,148,468	-	-

4. Impacts of major capital expenditures in the most recent year to financial performance: None.

5. Causes of profit or loss incurred on investments in the most recent year, and any improvements or investments planned for the next year

- (1) Capital Financial Group's investment strategies are consistent with the government's financial deregulations, and have been focused toward futures, brokerage, proprietary trading, underwriting, insurance agency, venture capital, and Equity Fund. The Company follows the government's free economy and financial globalization policies. It places great emphasis on research and strives to become an allround security and financial service provider. The Company's current plans include: expanding the scope of wealth management service, development of high value-adding financial instruments, exploring fundraising and distribution channels local and abroad, establishment of overseas offices, building strategic/marketing alliance, and offering cross-border investment services. All the above plans have been devised to maximize group profitability.
- (2) Causes of profit or loss incurred on investments: There had been no special occurrence that affected profitability of the Company's investments.
- (3) Investment plan for the next year: none.

6. Risk issues

- (1) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures:
 1. Interest rate changes affect the Company's earnings mainly in the margin trading and bond trading segments (including government bonds, corporate bonds and repurchase agreements).

In 2021, the value of the Company's interest rate risk measured by the risk equivalent amount was between NT\$1,373,366,000 and NT\$1,731,621,000 with an average of NT\$1,526,779,000. The value of the exchange rate risk measured by the risk equivalent amount was between NT\$80,785,000 and NT\$129,122,000, with an average of NT\$99,256,000.
 2. Future measures in response: To manage the interest rate risk of the bond positions, the Company has taken measures in accordance with the risk management policy and relevant regulations. The Company has also entered into interest rate exchange agreements with other financial institutions or use derivatives including futures contracts for hedges. As for exchange rate variation, the Company will be exercising position control and applying dynamic hedge among other market practices.
 3. Inflation has non-concrete and indirect impact to the revenue and profit of the Company.
- (2) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures
 1. During the current year, the Company has not lent any funds to others or provided any endorsement/guarantee.
 2. The Company has engaged in transactions of derivatives strictly within the scope permitted by the competent authority and the Board of Directors. The transactions of index futures and options are operated on a proprietary basis with the setting of stop loss points to control risks. The issuance of warrants and structured products uses current shares or other derivatives for Delta hedge and to avoid Gamma risks in combination with the related warrants or options to ensure safe risk appetite.
 3. Future measures in response: The Company will establish or amend regulations for transactions of derivatives on a timely basis, and adopt a market-neutral strategy for hedge and management of deviating authority to control the risks of derivatives on a comprehensive basis.
- (3) Future research and development plans and projected expenses: The Company remains active in the development of high margin, high value-adding and problem-solving financial instruments, and will launch them at an appropriate time after permission is given by the authority. Research and development of new financial technologies have also been planned, and the Company expects to incur R&D expenditures at approximately NT\$60,000,000.
- (4) Changes in important policies and laws in Taiwan and abroad impacting our finances, and measures taken in response: None.
- (5) Financial impacts and responsive measures in the event of technological (cyber security risk included) or industrial changes
 1. Impact: The emergence of web technologies has changed the traditional means and types of transactions and services. As a result, the securities industry needs more professional IT specialists and newer IT equipment in response to the fast development of e-transactions and provide more software with value-added functions of online service to customers. Malicious hackers may try to import computer viruses, destructive software or blackmail software into the Company's network system to interfere with the Company's operation or extort or blackmail the Company, obtain control of the computer system, or pry into confidential information. Even third-party service providers engaged in outsourced development and cooperation cannot guarantee that the internal and

external network systems kept by them or their contractors will be free from the risk of network attack.

2. Measures in response:

- (1) Employing more IT specialists, with focus on the training in professional knowledge.
- (2) Continuing to assess the upgrade or new purchase of IT equipment in response to technological changes.
- (3) Continuing to update and develop new service software to be provided to customers for use.
- (4) In order to prevent and reduce the damage caused by such risks and attacks, the Company has implemented relevant improvement measures and continuously updates them, such as limiting the possible connection mode and data acquisition mechanism of contract vendors and requiring them to provide corresponding test certificates or statements, fully introducing anti-virus software and update the security function regularly, introducing firewall control to protect network security, importing intrusion detection and warning system (IPS) for protection, regularly checking illegal software installation, regularly carrying out the detection and inspection of phishing websites and fake mobile applications to ensure that the Company's name and trademark are not abused, regularly conducting vulnerability scanning and penetration tests to ensure the security of the host system, importing the web page anti-tampering system for protection, and introducing DDOS traffic cleaning mechanism to prevent DDOS attacks, in the hope of removing or reducing the risks and restricting them under control to protect the information security of the Company.

(6) Impacts from changes in corporate or corporate crisis management, and response measures: None.

(7) Expected benefits, risks and responsible measures in relation to mergers and acquisitions

1. For mergers and acquisitions, the Company mainly focuses on an increase in the number of branch offices, which is expected to improve the market share of brokerage/financing and profitability of the Company.
2. Measures in response: Before any merger or acquisition, detailed assessment must be conducted by the relevant departments. After consolidation, potential risks may be reduced through database integration by the IT department and compliance of the relevant departments with the internal control system.

(8) Expected benefits and potential risks from expanding our plant: None.

(9) Risks of concentrated procurement of or sales of goods, and response measures: None.

(10) Impacts and risks from large transfers of shares held by our company's directors, supervisors, and major shareholders holding more than 10% of shares, and response measures: None.

(11) Impacts and risks from changes our company's operating rights, and response measures: None.

(12) Major litigation and non-contentious cases

Event	Brief of Facts	Litigants	Current progress	Litigation Start date	Amount of dispute (Unit: NT\$)
Civil	The Plaintiff claims that the prospectus prepared by ABIT Computer Corporation for the 2002 cash issue contained false information that misled investors and caused them to suffer losses. The Company, being the underwriter of that cash issue, was being held jointly responsible under Article 32 of the Securities and Exchange Act.	Plaintiff: Securities and Futures Investors Protection Center Defendant: ABIT Computer Corporation Capital Securities Corp. et al	In this case, the Company won the lawsuit in the first instance, and thus it was not jointly and severally liable as a securities underwriter for compensation. The plaintiff was dissatisfied, and filed an appeal, which is now pending in the High Court.	2006.11.23	1,545,364 (NTD)
Criminal	A customer of the Xisong Branch of the Company had the transaction documents checked by YU, O-PING, and as a result the Company discovered that the agent CHIANG, O-PING of the branch forged non-existing documents for the PGN structured products of the Company to gain the property of 15 customers of the Xisong Branch including YU, O-PING.	Plaintiff: Capital Securities Corp. Defendant: CHIANG, O-PING	Criminal complaints including forged official documents and fraud, have been filed for this case, and are currently under investigation by Taiwan Taipei District Prosecutor's Office.	2018.12.18	
Civil	The agent CHAN, O-LING of the Wanhua Branch privately engaged in solicitation of investments for fraud and caused damage to the customer FAN, O-YEN, who as a result filed a lawsuit to claim an amount of NT\$2,798,313 as compensation jointly from the Company and the former employee CHAN, O-LING.	Plaintiff: FAN, O-YEN Defendant: Capital Securities Corp. CHAN, O-LING	The case is currently under trial at the Taiwan Taipei District Court.	2019.04.08	2,798,313 (NTD)
Civil	CHIANG, O-PING, the resigned salesperson of the Xisong Branch of the Company, defrauded the client CHEN, O-SUEI with a false PGN capital preservation fund; but the client CHEN, O-SUEI believed that CHIANG, O-PING had stolen stocks and stolen money, so she sued the Company and the resigned salesperson CHIANG, O-PING to jointly compensate her with NT\$16,374,778.	Plaintiff: CHEN, O-SUEI Defendant: CHIANG, O-PING Capital Securities Corp.	The first instance trial found the Company shall jointly and severally compensate CHEN, O-SUEI for NT\$41,496 and interest. The plaintiff was dissatisfied, and filed an appeal, The Defendant Capital Securities Corp. was filed an incidental appeal, which is now pending in the High Court.	2020.04.16	16,374,778 (NTD)

(13) Risk management policy

1. The Company's risk management policies are tailored to its operation focus and goals. The Company intends to pursue optimization of asset allocation and profits via setting loss limits for risk management control based on the following: (a) measurement of risk and return; (b) impact on the BIS ratio.
2. Risk management framework and responsibilities

Department	Responsibilities
(1) Board of Directors	<ol style="list-style-type: none"> 1. Highest decision-making body for risk management. 2. Approval of the risk management policy and direction. 3. Approval of the risk management system.
(2) Risk Management Committee	<ol style="list-style-type: none"> 1. Approval of the risk management system and the regulations for management of the risks of all business activities. 2. Resolution for improvement of the performance of all business activities. 3. Assessment and resolution regarding the distribution of risk assets and the operating strategies. 4. Approval of application for new business activities and authorization of transaction limits.
(3) President	<ol style="list-style-type: none"> 1. Reporting to the Board of Directors regarding assessment of the risks in the positions held and the achievement of transaction performance and set objectives. 2. Requiring the business units to take necessary measures in response to any anomaly in market price evaluation (e.g., the position held has exceeded the upper limit of loss).
(4) Risk Management Department	<ol style="list-style-type: none"> 1. Assistance in designing the risk management system. 2. Assistance in designing the risk limits and methods of distribution for all departments. 3. Ensuring implementation of the approved regulations for risk management. 4. Submitting timely and complete risk management reports to the President. 5. Understanding the contents of all transactions conducted by the business units before such transactions are carried out, and continuing to monitor the positions held for which transactions have been completed. 6. Enhancing the measurement technique of risk management as much as possible with regard to financial commodities whose risks can be quantified. 7. Understanding the risk limits and situations of use of all business units. 8. Assessing the degree of risk exposure and risk concentration at the Company. 9. Development and execution of pressure tests and retroactive testing methods. 10. Testing the level of difference between the actual and estimated income of investment portfolios. 11. Auditing the commodity pricing models and valuation systems used by the business units. 12. Other matters related to risk management.
(5) Business units (Reinvestment in subsidiaries)	<p>Mid-office risk controllers:</p> <ol style="list-style-type: none"> 1. Submitting regular reports regarding the risk exposures of the business units (subsidiaries). 2. Ensuring timely and accurate communication of information on risk management. 3. Ensuring the business units (subsidiaries) effectively implement the requirements for risk limits. 4. Monitors risk exposure and reports limit breach, including actions taken by the business unit (subsidiary) in response to the breach. 5. Ensuring the use of risk measurement and valuation models and the making of assumptions by the business units (subsidiaries) are on a consistent basis. 6. Ensuring effective implementation by the business units (subsidiaries) of the internal control procedures to comply with legal requirement and the risk management policies. <p>Head of business unit (subsidiary's person-in-charge):</p> <ol style="list-style-type: none"> 1. Overseeing all matters related to risk management in his/her unit (subsidiary). Analyzes and monitors business risks within the business unit (subsidiary), and takes appropriate responses. 2. Supervising the communication of information related to risk management.
(6) Auditing Department	<ol style="list-style-type: none"> 1. Understanding, on a regular basis, the adequacy of the internal control for commodity trading by the business units. 2. Reviewing the status of implementation of the Company's risk management system and disclose its facts in the audit reports. Any defects or findings discovered in an inspection must be addressed in the audit report and tracked for improvement. Follow-up reports are prepared on a regular basis to ensure that appropriate measures are undertaken by the relevant unit. 3. Conducting monthly audits regarding whether the business and other departments have fully complied with the system and carried out analysis of the transaction cycles. 4. Undertaking matters concerning the laws and regulations applicable to the Company's overall financial and operating activities, and conducting audits regarding compliance with the applicable requirements, laws and regulations.

Department	Responsibilities
(7) Finance Department	<ol style="list-style-type: none"> 1. Accounting treatment or funding as per the approved contracts and transaction documents. 2. Preparing memos for the off-balance sheet transaction contracts undertaken. 3. Obtaining price information from quotation systems independent of the trading departments to re-value the positions held. 4. Completed transactions shall be entered into the account and have their income recognized on a timely basis. 5. Making announcements in accordance with the requirements of the competent authority.
(8) Settlement & Clearing Department	<ol style="list-style-type: none"> 1. Acting as the custodian and depository of transaction contracts. 2. Settlement and final accounting of commodities. 3. Pursuing the payment of collateral. 4. Filing of transaction contracts to the relevant competent authorities. 5. Confirmation of transaction details.
(9) Compliance and Legal Division	<ol style="list-style-type: none"> 1. Discussing the relevant management policies with the legal advisors. 2. Before the signature of any transaction contract/agreement with any transaction counterparty, the Compliance and Legal Division shall review the related rights and obligations, lawfulness and the relevant legal documents. 3. Supervising compliance with the applicable laws and regulations. 4. Supervising the assessment by the business units of the impact of newly promulgated laws and regulations to the business aspect of the Company. 5. Before the launch of new products and services or application for new types of business, the chief compliance officer shall issue opinions of compliance with the law and internal regulations and sign such opinions.
(10) Information Tech. Department	Development and maintenance of the risk management information system.

3. Types, measurement and management processes of risks involved in the Company

Major risks that the Company faces include market risk, credit risk, liquidity risk, operational risk and legal risk. The Company's divisions send daily risk management report to the Chairman and President to realize latest risk position for decision execution and evaluation via risk management processes, such as risk recognition, evaluation, measurement and monitoring.

Tailored to various risks, the Company's risk measurement methods and hedging strategies are as follows:

1. Market risk management

The Company sets the transaction and risk limits of its businesses to control the BIS ratio and maximum losses. Regarding stock risks, the Company calculates daily VaR (Value at Risk) with a 99% confidence interval in a variance-covariance approach, and runs back-testing to ensure its suitability. For fixed-income securities, the Company adopts bp value and daily VaR with a 99% confidence interval to monitor positions risk. The Company adopts Delta and Gamma risk analyses, and also daily VaR with a 99% confidence interval, to control risks of derivative products. The Company disposes stocks according to the authority's regulations of margin maintenance ratio. The business units may utilize various hedging tools, such as futures, options and swaps that are approved by the authority and Board of Directors, to adjust VaR and enhance the capabilities of risk management.

2. Credit risk management

Based on the authority's credit checking requirements and rating data issued by credit rating agencies, the Company sets credit line limits for issuers and counterparties. The Company sets limits of margin trading according to the authority's regulations. Regarding derivative products, the Company calculates counterparty's daily credit exposure. If counterparty's credit exposure exceeds the limit, the Company will demand for qualified collateral or a decrease in positions. Regarding fixed-income position, the counterparty is required to be at or above a certain credit rating. Additionally, the Company monitors issuer's material information, fundraising activity and operation to determine its credit default probability. If the credit rating of fixed-income position is probably going to be lower than investment regulation, the business units are required to sell the position. If the business units have difficulties selling the position immediately due to liquidity problem, the Company shall recognize bad debt provision based on the defaulting probability.

3. Liquidity risk management

Liquidity risks include capital funding and liquidity of financial market. Regarding capital funding, the Company has diversified its financial institution counterparties with multiple fundraising channels. Based on demand for operational capital, the Company makes plans in advance and monitor daily

capital use. Meanwhile, the Company makes analysis via special event scenario to respond to emergent demand for capital arising from systemic risks. Regarding liquidity risks of positions, the Company has set regulations in terms of issued amount, trading amount, counterparty, etc., and monitors market situation dynamically.

4. Operational risk management

The Auditing Department performs audits in regular cycles according to the operating procedures and control points outlined in the Internal Control System. All audit reports are acknowledged by the respective business unit with replies made before circulating to the President and Chairman. For any defects found, the business unit will be held responsible for making corrections while the Auditing Department is required to follow up on the improvements made. Besides, employee dishonesty insurance is mandatory to lower the probability of employee's intended negligence.

5. Legal risk management

The Company's Compliance and Legal Division is in charge of legal risk, ensuring full legal compliance of the authority's regulations. Additionally, the Compliance and Legal Division conducts assessment of contract legality to protect the Company's rights. According to the current regulatory amendments, the Company also performs various employee trainings irregularly to enhance employee's legal compliance and lower the risk of violation.

(14) Other major risks and measures in response: None.

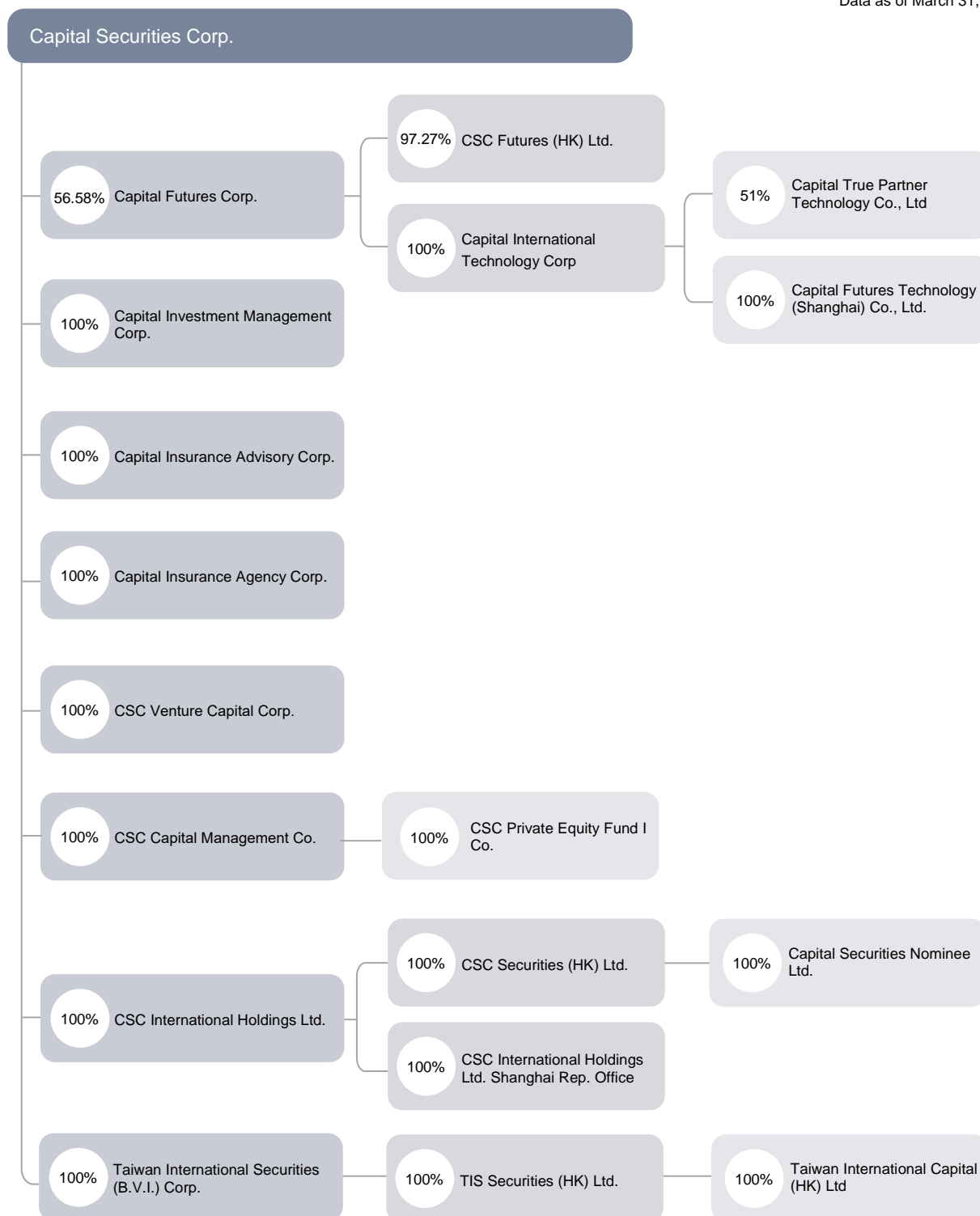
7. Other important matters: None.

VIII. Special Remarks

1. Information of affiliated companies

Organizational chart of affiliates.

Data as of March 31, 2022



Note 1: TIS Securities (HK) Ltd., and Taiwan International Capital (HK) Ltd. are currently undergoing liquidation.

Schedule 1 Basic information of affiliated companies

Unit: \$

Company name	Date of establishment	Address	Issued capital	Main business activities or products
Capital Futures Corp.	1997.02.26	32F and B1, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 2,104,375,840	Futures brokerage Proprietary futures trading Futures consultation service Futures management Futures introducing broker Securities investment consulting service Proprietary securities trader Leveraged trader
Capital International Technology Corp.	2014.12.29	32F, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 50,000,000	Management consulting service Information and software service Data processing services Digital information supply service Retail sale of computing and business machinery equipment Retail sale of computer software All business items that are not prohibited or restricted by law, except those that are subject to special approval
Capital Investment Management Corp.	1990.02.16	11F-5, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 70,000,000	Securities investment consulting service
Capital Insurance Advisory Corp.	2000.11.09	14F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 5,000,000	Personal insurance broker Property insurance broker
Capital Insurance Agency Corp.	2000.11.08	14F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 7,400,000	Life insurance agency
CSC Venture Capital Corp.	2016.01.12	11F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 1,000,000,000	General investment, venture investment, investment consultancy, management consultancy. All business items that are not prohibited or restricted by law, except those that are subject to special approval
CSC Capital Management Co.	2020.12.03	11F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 330,000,000	Investment consulting Management consulting service Venture capital General investment All business items that are not prohibited or restricted by law, except those that are subject to special approval
CSC Private Equity Fund I Co.	2021.04.20	11F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 300,000,000	General investment venture capital All business items that are not prohibited or restricted by law, except those that are subject to special approval
CSC International Holdings Ltd.	1996.03.04	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$ 45,000,000	Establishment or merger of legally licensed securities, futures, banking and related businesses at the place of domicile
CSC International Holdings Ltd. Shanghai Rep. Office	1997.11.27	18F., New Shanghai International Tower, No. 360 Pudong Nan Road, Shanghai, P.R. China	-	Investigation of business, research of industrial technology and related information collection
CSC Securities (HK) Ltd.	1994.05.03	Fwd Financial Centre, 3F, No. 308, Des Voeux Road Central, Hong Kong	HK\$ 128,000,000	Securities brokerage, underwriting, proprietary trading, financing and other securities-related services permitted by the laws of Hong Kong

Company name	Date of establishment	Address	Issued capital	Main business activities or products
Capital Securities Nominees Ltd.	1995.04.07	Fwd Financial Centre, 3F, No. 308, Des Voeux Road Central, Hong Kong	HK\$ 2	Agency service
CSC Futures (HK) Ltd.	1998.12.09	Fwd Financial Centre, 3F, No. 308, Des Voeux Road Central, Hong Kong	HK\$ 220,000,000	Securities trading Futures trading
Capital True Partner Technology Co., Ltd.	2008.08.20	Units 408-410, 4F, No. 1, Jinxiu Road, Wuhou District, Chengdu City, Sichuan Province, China	CNY 1,000,000	Design, research and development of computer software and hardware products and computer system assemblies, transfer of the technological results from R&D, sales of self-manufactured products, and provision of relevant technical support and consultation (except for those prohibited by the government and those under restrictions).
Capital Futures Technology (Shanghai) Co., Ltd.	2016.10.14	18H New Shanghai International Tower, No. 360 Pudong Nan Road(S), Shanghai, P.R.China	CNY 4,000,000	Wholesale, import and export of computer hardware, software and auxiliary equipment, electronic equipment, and parts and accessories to the above. (Excluding state-regulated goods; merchandises that involve quota and special authorization are requested according to state regulations). Offering of technical consultation/service, and consultation on business management.
Taiwan International Securities (B.V.I.) Corp.	1996.12.10	Tropic Isle Building, P.O. BOX 438, Road Town, Tortola, British Virgin Islands	US\$ 9,516,300	Long-term equity investment business
TIS Securities (HK) Ltd.	1993.08.17	Fwd Financial Centre, 3F, No. 308, Des Voeux Road Central, Hong Kong	HK\$ 265,000,000	(Liquidation in progress)
Taiwan International Capital (HK) Ltd.	1997.07.16	Fwd Financial Centre, 3F, No. 308, Des Voeux Road Central, Hong Kong	HK\$ 2	(Liquidation in progress)

Schedule 2 Information on the same shareholders involved with or controlling affiliated companies

Unit: NTD thousands
shares; %

Presumed Reason	Name	Current shareholding		Date of establishment	Address	Issued capital	Primary business operation
		No. of shares	Shareholding percentage				
Not applicable							

Schedule 3 Information on directors, supervisors, and general managers of the affiliated companies

Unit: shares; %
Data as of March 31, 2022

Company name	Title	Name or name of representative	Current shareholding	
			No. of shares	Shareholding percentage
Capital Futures Corp.	Corporate entity	Capital Securities Corporation	119,066,014	56.58%
	Corporate entity	Hong Ye Investment Co., Ltd.	2,031	0.00%
	Chairman	Capital Securities Corp. - Representative: LEE, WEN-CHU	208,690	0.10%
	Director	Capital Securities Corp. - Representative: LIU, CHING-TSUN	0	0
	Director	Capital Securities Corp. - Representative: WANG, JIUNN-CHIH	0	0
	Director	Hong Ye Investment Co., Ltd. - Representative: LEE, YI-HUEI	0	0
	Independent Director	CHEN, KUO-TAY	0	0
	Independent Director	HSIAO, JENG-CHING	0	0
	Independent Director	WU, YUNG-SHENG	0	0
	President	MAO, JEN-HUA	108,394	0.05%
Capital International Technology Corp.	Corporate entity	Capital Futures Corp.	5,000,000	100%
	Chairman	Capital Futures Corp. - Representative: LEE, WEN-CHU	0	0
	Director	Capital Futures Corp. - Representative: MAO, JEN-HUA	0	0
	Director	Capital Futures Corp. - Representative: CHEN, WEN-TSAY	0	0
	Supervisor	Capital Futures Corp. - Representative: LIN, LI-CHUAN	0	0
Capital Investment Management Corp.	Corporate entity	Capital Securities Corporation	7,000,000	100%
	Chairman	Capital Securities Corp. - Representative: TSAI, MING-YEN	0	0
	Director	Capital Securities Corp. - Representative: YANG, SHIU-RU	0	0
	Director	Capital Securities Corp. - Representative: REI, GU-ZHENG	0	0
	Supervisor	Capital Securities Corp. - Representative: LI, MEI-YU	0	0
Capital Insurance Advisory Corp.	Corporate entity	Capital Securities Corporation	500,000	100.00%
	Chairman	Capital Securities Corp. - Representative: CHIU, CHAO-CHIEN	0	0
	Director	Capital Securities Corp. - Representative: CHEN, MING-SHING	0	0
	Director	Capital Securities Corp. - Representative: CHANG, PEI-WEN	0	0
	Supervisor	Capital Securities Corp. - Representative: LIN, CHAO-HSU	0	0
	President	FANG, YA-JUNG	0	0
Capital Insurance Agency Corp.	Corporate entity	Capital Securities Corporation	740,000	100.00%
	Chairman	Capital Securities Corp. - Representative: CHIU, CHAO-CHIEN	0	0
	Director	Capital Securities Corp. - Representative: CHEN, MING-SHING	0	0
	Director	Capital Securities Corp. - Representative: CHANG, PEI-WEN	0	0
	Supervisor	Capital Securities Corp. - Representative: LIN, CHAO-HSU	0	0
	President	HSU, WEN-TUNG	0	0
CSC Venture Capital Corp.	Corporate entity	Capital Securities Corporation	100,000,000	100%
	Chairman	Capital Securities Corp. - Representative: WANG, JIUNN-CHIH	0	0
	Director	Capital Securities Corp. - Representative: CHIA, CHUNG-TAO	0	0
	Director	Capital Securities Corp. - Representative: FANG, CHIH-HUNG	0	0
	Supervisor	Capital Securities Corp. - Representative: LIN, CHAO-HSU	0	0
CSC Capital Management Co.	Corporate entity	Capital Securities Corporation	33,000,000	100.00%
	Chairman	Capital Securities Corp. - Representative: CHEN, MING-SHING	0	0
	Director	Capital Securities Corp. - Representative: CHANG, CHIH-MING	0	0

Special Remarks

Company name	Title	Name or name of representative	Current shareholding	
			No. of shares	Shareholding percentage
	Director	Capital Securities Corp. - Representative: ZHANG, JIA-WEN	0	0
	Supervisor	Capital Securities Corp. - Representative: LIN, CHAO-HSU	0	0
	President	ZHANG, JIA-WEN		
CSC Private Equity Fund I Co. Ltd	Corporate entity	CSC Capital Management Co.	30,000,000	100%
	Chairman	CSC Capital Management Co. - Representative: CHEN, MING-SHING	0	0
	Director	CSC Capital Management Co. - Representative: CHANG, CHIH-MING	0	0
	Director	CSC Capital Management Co. - Representative: ZHANG, JIA-WEN	0	0
	Supervisor	CSC Capital Management Co. - Representative: LIN, CHAO-HSU	0	0
	President	ZHANG, JIA-WEN	0	0
CSC International Holdings Ltd.	Corporate entity	Capital Securities Corporation	45,000,000	100.00%
	Director	Capital Securities Corp. - Representative: WANG, JIUNN-CHIH	0	0
	Director	Capital Securities Corp. - Representative: CHEN, MING-SHING	0	0
CSC Securities (HK) Ltd.	Corporate entity	CSC International Holdings Ltd.	128,000,000	100.00%
	Director	CSC International Holdings Ltd. - Representative: WANG, JIUNN-CHIH	0	0
	Director	CSC International Holdings Ltd. - Representative: CHEN, MING-SHING	0	0
	Director	CSC International Holdings Ltd. - Representative: CHANG, TUN-FU	0	0
Capital Securities Nominees Ltd.	Corporate entity	CSC Securities (HK) Ltd.	2	100.00%
	Director	CSC Securities (HK) Ltd. - Representative: CHANG, TUN-FU	0	0
	Director	CSC Securities (HK) Ltd. - Representative: CHEN, MING-SHING	0	0
CSC Futures (HK) Ltd.	Corporate entity	Capital Futures Corp.	220,000,000	100%
	Director	Capital Futures Corp. - Representative: WANG, JIUNN-CHIH	0	0
	Director	Capital Futures Corp. - Representative: CHEN, MING-SHING	0	0
	Director	Capital Futures Corp. - Representative: FANG, CHIH-HUNG	0	0
	Director	Capital Futures Corp. - Representative: LEE, WEN-CHU	0	0
	Director	Capital Futures Corp. - Representative: CHEN, WEN-LIANG	0	0
	Director	Capital Futures Corp. - Representative: CHANG, TUN-FU	0	0
Capital True Partner Technology Co., Ltd.	Corporate entity	Capital International Technology Corp.	510,000	51%
	Corporate entity	True Partner China Holding Limited	490,000	49%
	Chairman	Capital International Technology Corp. - Representative: LEE, WEN-CHU	0	0
	Director	Capital International Technology Corp. - Representative: MAO, JEN-HUA	0	0
	Director	True Partner China Holding Limited - Representative: Maria Zhang	0	0
	Director	True Partner China Holding Limited - Representative: Tobias Benjamin Hekster	0	0
	Supervisor	Capital International Technology Corp. - Representative: CHEN, WEN-TSAY	0	0
	Supervisor	True Partner China Holding Limited - Representative: Remco Janssen	0	0
	President	STANLEY, DENG	0	0
Capital Futures Technology (Shanghai) Co., Ltd.	Corporate entity	Capital International Technology Corp.	4,000,000	100%
	Chairman	Capital International Technology Corp. - Representative: Lee, WEN-CHU	0	0
	Director	Capital International Technology Corp. - Representative: MAO, JEN-HUA	0	0
	Director	Capital International Technology Corp. - Representative: CHEN, CHI-HAO	0	0
	Supervisor	Capital International Technology Corp. - Representative: CHEN, WEN-TSAY	0	0
	President	HUNG, MING-NAN	0	0
Taiwan International	Corporate entity	Capital Securities Corporation	9,516,300	100.00%

Company name	Title	Name or name of representative	Current shareholding	
			No. of shares	Shareholding percentage
Securities (B.V.I.) Corp.	Director	Capital Securities Corp. - Representative: CHEN, MING-SHING	0	0
	Corporate entity	Taiwan International Securities (B.V.I.) Corp.	265,000,000	100.00%
TIS Securities (HK) Ltd. (Liquidation in progress)	Director	Taiwan International Securities (B.V.I.) Corp. - Representative: CHEN, MING-SHING	0	0
	Director	Taiwan International Securities (B.V.I.) Corp. - Representative: HUANG, SHAO-MEI	0	0
Taiwan International Capital (HK) Ltd. (Liquidation in progress)	Corporate entity	TIS Securities (HK) Limited.	2	100.00%
	Director	TIS Securities (HK) Limited. - Representative: CHEN, MING-SHING	0	0

Schedule 4 Business status of the affiliated companies

Unit: NTD thousands

Company name	Capital	Total asset	Total liabilities	Net worth	Operating revenues	Operating profit	Current period profit/loss (after-tax)	Earnings per share (\$) (after-tax)
Capital Futures Corp.	2,104,376	44,979,746	38,731,382	6,248,364	2,201,615	462,733	490,039	2.33
Capital International Technology Corp.	50,000	35,123	1,307	33,816	3,072	1,885	(7,112)	(1.42)
Capital Investment Management Corp.	70,000	129,162	49,794	79,368	75,125	3,555	3,488	0.50
Capital Insurance Advisory Corp.	5,000	100,083	39,512	60,571	132,918	43,176	34,710	69.42
Capital Insurance Agency Corp.	7,400	44,212	5,848	38,364	52,016	(823)	(826)	(1.12)
CSC Venture Capital Corp.	1,000,000	799,732	8,278	791,454	4,425	(3,429)	(642)	(0.01)
CSC Capital Management Co.	330,000	350,315	2,108	348,207	-	(3,515)	(3,506)	(0.11)
CSC Private Equity Fund I Co.	300,000	318,807	110	318,697	-	(3,291)	(3,274)	(0.11)
CSC International Holdings Ltd. (Note 1)	1,243,350	1,481,358	3,582	1,477,776	17,248	(5,676)	(4,000)	(0.09)
CSC Securities (HK) Ltd. (Note 1)	450,432	1,582,996	958,006	624,990	111,117	(10,473)	17,246	0.13
Capital Securities Nominee Ltd. (Note 1)	-	-	-	-	-	-	-	-
CSC Futures (HK) Ltd.	875,750	7,723,864	6,871,965	851,899	360,895	(41,077)	(26,253)	(0.12)
Capital True Partner Technology Co., Ltd.	5,013	8,672	3,616	5,056	22,156	(689)	2	0.00
Capital Futures Technology (Shanghai) Co., Ltd.	18,863	12,184	551	11,633	26	(4,190)	(4,051)	(1.01)
Taiwan International Securities (B.V.I.) Corp. (Note 1)	262,935	93,413	93,398	15	-	(569)	(569)	(1,895.48)
TIS Securities (HK) Limited (Note 1) (Note 2)	932,535	539	92,768	(92,229)	-	-	(568)	(0.00)
Taiwan International Capital (HK) Ltd. (Note 1) (Note 3)	-	-	232,634	(232,634)	-	-	(318)	(158,838.59)

Note 1: The exchange rates are based on the data of the net values and incomes of subsidiaries adjusted and recognized by Capital Securities Corp. (parent) on December 30, 2021:

Assets and liabilities: NTD : USD = 27.63 : 1; NTD : HKD = 3.519 : 1; NTD : CNY = 4.319 : 1.

Income: NTD : USD = 28.08 : 1; NTD : HKD = 3.611 : 1; NTD : CNY = 4.361 : 1.

Note 2: It was dissolved by a resolution of the Board of Directors of the Taiwan International Securities (HK) Ltd. On December 30, 2011.

Note 3: It was dissolved by a resolution of the Board of Directors of the Taiwan International Capital (HK) Ltd. On December 30, 2011.

- Private placement of securities in the most recent year up till the publication date of this annual report: None.
- Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of this annual report: None.
- Other supplementary information:
Key performance indicator (KPI) for the special nature of the industry of the Company:
Capital adequacy ratio: 358% (December 31, 2021)
363% (March 31, 2022)

IX. Occurrences of Significant Impact on Shareholders' Equity or Security Prices

Matters that have a significant impact on shareholders' income or securities prices as set forth in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act during 2021 and until the date of printing of the annual report shall be specified: None.

Capital Securities Corp.

11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.
TEL : 886-2-87898888 FAX : 886-2-87121219

Proprietary Trading Department

11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.
TEL : 886-2-87898888 FAX : 886-2-87123575

Brokerage Department

11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.
TEL : 886-2-87898888 FAX : 886-2-87123522

Wealth Management Department

11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.
TEL : 886-2-87898888 FAX : 886-2-87121136

Investment Banking Department

11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.
TEL : 886-2-87898888 FAX : 886-2-87123587

Brokerage Division

14F.-3, No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.
TEL : 886-2-87808888 FAX : 886-2-87123796

Registrar Agency Department

B2F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106420, Taiwan, R.O.C.
TEL : 886-2-27035000 FAX : 886-2-27085000

Zhongxiao Branch

15F., No.87, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106440, Taiwan, R.O.C.
TEL : 886-2-27771077 FAX : 886-2-27316236

Fixed Income Department

11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.
TEL : 886-2-87898888 FAX : 886-2-87123612

Dunnan Branch

B1F.-2, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106420, Taiwan, R.O.C.
TEL : 886-2-27052888 FAX : 886-2-27017236

Derivatives Department

11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.
TEL : 886-2-87898888 FAX : 886-2-87123585

Nanjing Branch

9F., No.71, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104689, Taiwan, R.O.C.
TEL : 886-2-25427088 FAX : 886-2-25716694

Xisong Branch

3F., No.213, Sec. 5, Nanjing E. Rd., Songshan Dist.,
Taipei City 105409, Taiwan, R.O.C.

TEL : 886-2- 27683388 FAX : 886-2- 27633252

Tianmu Branch

3F., No.18, Sec. 7, Zhongshan N. Rd., Shilin Dist.,
Taipei City 111038, Taiwan, R.O.C.

TEL : 886-2-28767388 FAX : 886-2-28767377

Guanqian Branch

8F., No. 77, Sec. 1, Chongqing S. Rd., Zhongzheng
Dist., Taipei City 100414, Taiwan, R.O.C.

TEL : 886-2- 23615678 FAX : 886-2- 23119140

Neihu Branch

6F., No.50, Sec. 4, Chenggong Rd., Neihu Dist.,
Taipei City 114049, Taiwan, R.O.C.

TEL : 886-2-27911999 FAX : 886-2-27925974

Guting Branch

1F., No.85, Sec. 2, Nanchang Rd., Zhongzheng Dist.,
Taipei City 100040, Taiwan, R.O.C.

TEL : 886-2-23279288 FAX : 886-2-23567201

Taipei Branch

4F., No.30, Sec. 1, Chongqing N. Rd., Datong Dist.,
Taipei City 103607, Taiwan, R.O.C.

TEL : 886-2-25561133 FAX : 886-2-25551297

Zhongshan Branch

6F., No.372, Linsen N. Rd., Zhongshan Dist., Taipei
City 104410, Taiwan, R.O.C.

TEL : 886-2-21002798 FAX : 886-2-21002780

Yanping Branch

4F., No.96, Sec. 2, Yanping N. Rd., Datong Dist.,
Taipei City 103006, Taiwan, R.O.C.

TEL : 886-2-25553888 FAX : 886-2-25580964

Shilin Branch

1F., No.118-1, Zhongzheng Rd., Shilin Dist.,
Taipei City 111004, Taiwan, R.O.C.

TEL : 886-2-28380567 FAX : 886-2-28312433

Wanhua Branch

2F., No. 31, Guilin Rd., Wanhua Dist., Taipei City
108012, Taiwan, R.O.C.

TEL : 886-2- 23751399 FAX : 886-2- 23751998

Donghu Branch

8F.-1, No.460, Sec. 5, Chenggong Rd., Neihu
Dist., Taipei City 114705, Taiwan, R.O.C.

TEL : 886-2-26333988 FAX : 886-2-26333987

Songshan Branch

11F., No.130, Sec. 4, Nanjing E. Rd., Songshan
Dist., Taipei City 105407, Taiwan, R.O.C.

TEL : 886-2-25708889 FAX : 886-2-25706776

Da-an Branch

2F., No.169, Sec. 4, Zhongxiao E. Rd., Da'an Dist.,
Taipei City 106662, Taiwan, R.O.C.
TEL : 886-2-27730899 FAX : 886-2-87719629

Xinzhuang Branch

3F., No.379, Zhongping Rd., Xinzhuang Dist., New
Taipei City 242030, Taiwan, R.O.C.
TEL : 886-2-89918899 FAX : 886-2-89914587

Da Hsing Branch

6F., No.270, Sec. 4, Zhongxiao E. Rd., Da'an Dist.,
Taipei City 106652, Taiwan, R.O.C.
TEL : 886-2-55585558 FAX : 886-2-27738180

Danfong Branch

1F., No.16, Fuguo Rd., Xinzhuang Dist., New Taipei
City 242076, Taiwan, R.O.C.
TEL : 886-2-29082388 FAX : 886-2-29082333

Yonghe Branch

2F., No.353, Fuhe Rd., Yonghe Dist., New Taipei City
234644, Taiwan, R.O.C.
TEL : 886-2-29207777 FAX : 886-2-29296363

Sanchong Branch

1F., No.97, Zhengyi S. Rd., Sanchong Dist., New
Taipei City 241003, Taiwan, R.O.C.
TEL : 886-2-29734388 FAX : 886-2-29734998

Banqiao Branch

3F., No.216, Sec. 1, Sanmin Rd., Banqiao Dist., New
Taipei City 220845, Taiwan, R.O.C.
TEL : 886-2-89518089 FAX : 886-2-89518076

Haishan Branch

3F.-1, No.30-2, Dongmen St., Banqiao Dist., New
Taipei City 220542, Taiwan, R.O.C.
TEL : 886-2-29699977 FAX : 886-2-29696300

Tucheng Branch

1F., No.261, Sec. 1, Zhongyang Rd., Tucheng Dist.,
New Taipei City 236031, Taiwan, R.O.C.
TEL : 886-2- 22625988 FAX : 886-2- 22610074

Keelung Branch

8F., No.255, Ren 2nd Rd., Ren'ai Dist., Keelung City
200005, Taiwan, R.O.C.
TEL : 886-2-24221212 FAX : 886-2-24262444

Xindian Branch

8F., No.190, Zhongzheng Rd., Xindian Dist., New
Taipei City 231031, Taiwan, R.O.C.
TEL : 886-2-29121818 FAX : 886-2-29113568

Taoyuan Branch

4F., No.32, Sec. 1, Chenggong Rd., Taoyuan Dist.,
Taoyuan City 330005, Taiwan, R.O.C.
TEL : 886-3-3377555 FAX : 886-3-3373003

Zhongli Branch

3F., No.88, Zhongshan Rd., Zhongli Dist., Taoyuan City 320676, Taiwan, R.O.C.

TEL : 886-3-4278699 FAX : 886-3-4278611

Minquan Branch

4F., No.91, Minquan Rd., West Dist., Taichung City 403301, Taiwan, R.O.C.

TEL : 886-4-22208822 FAX : 886-4-22204208

Hsinchu Branch

8F., No.307, Beida Rd., North Dist., Hsinchu City 300076, Taiwan, R.O.C.

TEL : 886-3-5237777 FAX : 886-3-5235555

Chongde Branch

B1F.-1, No.416, Sec. 2, Chongde Rd., Beitun Dist., Taichung City 406503, Taiwan, R.O.C.

TEL : 886-4-22468899 FAX : 886-4-22462783

Dongda Branch

3F., No. 118, Sec. 1, Dongda Rd., East Dist., Hsinchu City 300026, Taiwan, R.O.C.

TEL : 886-3-5317777 FAX : 886-3-5327799

Zhonggang Branch

1F., No.369, Sec. 2, Daren Rd., Wuqi Dist., Taichung City 435058, Taiwan, R.O.C.

TEL : 886-4-26577599 FAX : 886-4-26574837

Zhunan Branch

5F., No.87, Minzu St., Zhunan Township, Miaoli County 350001, Taiwan, R.O.C.

TEL : 886-37-478345 FAX : 886-37-465010

Dajia Branch

2F., No.295, Jiangong Rd., Dajia Dist., Taichung City 437008, Taiwan, R.O.C.

TEL : 886-4-26882828 FAX : 886-4-26882882

Taichung Branch

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Capital International Technology Corp.

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Capital Futures Technology (Shanghai) Co., Ltd.

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