

Capital Securities Corporation

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



## 2023 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.

*Capital Care* 群益關心您

## ANNUAL REPORT

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# I. Letter to Shareholders

In 2023, the global economy experienced divergent trends, with the economies of Asia showing mixed performances. The U.S. economy outperformed that of the Eurasian and Asian continents, while the economic outlook for Japan and Taiwan was more favorable than that of China and Hong Kong.

The Ukraine-Russia war continued unabated, and in the fourth quarter, the clashes between Israel and Hamas erupted into the most significant crisis in the Middle East in decades. Subsequently, the Houthis rebels in Yemen launched radical armed attacks on commercial ships transiting the Red Sea, reflecting heightened geopolitical risks and great power rivalry in the global political and economic environment.

In the first half of 2023, the U.S. Federal Reserve, the European Central Bank, and most other central banks continued to raise interest rates. In the second half of the year, the pace of rate hikes slowed, and by the fourth quarter, central banks successively stopped raising rates and signaled a pivot toward an eased up policy stance, indicating that the current rate hike cycle was nearing its end. The aggressive rate hikes by global central banks over the past two years to curb inflation produced mixed results: the year-over-year increase in the U.S. Consumer Price Index (CPI) began to decline rapidly in the second half of the year, and the impact on asset classes was limited. However, the persistent high level of prices severely impacted the purchasing power of the middle and lower classes, with consequences for the global economy and politics that far exceeded the changes in the CPI figures.

Furthermore, China's post-pandemic economic performance was weaker than before the pandemic. The issues surrounding the real estate bubble and the impact of the U.S.-China trade war escalated, leading to deteriorating exports, rising unemployment, and a contraction in domestic consumption.

## Outperformance in U.S., Japan and Taiwan Financial Markets

In the U.S. stock market, the S&P 500 index rose 24.2% in 2023, the tech-heavy NASDAQ index surged 43.4%, the Dow Jones Industrial Average gained 13.7%, and the Russell 2000 index of small and mid-cap stocks climbed 18.7%. This demonstrates that in 2023, technology stocks maintained their high growth momentum due to their global business characteristics, while some large-cap stocks, banking stocks, and small and medium-sized enterprises were impacted by high interest rates.

Among Asia-Pacific stock markets, the Japanese market performed the best with an annual gain of 28.24%, driven by factors such as the repatriation of Japanese corporate investments, yen depreciation, the development of the semiconductor industry, and the recovery of the tourism industry. The Taiwanese stock market fluctuated but remained resilient in the first half of the year, corrected in the third quarter, and rallied sharply in the fourth quarter, ending the year up 26.06%. The Taiwan Stock Exchange Index continued to widen its gap over the Hong Kong Hang Seng Index. As for the Chinese and Hong Kong markets, the Shanghai A-share market fell 3.7% for the year, the Shenzhen stock market index dropped 13.54%, and the Hong Kong Hang Seng Index declined 13.82%, with real estate stocks, technology stocks, and startups being the hardest-hit sectors.

## Global economy's five features in 2023

- I. The U.S. economy demonstrated profound strength: In 2022, the Fed raised the Fed Funds Rate seven times for a total of 425 basis points, with the Fed Funds Rate reaching 4.25%-4.5% by the end of the year and further hiking to 5.25%-5.50% in 2023. The rapid rate increases slowed economic growth, but the labor market remained robust, showcasing the resilience of the U.S. economy and a major reason for the Fed continued reluctance to pivot toward easing up. More importantly, U.S. consumer spending power remained strong, including phenomena like the "Taylor Swift concert economy" that contributed to steady growth in domestic consumption.
- II. Interest rate expectations drove financial markets: In the first quarter of 2023, as the Fed continued raising the rate, market expectations for rate cuts were pushed back, particularly after the July rate hike dampened expectations for a cut, causing U.S. Treasury yield to surge from 4.00% to 4.99% and triggering a global rout in stocks and currencies. By late October, as the year-over-year CPI figure showed a significant decline, market expectations for rate cuts in 2024 revived, coupled with rapidly rising enthusiasm for AI development trends. This fueled a rally in U.S. stocks to new historical highs, with Japanese, German, and Taiwanese stocks following suit.
- III. China's Economic Performance Lagged: after the 20th Party Congress in October 2022, China fully reopened after its zero-COVID policy. International capital markets expected China's economy to rebound post-pandemic, but a sharp decline in exports raised concerns about an economic recession. China officially reported a 5.2% GDP growth rate for 2023, the slowest economic expansion since the 1990s apart from during the COVID-19 pandemic. A slump in the real estate industry and rising youth unemployment eroded consumer confidence, trapping China's economy in a vicious cycle of falling prices and weak demand.
- IV. Japan's Economic and Stock Market Revival: in 2020, legendary investor Warren Buffett bought stakes in Japan's five major trading companies – Itochu, Marubeni, Sumitomo, Mitsubishi, and Mitsui, attracting massive foreign capital inflows into Japanese stocks. The depreciating yen, Japan's efforts to rebuild its semiconductor industry and regain key technologies, and the repatriation of overseas production capacity boosted investment confidence. Steel, shipping, and financial stocks broadly hit new highs, while Toyota, adhering to its new energy vehicle strategy, saw its market capitalization soar, making it Asia's second-largest company after TSMC.
- V. 7 Tech Giants in the Global Spotlight: the surge in AI stocks like NVIDIA and Microsoft was a global phenomenon, not limited to the U.S. market, driving up their share prices and market capitalizations. Other tech giants – Meta, Apple, Amazon, Alphabet and Tesla – all possess AI growth potential, attracting sustained global investment that buoyed U.S. stock performance. Conversely, Apple's stock gains were relatively muted due to slowing growth in China and supply chain diversification to India, among other factors, causing it to cede its position as the world's largest company by market cap to Microsoft.

In the management environment which was fluctuating drastically, the Company's management team still upheld the stable management philosophy, and maintained the Company's operating performance by weighing risk and profit evenly. In 2023, pre-tax profit, representing operating results, came in at NT\$4,403,175 thousand, and net profit was NT\$4,131,510 thousand.

## The business operations in 2023 were as follows:

- I. Brokerage: the centralized trading market share was 3.30% for the whole year, and the over-the-counter market share was 3.96%. The overall market share of 3.44% was the seventh among domestic securities firms and the first among independent securities firms. In addition, the Company's customer ledgers of securities firm's settlement account balance was NT\$32.4 billion, maintaining the first place among peers.

- II. Underwriting: in 2023, the Company hosted the IPO of Desiccant Technology Co., Ltd., completed the cash capital increase of Soonest Express Co. Ltd. in the secondary market, and organized the listing of Texture Maker Enterprise Co., Ltd. and APEX Wind Power Equipment Manufacturing CO., LTD. on the Pioneer Stock Board, and won the 2nd place of Best Partner Award from Taipei Exchange.
- III. Derivatives Products: the call (put) warrants issued by the Company in 2023 amounted to NT\$89 billion in total, and the number of warrants issued was 9,960. The issued amount and number of issuances ranked the third in the market. The Company's annual issuance amount of structured products was NT\$26.1 billion.
- IV. Bonds: the underwriting of domestic common corporate bonds amounted to NT\$48.6 billion, with a market share of 9.14%, ranking 4th among domestic securities firms. In terms of perpetual bonds, a total of 12 bonds were underwritten throughout the year, with an amount of NT\$6.23 billion. The underwriting of larger amounts included well-known domestic companies such as TSMC, Taipower, Far EasTone Telecommunications, and UMC.

**Capital Securities takes the vision of "providing high value-added services that exceed customer expectations and becoming the partner for long-term customer growth." Indebted to all employees' efforts, the Company won the following awards in 2023:**

- I. The "Best Digital Innovation Award" of Non-Financial Holdings of Excellence Magazine's "Excellent Digital Financial Service Review."
- II. "Excellence in Weightings Award" and "Efficiency in Weightings" of the "TWSE" warrant issuers' incentive program.
- III. "Top Power Award" in the warrants listed by Taipei Exchange
- IV. Gold Award of "Taiwan Service Industry Review" of "Commercial Times."
- V. The "Outstanding Achievements in Talent Development" of the 17th-term SFI Awards.
- VI. Gold Award of "Digital Innovation Award" of "Commercial Times" Digital Banking Award.
- VII. "Best Securities Broker Brand for Media Volume Taiwan 2023" by International Business Magazine.
- VIII. Silver Award of "Corporate Sustainability Report," Corporate Sustainability Award, Taiwan Corporate Sustainability Awards (TCSA)
- IX. Gold Award of "2023 Happy Company" of "1111 Job Bank"
- X. Capital Securities and mobile APP won the best "service and solution" of the International Innovation Awards held by "Enterprise Asia."

**The Company's brand value is "Capital Care." It has long assumed the role of a corporate citizen and organized the following charity activities in 2023:**

- I. In the 16th year, the blood donation event "Raise Love and Spread Happiness" has raised nearly 20,000 bags of blood. The event was also recognized by the Taiwan Blood Foundation as an "Excellent Blood Donation Organization" for many years in a row. There were 19 events this year, with a total of more than 1,100 bags of blood donation.
- II. This is the 10th year for the "Capital Securities Love Reading Project" to care for the rural education. We hope to raise the attention of all walks of life on the issue of rural education and implement the spirit of social care through corporate participation in charity. So far this year, the Love Reading Project has served 16 schools in 13 counties or cities in northern, central and southern Taiwan, benefiting more than 3,000 people. The Love Reading Project is an on-going activity. After understanding the actual needs of schools, this year's event will focus on improving reading skills, visiting arts and culture spaces, and learning in diverse clubs. In addition to holding city reading tours, it will also use funds to enrich the school's library equipment and support learning subsidies for various clubs. In addition, this year, the reading activity is aimed at introducing knowledge about financial trading, so that children in remote areas can grasp the correct financial and trading concepts as soon as possible, and develop good financial habits.

**Looking forward to the global economic and trade development in 2024, including the following trends and focuses:**

- I. The U.S. Presidential Election Becomes a Global Event: The United States' economic power is far ahead, boasting the world's largest market, coupled with the ability to print currency and control interest rates. Past challengers like the Soviet Union, Japan, and China suffered severe losses attempting to undermine U.S. dominance. The U.S. remains the global leader in attracting talent, capital, and fostering creativity. The main variable in 2024 is the presidential election in November. Biden and Trump will compete with each other again. Most countries are worried that the Trumpism will be unpredictable.
- II. Europe Impacted by Two Wars: As the Ukraine-Russia war entered its second year, variables emerged regarding U.S. and EU aid to Ukraine. In Europe, right-wing parties with a shared anti-immigration stance gained ground in elections. During his campaign, Donald Trump suggested that Russia could "do what it wants" to NATO members that don't pay "protection fees," escalating geopolitical risks in the U.S. election year. Additionally, the Red Sea shipping crisis forced Asian exports to Europe to reroute around South Africa, impacting Europe more severely than the U.S. and Asia.
- III. China's Economic Transition Faces Challenges: In January, Chinese authorities established a "real estate financing coordination mechanism" involving six major state-owned banks like ICBC to work with regulators on a "whitelist" plan. Selected and relatively high-quality real estate projects would receive loans to inject liquidity into the sector, aimed at ensuring the delivery of pre-sold homes. However, challenges in the real estate sector remained substantial. Hong Kong's Status Hung in the Balance: If capital continues to flee, it would severely undermine Hong Kong's financial markets, real estate economy, and confidence. "The World's Hong Kong" risks becoming "China's Hong Kong."
- IV. India and Japan Represent U.S. Interests in Asia: as the U.S. rallied allies against China, India and Japan emerged as the biggest beneficiaries. Not only is Japan a crucial part of the first island chain, but its economy and stock market emerged from the doldrums, attracting sustained foreign investment. In 2024, the Nikkei index is expected to surpass its peak during the bubble economy over 30 years ago. The Indian stock market continues to hit new highs, underpinned by strong fundamentals. Apple's shift in outsourcing orders away from China squeezed growth in the country's manufacturing sector. The International Monetary Fund (IMF) projected India's GDP growth at 6.3%.

V. The Generative AI (Artificial Intelligence Generated Content) Revolution: After Open AI's release of generative AI models in late 2022 that stunned the world, massive investments in AI applications drove a global innovation revolution. Taiwan's tech industry, from upstream semiconductor foundries and AI chips to midstream and downstream manufacturing and software, is well-positioned to benefit from the global AI growth trend. Moreover, the potentially disruptive applications of AI in the financial industry represent a trend that cannot be ignored by industry players.

**With the various challenges facing the economy and financial situation, the Company's operating plan and business development strategies for 2024 are as follows:**

**I. In-depth integration:**

1. Utilize the sales support team to develop distribution channels and maximize the value of distribution channels.
2. Utilize the supporting sales team to deeply cultivate distribution channels and fully leverage their value.
3. Combine resources from various group units to provide one-stop comprehensive services and expand the scope of services.
4. With Capital Investment Consulting at the center, provide professional investment advice to institutional and individual clients through digital and physical channels.
5. Leverage the Hong Kong subsidiary as a platform to assemble a team and attract foreign clients.

**II. Organizational reform:**

1. The brokerage department focuses on the core business, and the sales support team plays the auxiliary function to help create profits.
2. The pan-proprietary trading department focuses on the development of diversified investment strategies.
3. The settlement department is integrated with the back office, and the back-office operations are concentrated in this department. The business departments can deepen the operation of core business and improve their market ranking.
4. Capital Investment Consulting optimizes business performance, enhances the value of the investment consulting team, becomes a gold medal investment consultant, and creates diversified benefits.
5. The bonus system is adjusted. Budget achievement rate is used as the basis for bonus distribution, which is in line with market demand.
6. Streamline the organization, make full use of manpower, save energy, improve efficiency, and reduce costs.

**III. Seek mutual benefits:**

1. Establish a mutual benefit mechanism, promote cross-departmental referrals, encourage win-win cooperation, and achieve the overall success of the Group.
2. Establish common goals, promote cross-departmental projects, establish a profit sharing system, and promote teamwork to create a win-win situation.

**IV. Let me serve you:**

1. Each department reviews its services and competitive advantages, and provides services proactively to create value that is needed.
2. Integrate the Company's overall advantages and strengths, seek internal and external recognition, shape the Company's image, and enhance brand value.

**V. Building an ESG ecosystem:**

1. Construction of ESG information platform: Proactive disclosure of the Company's sustainability actions and achievements through the website.
2. ESG evaluation: Promote and participate in various evaluations to enhance the corporate image of the Capital Group.
3. Implementation of corporate carbon review: In support of the 2050 net zero path, each department of the Group has implemented carbon review and has been certified by a fair unit.
4. Deepen corporate sustainable governance culture: Strengthen the functions of the Board of Directors and functional committees, and formulate sustainable development goals and concrete plans.
5. Diversification of ESG instruments: continue to promote small-denomination investments, and issue or list sustainable financial instruments in response to the financial inclusion policy.
6. Stakeholder engagement: Implement responsible investment, due diligence and supplier management to disclose and work together on carbon reduction and transformation to net zero.
7. Cultivation of ESG talents: promote sustainable development education and training to enhance professionalism and sustainable concepts; continue to implement industry-academia cooperation and internship programs to cultivate student talents.
8. Sustainable development transformation: promote low-carbon and digital transformation, reduce resource consumption, improve digital capabilities, establish a secure and efficient information system, and strengthen operational resilience.

Financial markets expect the U.S. Federal Reserve to end its rate hike cycle in 2024, possibly in the second quarter. Traditionally, rate cuts have been seen as favorable for the stock market, but financial markets tend to react quickly and price in expectations in advance. To face this situation, the Company strives to manage its business operation with sincerity, integrity, and professionalism, with the vision of providing high value-added services that exceed customer expectations and becoming customers' partner for long-term growth. At the same time, we actively respond to sustainable development goals, integrating group resources to seek mutual benefit, and promoting balanced and diversified development of sustainability issues such as environmental protection (E), social responsibility (S), and corporate governance (G). With our utmost effort and sincerity, we will take concrete actions to contribute to our homeland and create excellent operating performance to reward our shareholders.

**Jenny Chou**

Chairman  
Capital Securities Corporation



### 1. Date of establishment and registration: June 21, 1988

### 2. Capital: NT\$21.709 billion

### 3. Company history:

In view of the key importance of the capital markets to raising capital and promoting industrial upgrade in the domestic market, in 1988 the founder of the Company invited well-known individuals of domestic companies to jointly establish the Company. The initial paid-in capital for the Company as a professional brokerage firm was NT\$300 million, and it has since developed into an integrated international securities firm. With its business covering brokerage, proprietary trading, underwriting, registrar agency, bonds, credit transactions, derivatives, etc., and stands out in both the primary and secondary markets. In order to provide a full range of financial management services to domestic and foreign corporations as well as the general investing public, the Company successively established affiliates such as Capital Futures, Capital Investment Consulting, Capital Insurance Advisory, CSC Securities (HK) and CSC International Holdings, etc. After 2016, the Company also set up CSC Venture Capital, CSC Capital Management and Capital Private Equity One, 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 strongholds in financial centers such as Hong Kong and Shanghai. With the full support of all shareholders as well as its directors, the Group has been able to expand its business and advance toward the goal of being a professional and international investment bank.

The Company continues to prosper, be indebted to all its employees and shareholders. In 1989, the Company's paid-in capital was 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 firm, and started its 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 Hong Tai Securities Co., Ltd. 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 formally listed on the Taiwan Stock Exchange. In 2010, the Company completed the merger with Antai Securities Finance Co., Ltd. and acquired shares of Taiwan International Securities Co., Ltd. The paid-in capital therefore increased to NT\$23.057 billion. In 2011, the Company merged with Taiwan International Securities Co., Ltd. and conducted transfer from earnings to capital. The paid-in capital therefore increased to NT\$23.691 billion. In 2015, 2016 and 2017, the Company repurchased treasury stock and decreased capital respectively, and the paid-in capital was decreased to NT\$21.691 billion. In 2018, the Company arranged transfer from earnings to capital and increased the paid-in capital to NT\$23.209 billion. In 2019, the Company repurchased treasury stock and decreased capital by 1.5 billion, and the paid-in capital was decreased to NT\$21.709 billion.

Changes in director representatives in 2023 and 2024 are described as follows:

#### 1. February 10, 2023

- (1) Mr. Zeng, Jun-Hao, representative of institutional director, Kwang Hsing Industrial Co., Ltd., was replaced by Mr. Zhang, Yi-Ping;
- (2) Mr. Hung, Tsung-Yen, representative of institutional director, Tai He Real Estate Management Co., Ltd., was replaced by Ms. Li, Meng-Jing.

#### 2. March 29, 2023

Mr. Chang, Chih-Ming, representative of institutional director, Yin Feng Enterprise Co., Ltd., was replaced by Mr. Lee, Wen-Chu.

#### 3. April 1, 2023

Mr. Wang, Jiunn-Chih resigned as Chairman of Capital Securities and Mr. Lee, Wen-Chu was appointed to act in his capacity.

#### 4. April 10, 2023

Mr. Wang, Jiunn-Chih, representative of institutional director, Yin Feng Enterprise Co., Ltd., was replaced by Ms. Fu, Chien-Yi.

#### 5. July 7, 2023

- (1) Ms. Li, Meng-Ching, representative of institutional director, Tai He Real Estate Management Co., Ltd., was replaced by Mr. Chiang, Cheng-Chia;
- (2) Chiang, Cheng-Chia;
- (3) Ms. Tong, Chie-Shiang, representative of institutional director, Hung Lung Enterprise Co., Ltd., was replaced by Ms. Wang, Wan-Ling.

#### 6. November 23, 2023

- (1) Mr. Chiang, Cheng-Chia, representative of institutional director, Tai He Real Estate Management Co., Ltd., was replaced by Ms. Chou, Hsiu-Chen;
- (2) Mr. Lee, Wen-Chu, acting Chairman and President of the Company, resigned from the position of acting Chairman.

#### 7. November 24, 2023

The Board of Directors elected Ms. Chou, Hsiu-Chen, the representative of Tai He Real Estate Management Co., Ltd., as the Chairman.

#### 8. March 18, 2024

Ms. Wang, Wan-Ling, representative of institutional director, Hung Lung Enterprise Co., Ltd., was replaced by Ms. Chu, Shu-Er.

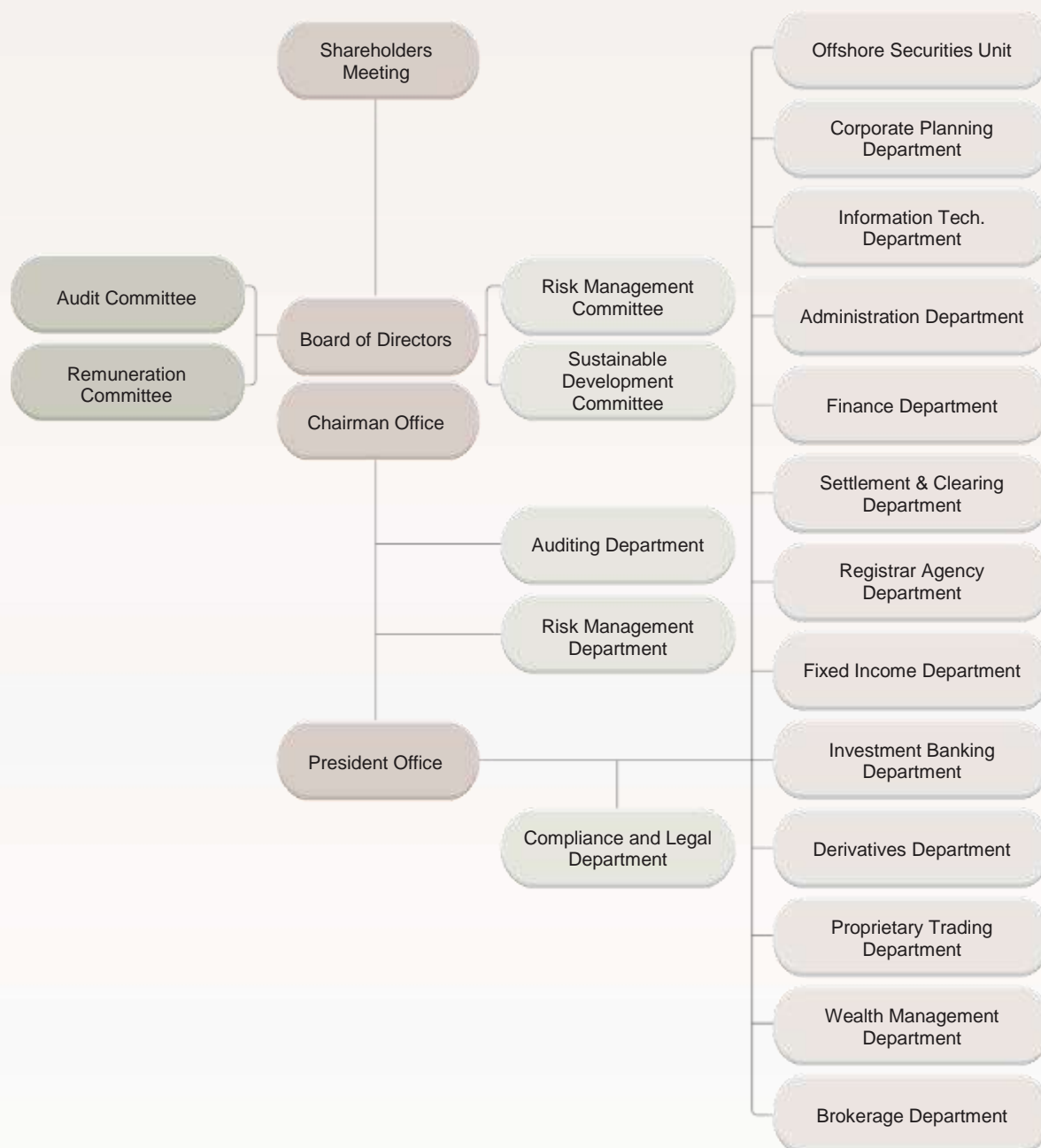


President:  
Lee, Wen-Chu

# III. Corporate Governance Report

## I. Organizational chart

### Capital Securities Corp.





## II. (II) Background information of directors, president, executive vice presidents, senior vice presidents, and heads of various departments and branches

### (I) Information of Directors (1)

Title (Note 1)	Nationality or place of registration	Name	Gender and Age (Note 2)	Date of appointment (start of office)	Service term (Note 3)	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 Senior Management		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	Relation	
Chairman	Republic of China	Tai He Real Estate Management Co., Ltd. Representative: Hsin-Chou Hsu-Chen	Female 71-80 years old	2022.6.27	3 years	2019.6.24 2023.6.23 (Note 3)	1,885,766 0	0.09% 0.00%	1,885,766 0	0.09% 0.00%	0	0.00%	0	0.00%	Chairman, CSC Venture Capital Corporation Chairman, Capital Management Consulting Co., Ltd. Chairman, CSC Private Equity Co.	Chairman, CSC Venture Capital Corporation Chairman, Capital Management Consulting Co., Ltd. Chairman, CSC Private Equity Co.	N/A	N/A	
Director	Republic of China	Representative of Yifeng Industrial Co., Ltd.: Liu, Ching-Tsun	Male 71-80 years old	2022.6.27	3 years	2019.6.25 2023.3.20 (Note 3)	8,040,015 0	0.37% 0.00%	8,040,015 0	0.37% 0.00%	0	0.00%	0	0.00%	Master of Public Administration, University of San Francisco, USA CSC Chief Audit Team, Taxation Administration, MOF Deputy Chief, Securities and Futures Commission, MOF Managing Director, Supervisor, Taiwan Securities Exchange Managing Director, Supervisor, Taipei Exchange Vice Chairman and Chairman, Capital Securities Corporation Vice Chairman, Fui Venture Capital Co., Ltd., ENBA, National Chengchi University Chairman and President, Capital Futures Co., Ltd. Chairman and President, CSC Venture Capital Corporation Director, Capital International Technology Corp. Chairman, Capital Management Consulting Co., Ltd. Chairman, CSC Private Equity I Co. Chairman, CSC Private Equity II Co. Chairman, Capital Investment Technology (Chengdu) Co., Ltd. Chairman, Capital Futures Technology (Shanghai) Co., Ltd. Taiwan Futures Exchange Association	Director, Capital Futures Corp. Director, Taiwan Oasa Technology Co., Ltd.	N/A	N/A	
Director	Republic of China	Representative of Yifeng Industrial Co., Ltd.: Lee, Wen-Chu	Male 81-90 years old	2022.6.27	3 years	2019.6.25 2023.3.20 (Note 3)	8,040,015 0	0.37% 0.00%	8,040,015 0	0.37% 0.00%	0	0.00%	0	0.00%	President, Capital Securities Corporation Director, Capital Futures Corporation Director, CSC International Holdings Ltd. Director, CSC Securities (HK) Ltd. Director, CSC Securities (Taiwan) Ltd. Executive Director, Member of Sustainable Development Committee, Convener of Brokerage Committee, Taiwan Futures Association	President, Capital Securities Corporation Director, Capital Futures Corporation Director, CSC International Holdings Ltd. Director, CSC Securities (HK) Ltd. Director, CSC Securities (Taiwan) Ltd. Executive Director, Member of Sustainable Development Committee, Convener of Brokerage Committee, Taiwan Futures Association	N/A	N/A	
Director	Republic of China	Representative of Yifeng Industrial Co., Ltd.: Fu, Chien-Yi	Female 51-60 years old	2022.6.27	3 years	2019.6.25 2023.4.10 (Note 3)	8,040,015 0	0.37% 0.00%	8,040,015 0	0.37% 0.00%	0	0.00%	0	0.00%	Human Resources Director, Jardine, Matheson & Co. Ltd. Assistant Manager of Human Resources, Elite Spectrum Corporation Senior Associate Manager of Human Resources, Taiwan Cement Corporation Director, National Taiwan University Director and Deputy General Manager, Taiwan Cooperative Bank Chairman, Agricultural Credit Guarantee Fund Chairman, Antai Securities Finance Company Secretary general, Bankers Association of the Republic of China Secretary of China Securities Corp. Master of Law, Soochow University The Chinese Commercial and Industrial Deputy Secretary, General, Coordination Society Secretary, Chinese Commercial & Industrial Service Co., Ltd. Deputy Secretary, General, Taiwan Federation of Commerce	Senior Vice President, Fui Tai Construction Corp.	N/A	N/A	
Director	Republic of China	Representative of Hong Lung Industrial Co., Ltd.: Kuo, Yui-Chyi	Male 81-90 years old	2022.6.27	3 years	2019.6.27 2020.6.15	50,871,288 1,391	2.34% 0.00%	50,871,288 1,391	2.34% 0.00%	5,531	0.00%	0	0.00%	N/A	N/A	N/A	N/A	
Director	Republic of China	Hong Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	Male 81-90 years old	2022.6.27	3 years	2016.6.27 2022.3.5	50,871,288 9	2.34% 0.00%	50,871,288 9	2.34% 0.00%	0	0.00%	0	0.00%	Secretary-General, Taiwan Federation of Commerce	Secretary-General, Taiwan Federation of Commerce	N/A	N/A	
Director	Republic of China	Hong Lung Enterprise Co., Ltd. Representative: CHU, Shi-ER	Female 41-50 years old	2022.6.27	3 years	2016.6.27 2023.3.18 (Note 3)	50,871,288 0	2.34% 0.00%	50,871,288 0	2.34% 0.00%	0	0.00%	0	0.00%	Master of Business Administration, National Taiwan University CFO, Corporate Governance Officer, and Special Assistant, Solomon Technology Corporation Director, President, and Supervisor, Sdomon Investment Management Co., Ltd. Director, Solomon Data International Corporation	Manager of Business Performance Dept., Yu Chun Enterprise Co., Ltd.	N/A	N/A	

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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	Relation	
Director	Republic of China	Kwang-Hsiung Industrial Co., Ltd. Representative: Zhang Yi-Ping	Male 51-60 years old	2022.6.27	3 years	2001.4.3 2023.2.10 (Note 3)	9,910,293 0	0.46% 0.00%	9,910,293 0	0.46% 0.00%	0	0.00%	0	0.00%	Department of Finance, Tamkang University Manager of Administration Department, Kwang Yang Indonesia Co., Ltd. Manager of Administration Department, Kwang Yang Philippines Co., Ltd. Manager of Administration Department, Changzhou Guangyang Motorcycle Co., Ltd.	Chief, Accounting Section, Finance Department, Kwang Yang Motor Co., Ltd. Supervisor, Toyo Jinn Tsang Electric Co., Ltd. Supervisor, China Ocean Enterprise Co., Ltd. Supervisor, Klover Mobility Inc. Supervisor, China Everbright Trucks Co., Ltd. Supervisor, Kawasaki Motor Taiwan Co., Ltd. Supervisor, Ionea Energy Inc. Supervisor, Chia Chin Bicycle Co., Ltd. Supervisor, Nan Sheng Bicycle Co., Ltd. Supervisor, Sun Yang Bicycle Co., Ltd. Supervisor, Xin Yang Bicycle Co., Ltd. Supervisor, He Yang Bicycle Co., Ltd. Supervisor, Hong Zhan Motor Co., Ltd. Supervisor, Xiang Yang Bicycle Co., Ltd. Supervisor, Guang Chun Bicycle Co., Ltd. Supervisor, Quan Feng Bicycle Co., Ltd. Supervisor, Chun Feng Bicycle Co., Ltd. Supervisor, Shuang Sheng Bicycle Co., Ltd.	N/A	N/A	N/A
Independent Director	Republic of China	SHEA JIA-DONG	Male 71-80 years old	2022.6.27	3 years	2016.6.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Economics, Stanford University, USA Director, Institute of Economics, Academia Sinica Professor of Economics National Taiwan University Deputy Governor, Central Bank of the Republic of China Minister, Ministry of Finance Chairman, Taiwan External Trade Development Council Chairman, Central Trust of China Chairman, Taiwan Academy of Banking and Finance Independent Director, Capital Futures Corp. Independent Director, Bio Preventive Medicine Corp.	Adjunct Professor, Department of Economics, National Taiwan University Chair Professor, Department of Economics, Soochow University	N/A	N/A	N/A
Independent Director	Republic of China	LEE, SHEN-YI	Male 71-80 years old	2022.6.27	3 years	2019.6.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Law, Chinese Culture University Chairman, Taiwan Business Bank Co., Ltd. Officer of Ministry of Economic Affairs Officer of Auditing Division, Ministry of Finance Managing Director of Chen Yeh Law Offices Honorary Managing Director of Chen Yeh Law Offices Law Offices Member of Fair Trade Commission, Executive Yuan 2nd and 3rd member of the Control Yuan Adjunct Associate Professor of Chengchi University and Chinese Culture University Ph.D. in Economics, National Tsing-Tung University Chairman, the Financial Engineering Association of Taiwan Director, Taiwan Institute of Economic Research Director, Yuanfa-Palatis Economic Research Institute Director and Leading Examination Committee member of Taiwan Stock Exchange Director and Supervisor, Taiwan Futures Exchange Corporation Managing Director, OCBC Bank Director, IBF Securities Co., Ltd. Independent Director, Hua Nan Securities Director, China Development Industrial Bank Holding Corporation Professor of Department of Finance and Economics, Cross-Strait Financial Center, Chief of Human Resources and Chair of Department of Finance, National Sun Yat-sen University Adjunct Professor, Institute of Health Policy and Management, National Taiwan University Institute of Finance, National Chiao Tung University Institute of Finance, Fudan University	National Policy Advisor to the President Vice Chairman, Taiwan New Economy Foundation Director, Remuneration Committee member, WIN Semiconductors Corp. Director, Nan Ya Plastics Corp. Director, Esai-Tender optoelectronics Corp. Supervisor, Taiwan Semiconductor Corporation Supervisor, Taoyuan International Airport Services Co., Ltd. Director, PharmaEssentia Corp. Independent Director, Committee member, Capital Futures Corp.	N/A	N/A	N/A
Independent Director	Republic of China	Lin, Tsai-Hsiang	Male 61-70 years old	2022.6.27	3 years	2022.6.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Professor, Department of Finance, Tamkang University Independent Director, Remuneration Committee Member, Information Security Committee Member Corporation Supervisor, IHI Biomedical Venture Fund I Co., Ltd. Independent Director, Member of Remuneration Committee Natural Beauty Bio-Technology Co., Ltd.(HK)	Honorary Professor, Department of Finance, Tamkang University Independent Director, Remuneration Committee Member, Information Security Committee Member Corporation Supervisor, IHI Biomedical Venture Fund I Co., Ltd. Independent Director, Member of Remuneration Committee Natural Beauty Bio-Technology Co., Ltd.(HK)	N/A	N/A	N/A

Note 1: Names of institutional shareholders and their representatives shall be listed separately. If the representatives are institutional shareholders, the names of said institutional shareholders shall be indicated.

Note 2: The term of office of the directors shall be three years, and the term of office of the supervisors shall be two years.

Note 3: Fill in the time for serving as a director or supervisor of the Company for the first time. If there is any interruption, it shall be indicated:  
On March 18, 2024, Hung Lung Enterprise Co., Ltd. reappointed its representative from Ms. Wang, Wan-Ling to Ms. Chi, Shu-er.  
On November 23, 2023, Tai He Real Estate Management Co., Ltd. reappointed its representative from Mr. Chiang, Cheng-Chia to Ms. Chou, Hsiu-Chen.  
On February 10, 2023, Yn Feng Enterprise Co., Ltd. reappointed its representative from Mr. Chang, Chih-Ming to Mr. Lee, Wen-Chu.  
On July 7, 2023, Hung Lung Enterprise Co., Ltd. reappointed its representative from Ms. Tong, Zhi-Xiang to Ms. Wang, Wan-Ling.  
On April 10, 2023, Yn Feng Enterprise Co., Ltd. reappointed its representative from Mr. Wang, Junn-Chin to Ms. Fu, Chien-Yi.  
On March 29, 2023, Yn Feng Enterprise Co., Ltd. reappointed its representative from Mr. Chang, Chih-Ming to Mr. Lee, Wen-Chu.  
On February 10, 2023, Tai He Real Estate Management Co., Ltd. reappointed its representative from Mr. Chang, Chih-Ming to Mr. Lee, Wen-Chu.  
On February 10, 2023, Tai He Real Estate Management Co., Ltd. reappointed its representative from Mr. Chang, Chih-Ming to Mr. Lee, Wen-Chu.  
On February 10, 2023, Tai He Real Estate Management Co., Ltd. reappointed its representative from Mr. Chang, Chih-Ming to Mr. Lee, Wen-Chu.

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, 2024

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%
	Financial Information Corporation	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 Corporation	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.	100.00%
Tai He Construction Management Co., Ltd.	Financial Information Corporation	19.61%
	Hung Lung Enterprise Co., Ltd.	18.71%
	Min Huei Enterprise Co., Ltd.	18.75%
	Cai Jiang 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, 2024

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (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 Construction 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 Corporation	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%

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (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 Corporation	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 Corporation	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%

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (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 Corporation	5.80%
	Tai He Investment Co., Ltd.	5.21%
	Tai Chun Enterprise Co., Ltd.	4.28%
Chuan Yi Construction Co., Ltd.	Run Hsiang Enterprise Co., Ltd.	4.27%
	Tai Chun Investment Co., Ltd.	12.57%
	Lian Mao Investment Co., Ltd.	12.00%
	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%
Financial Information Corporation	Bao Zuo Investment Co., Ltd.	3.31%
	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%



Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (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 Corporation	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%

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (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%
	Lian Mao Investment Co., Ltd.	18.33%
	Hong Ye Investment Co., Ltd.	17.67%
	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%
	Chuan Yi Construction Co., Ltd.	4.08%
Han Bao Enterprise Co., Ltd.	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%
	Tai Lian Investment Co., Ltd.	3.41%
Kwang Yang Motor Co., Ltd.	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%

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Min Huei Enterprise Co., Ltd.	Lian Mao Investment Co., Ltd.	16.53%
	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%
Cai Jiang 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%
Fornet Tech Co., Ltd.	Cai Jiang Enterprise Co., Ltd.	23.12%
	Hong Chang Enterprise Co., Ltd.	23.12%
	Sheng Hsiang Enterprise Co., Ltd.	23.12%
	Financial Information Corporation	21.85%
	Hung Lung Enterprise Co., Ltd.	8.79%

Note 1: If the major shareholder in Table 1 above is a legal entity, the name of the legal entity should be filled in.

Note 2: Fill in the names of the major shareholders of the corporate shareholder (top ten in terms of percentage of shareholding) and their percentage of shareholding.

Note 3: Where the corporate shareholder is not incorporated, the aforesaid names and shareholdings of shareholders to be disclosed refer to the names of the investors or donors and ratios of their investments or donations (please inquiry from the Judicial Yuan); if the donor is deceased, please mark as "deceased".

**(I) Information of Directors (2)**

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

March 31, 2024

Name \ Criteria	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of positions as Independent Director in other public companies
<b>Chairman</b> Tai He Construction Management Co., Ltd. Representative: Chou, Hsiu-Chen	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. Please refer to p.7 "(I) Information 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
<b>Director</b> Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. Please refer to p.7 "(I) Information 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
<b>Director</b> Yin Feng Enterprise Co., Ltd. Representative: Lee, Wen-Chu	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. Please refer to p.7 "(I) Information 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
<b>Director</b> Yin Feng Enterprise Co., Ltd. Representative: Fu, Chien-Yi	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. Please refer to p.7 "(I) Information 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
<b>Director</b> Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. Please refer to p.7 "(I) Information 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
<b>Director</b> Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching	1. Possessing experience in operation and management, industrial background, and law 2. Please refer to p.7 "(I) Information 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
<b>Director</b> Hung Lung Enterprise Co., Ltd. Representative: Chu, Shu-Er	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. Please refer to p.7 "(I) Information 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

Name \ Criteria	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of positions as Independent Director in other public companies
	and Exchange Act		
<b>Director</b> Kwang Hsing Industrial Co., Ltd. Representative: Zhang, Yi-Ping	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. Please refer to p.8 "(I) Information 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
<b>Independent Director</b> Shea, Jia-Dong	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. Convener of the Audit Committee: 3. Holder of professor qualification approved by the Ministry of Education 4. Part-time Professor, Department of Economics, National Taiwan University 5. Please refer to p.8 "(I) Information 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	0
<b>Independent Director</b> Lee, Shen-Yi	1. Possessing experience in business management, industrial background, finance/ investments, 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. Please refer to p.8 "(I) Information 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
<b>Independent Director</b> Lin, Tsalm-Hsiang	1. Possessing experience in operation and management, industrial background, and finance/ investments 2. The Audit Committee and the Remuneration Committee member 3. Holder of CPA qualification and CSIA 4. Please refer to p.8 "(I) Information 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	1

Note 1: Professional Qualifications and Experience: The professional qualifications and experience of individual directors and supervisors 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 while has to designate a natural person representative to exercise duties. ) or Paragraph 2 (when the government or institutional shareholder is a shareholder, its representative may also be elected as a director or supervisor. When there are several representatives, they may be elected separately, but may not be elected or serve as a director and a supervisor at the same time. ) is a director, supervisor, or employee of a corporate shareholder that has appointed a representative to serve as a director or supervisor 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 chairman, 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, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company.

ii. Diversity and independence of the Board of Directors:

(i) 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.

According to the Company's "Articles of Incorporation", the election of directors and independent directors adopts the candidate nomination system. The election of the 12th Board of Directors has been approved at the regular shareholders' meeting in June 2022. Currently, there are eight directors and three independent directors on the Board of Directors. Their terms of office Three years from June 27, 2022 to June 26, 2025. Age distribution of directors: There are 2 directors in the range of 41 - 50 years old (inclusive), 3 directors in the 51 - 60 years old (inclusive), 2 directors in the 61 - 70 years old (inclusive), and 4 directors over the age of 71 (inclusive).

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 p. 7-8 and 16, "Information of Directors (1) and (2)" for their educational background, major experience, professional qualifications, and experience.

Pursuant to the Company's policy of director diversity, the target is to nominate at least one female director candidate from the 12th board in 2022. The Company currently has three female directors. In the future, efforts will be made to increase the number of female directors to achieve the goal of gender equality.



Implementation of the board members diversity is as following:

Director	Gender	Seniority of Independent Director	Operation Management	Industry Experience	Finance/Investment	Information/Technology	Law
Chou, Hsiu-Chen	Female		√	√	√		
Liu, Ching-Tsun	Male		√	√	√		
Lee, Wen-Chu	Male		√	√	√		
Fu, Chien-Yi	Female		√	√	√		
Kuo, Yuh-Chyi	Male		√	√	√		
Tsai, I-Ching	Male		√	√		√	√
Zhang, Yi-Ping	Male		√	√	√		
Chu, Shu-Er	Female		√	√	√		
Shea, Jia-Dong (Independent Director)	Male	6 ~ 9 years	√	√	√		
Lee, Shen-Yi (Independent Director)	Male	3 ~ 6 years	√	√	√		√
Lin, Tsalm-Hsiang (Independent Director)	Male	Less than 3 years	√	√	√	√	

(ii) Independence of the Board of Directors:

Currently, there are eight directors including three independent directors; 18% of directors also serves as the Company's employees, and 27% are independent directors. One independent director has the tenure under 3 years, one is under 6 years, and the other one is under 9 years.

None of the Company's directors has the circumstances described in Paragraph 3 of Article 26-3 of the Securities and Exchange Act and is a spouse or relative within the second 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." None of them is a government agency, a juristic person, or a representative thereof, as described in Article 27 of The Company Act.

## (II) Background information of president, executive vice presidents, senior vice presidents, and heads of various departments and branches

March 31, 2024

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	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relation	
President	Republic of China	Lee, Wen-Chu	Male	2022/08/25	0	0.00%	0	0.00%	0	0.00%	EMBA, National Chengchi University	CSC Futures - Director CSC International Holdings - Director CSC Securities (HK) Ltd. - Director CSC Futures (HK) Ltd. - Director				
Senior Vice President	Republic of China	Lin, Jing-Hua	Female	2007/01/01	262,798	0.01%	0	0.00%	0	0.00%	Master of Commerce, University of Washington	CSC International Holdings Ltd. Shanghai Representative Office - Representative				
Vice President (Legal Compliance Officer)	Republic of China	Lai, Ai-Wen	Female	2015/01/01	21	0.00%	0	0.00%	0	0.00%	Department of Law, Soochow University					
Senior Vice President	Republic of China	Chang, Tun-Fu	Male	2011/05/02	147,197	0.01%	0	0.00%	0	0.00%	Department of Economics, National Taiwan University	CSC Securities (HK) Ltd. - Director CSC Futures (HK) Ltd. - Director Capital Securities Nominee - Director				
Senior Vice President (Chief Corporate Governance Officer)	Republic of China	Hsieh, Hsiu-Ying	Female	2013/05/02	0	0.00%	0	0.00%	0	0.00%	EMBA, NTU-Fudan Overseas EMBA Program, National Taiwan University	Capital Insurance Advisory - Director CSC International Holdings - Director CSC Securities (HK) Ltd. - Director CSC Futures (HK) Ltd. - Director Capital Securities Nominee - Director Taiwan International Securities (B.V.I.) - Director TIS Securities (HK) Limited - Director Taiwan International Capital (HK) - Director				
Executive Vice President	Republic of China	Huang, Chi-Ming	Male	2012/06/01	210,139	0.01%	0	0.00%	0	0.00%	EMBA, National Chengchi University EMBA Program for Financial Management					
Senior Vice President	Republic of China	Huang, Sheng-Kai	Male	2024/01/23	0	0.00%	0	0.00%	0	0.00%	Master of Finance, TamKang University					
Executive Vice President	Republic of China	Wang, Ya-Fang	Female	2024/01/23	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, TamKang University	Capital Insurance Advisory - Director				
Senior Vice President	Republic of China	Lin, Bo-Wei	Male	2014/04/01	0	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	Graduate Institute of Society, National Chengchi University					
Executive Vice President	Republic of China	Wu, Yun-Wen	Male	2024/01/23	0	0.00%	1,487	0.00%	0	0.00%	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%	0	0.00%	Department of Information Management, National Central University					
Executive Vice President	Republic of China	Chou, Hsien-Yang	Male	2021/12/06	10,000	0.00%	0	0.00%	0	0.00%	Department of International Trade, TamKang University	Capital Insurance Advisory - Supervisor CSC Venture Capital Corp. Supervisor CSC Capital Management Co. - Supervisor CSC Private Equity Fund I Co. - Supervisor CSC Futures (HK) Ltd. - Director TIS Securities (HK) Ltd. - Director				
Senior Vice President	Republic of China	Xie, Hui-Ya	Female	2019/04/01	5,435	0.00%	0	0.00%	0	0.00%	Master of Finance, Syracuse University					
Senior Manager (Chief	Republic of China	Pan, Chi-wen	Female	2024/01/23	0	0.00%	0	0.00%	0	0.00%	Department of International Trade, Hsing Wu College					

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	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relation	
Securities Custodian Officer)																
Executive Vice President	Republic of China	Kuo, Nien-Ching	Male	2024/01/23	0	0.00%	0	0.00%	0	0.00%	MBA of National Cheng Kung University					
Senior Executive Vice President	Republic of China	Yang, Jie-Bin	Male	2002/11/01	609	0.00%	0	0.00%	0	0.00%	Master of Finance, University of London					
Senior Vice President	Republic of China	Xu, Tsui-Yun	Female	2016/04/01	3,323	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	Master of Finance, University of Illinois Urbana-Champaign					
Senior Vice President	Republic of China	Ho, Yu-wen	Male	2023/03/13	0	0.00%	0	0.00%	0	0.00%	Master of International Business, National Taiwan University					
Executive Vice President	Republic of China	Chiu, Tsan-Hsi	Male	2024/01/23	0	0.00%	0	0.00%	0	0.00%	Master of Finance, Baruch College, City University of New York	CSC Capital Management Co. - Director CSC Private Equity Fund I Co. - Director				
Senior Vice President	Republic of China	Chung, Chi-Yao	Male	2024/03/21	0	0.00%	0	0.00%	0	0.00%	Master of Industrial Economics, National Central University					
Senior Vice President	Republic of China	Chen, Yi-Ren	Male	2015/04/01	700	0.00%	0	0.00%	0	0.00%	MBA, Baruch College, City University of New York	CSC Venture Capital Corp. - Director				
Senior Vice President	Republic of China	Tseng, Mei-Ling	Female	2019/04/01	0	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	MBA, Drexel University					
Senior Vice President	Republic of China	Chen, Pei-Qi	Female	2008/04/08	1,541	0.00%	0	0.00%	0	0.00%	Master of International Business Administration, University of St. Thomas - Minnesota					
Senior Vice President	Republic of China	Chang, Jing-Yao	Male	2017/04/01	0	0.00%	0	0.00%	0	0.00%	Master of Finance, TamKang University					
Senior Vice President	Republic of China	Tu, Tsung-En	Male	2020/04/01	0	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	Master of 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	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relation	
Executive Vice President	Republic of China	Wang, Juan-Hui	Female	2019/04/01	8,235	0.00%	0	0.00%	0	0.00%	Master, 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%	0	0.00%	Department of Law, Soochow University					
Executive Vice President	Republic of China	Hung, Hsin-Ju	Female	2023/03/01	0	0.00%	0	0.00%	0	0.00%	MBA in Finance, University of Hull					
Senior Vice President	Republic of China	Huang, Chi	Male	2023/09/01	1,088	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Taipei College of Business					
Senior Vice President	Republic of China	Wang, Chin-Jie	Female	2023/09/01	0	0.00%	0	0.00%	0	0.00%	Master of Finance, National Tsing Hua University					
Senior Vice President	Republic of China	Chang, Chin-Jung	Male	2023/09/01	0	0.00%	0	0.00%	0	0.00%	Graduate Institute of Society, National Chengchi University					
Executive Vice President	Republic of China	Ma, Jia-Huan	Male	2009/09/01	1,111,000	0.05%	0	0.00%	0	0.00%	EMBA, National Chengchi University					
Executive Vice President	Republic of China	Chen, Wei-ting	Male	2024/03/18	1,000	0.00%	0	0.00%	0	0.00%	Department of International Business, Yuan Ze University					
Senior Vice President	Republic of China	Huang, Zhi-Hua	Female	2014/04/01	301,876	0.01%	0	0.00%	0	0.00%	Department of International Trade, Tamkang University					
Senior Vice President	Republic of China	Zheng, Yu-Ling	Female	2003/06/19	447,038	0.02%	0	0.00%	0	0.00%	EMBA, National Tsing Hua University					
Senior Vice President	Republic of China	Huang, Yi-Lian	Female	2015/08/03	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Feng Chia University					
Senior Vice President	Republic of China	Wu, Qing-Yan	Male	2018/04/01	0	0.00%	0	0.00%	0	0.00%	Master of Information Management, Shu-Te University					
Senior Vice President	Republic of China	Cao, Hou-Sheng	Male	2004/08/02	0	0.00%	0	0.00%	0	0.00%	Master of Labour Research, National Chengchi University					
Senior Vice President	Republic of China	Chang, Xue-He	Male	2019/04/01	11,225	0.00%	0	0.00%	0	0.00%	Department of Political Study, Fu Hsing Kang College					
Senior Vice President	Republic of China	Liu, Pin-Chen	Female	2020/04/01	0	0.00%	0	0.00%	0	0.00%	Department of International Business Studies, National Chi Nan University					
Senior Vice President	Republic of China	Ma, Shao-Hong	Female	2015/04/01	0	0.00%	0	0.00%	0	0.00%	MBA, Chung Yuan Christian University					
Senior Vice President	Republic of China	Liu, Hsiang-Li	Female	2022/03/01	0	0.00%	0	0.00%	0	0.00%	Master in financial management, National Sun Yat-sen University					
Senior Vice President	Republic of China	Lee, Kuei-Jung	Male	2022/04/18	0	0.00%	0	0.00%	0	0.00%	Master of Finance, TamKang University					
Senior Vice President	Republic of China	Chu, Te-Jen	Male	2024/03/26	0	0.00%	0	0.00%	0	0.00%	Master of Business Administration, Tamkang University					
Vice President	Republic of China	Wu, Hong-Zhi	Male	2003/05/01	0	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Nanya Institute of Technology					
Assistant Vice President	Republic of China	Cheng, Ya-Yun	Female	2022/07/01	0	0.00%	0	0.00%	0	0.00%	Department of Banking and Finance, I-Shou University					
Assistant Vice President	Republic of China	Chu, Wei-Shuo	Male	2023/07/28	0	0.00%	0	0.00%	0	0.00%	Department of Agricultural Mechanical Engineering, National Taiwan University					
Vice President	Republic of China	Chang, Ren-Fang	Male	2013/09/01	0	0.00%	0	0.00%	0	0.00%	Master of Business Administration, National Kaohsiung First University of Science and Technology					
Vice President	Republic of China	Chang, Chun-Fu	Male	2020/04/01	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Management College, Nation Defense University					
Vice President	Republic of China	Zhao, Zhi-Ming	Male	2003/07/28	6,861	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Tatung 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	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relation	
Manager	Republic of China	Wang, Hsin-Hui	Female	2022/11/11	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Tunghai University					
Vice President	Republic of China	Lee, Xiang-Jun	Male	2004/04/20	0	0.00%	0	0.00%	0	0.00%	Department of Banking and Finance, Tamkang University					
Assistant Vice President	Republic of China	Chung, Yi-Chien	Female	2022/10/03	0	0.00%	0	0.00%	0	0.00%	EMBA, University of North Alabama					
Assistant Vice President	Republic of China	Zhou, Yun-An	Female	2021/08/01	0	0.00%	0	0.00%	0	0.00%	Department of Banking and Finance, Chinese Culture University					
Assistant Vice President	Republic of China	Wu, Chi-Ying	Female	2023/03/14	0	0.00%	0	0.00%	0	0.00%	Department of Accounting and Statistics, National Tainan Junior College of Home Economics					
Assistant Vice President	Republic of China	Tien, Chih-Min	Male	2021/06/01	0	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	Department of Insurance, Chaoyang University of Technology					
Vice President	Republic of China	Peng, Gui-Cong	Male	2000/01/24	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Tatung Institute of Technology					
Assistant Vice President	Republic of China	Li, I-Chih	Female	2023/04/28	0	0.00%	0	0.00%	0	0.00%	Master of Management, Ming Chuan University					
Vice President	Republic of China	Kai, Shi-Hua	Male	2011/05/02	0	0.00%	0	0.00%	0	0.00%	Department of Statistics, Tunghai University					
Assistant Vice President	Republic of China	Yen, Chia-Yueh	Female	2016/04/01	0	0.00%	0	0.00%	0	0.00%	Master of Applied Economics, National Taiwan Ocean 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	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relation	
Assistant Vice President	Republic of China	Lin, Chang-Chih	Male	2022/08/26	0	0.00%	0	0.00%	0	0.00%	Department of Electronic Data Processing, Tamsui Institute of Business Administration					
Assistant Vice President	Republic of China	Ku, Pei-Ching	Female	2020/08/03	0	0.00%	0	0.00%	0	0.00%	Department of Finance, Ming Chuan University					
Vice President	Republic of China	Chen, Xuan-Zhi	Male	2008/05/17	0	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	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%	0	0.00%	Department of Accounting, National Taichung University					
Assistant Vice President	Republic of China	Tsai, Xin-Dai	Female	2021/06/01	0	0.00%	0	0.00%	0	0.00%	Department of Finance, National Chiayi University					
Assistant Vice President	Republic of China	Li, Chih-Chiang	Male	2019/04/01	0	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	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%	0	0.00%	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%	0	0.00%	Master of Finance, On-job Master Program, National Taiwan University					
Assistant Vice President	Republic of China	Fang, Po-Hsiang	Male	2022/12/01	0	0.00%	0	0.00%	0	0.00%	Master of Economics, Soochow University					
Assistant Vice President	Republic of China	Yeh, Meng-Jung	Male	2024/03/18	0	0.00%	0	0.00%	0	0.00%	Master of Finance, Ming Chuan University					
Assistant Vice President	Republic of China	Hung, Yan-Chang	Male	2023/08/26	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Yong Da Institute of Technology					
Vice President	Republic of China	Chen, Mei-Ru	Female	2014/07/19	0	0.00%	0	0.00%	0	0.00%	Department of Accounting and Statistics, I-Lan Commercial Vocational Senior High School					
Vice President	Republic of China	Wu, Chen-Yi	Male	2016/09/01	0	0.00%	0	0.00%	0	0.00%	EMBA, Department of Applied Business, Open College Affiliated with National Taipei University of Business					
Assistant Vice President	Republic of China	Chen, Hui-Chen	Female	2022/10/03	0	0.00%	0	0.00%	0	0.00%	Master of Finance, National Chung Hsing University					
Assistant Vice President	Republic of China	Lee, Shu-Yu	Female	2022/05/03	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Central University					
Vice President	Republic of China	Tang, Wen-Ji	Female	2011/05/02	0	0.00%	0	0.00%	0	0.00%	Department of International Trade, Fu Jen Catholic University					
Assistant Vice President	Republic of China	Chen, Chun-Chih	Male	2024/03/01	0	0.00%	0	0.00%	0	0.00%	Department of International Trade, Fu Jen Catholic University					
Senior Vice President	Republic of China	Lee, Mu-Xian	Male	2022/02/15	0	0.00%	0	0.00%	0	0.00%	Department of Law, Fu Jen Catholic University					
Vice President	Republic of China	Chen, Zhi-Shan	Male	2014/03/03	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Ming Chuan University					
Assistant Vice President	Republic of China	Huang, Miao-Yin	Female	2017/06/02	459	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	Department of Banking & Insurance, Feng Chia University					
Assistant Vice President	Republic of China	Yeh, Yu-Ching	Female	2023/03/14	0	0.00%	0	0.00%	0	0.00%	Department of Financial Engineering and Actuarial Mathematics, Soochow University					
Assistant Vice President	Republic of China	Wang, Hsiang	Male	2022/03/15	0	0.00%	0	0.00%	0	0.00%	Department of Finance, National Kaohsiung University of Applied Sciences					

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	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relation	
Assistant Vice President	Republic of China	Yeh, Ting-Sheng	Male	2022/03/01	0	0.00%	0	0.00%	0	0.00%	Department of Banking and Finance, Tamkang University					
Vice President	Republic of China	Lin, Jing-Wen	Male	2011/06/28	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Taipei College of Business					
Vice President	Republic of China	Zheng, Yu-Chang	Male	2003/06/23	10,000	0.00%	0	0.00%	0	0.00%	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%	0	0.00%	MBA, Central Missouri State University					
Senior Vice President	Republic of China	Pan, Hui-Mei	Female	1999/08/01	7,540	0.00%	0	0.00%	0	0.00%	MBA, University of South Carolina					
Senior Vice President	Republic of China	Chiu, Hsi-Chuan	Male	2023/11/27	0	0.00%	0	0.00%	0	0.00%	EMBA, College of Management, National Taiwan University					

### III. Remuneration paid to directors, supervisors, president, and vice presidents in the most recent year:

#### (I) Remuneration to Directors (including Independent Directors), Supervisors, President and Vice Presidents, and Names of Managers receiving Employee Remuneration

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

Title	Name	Director's remuneration								The sum of A, B, C, and D, and its percentage of net income after tax		Compensation as Company employee								The sum of A, B, C, D, E, F, and G, and its percentage of net income after tax		Remuneration from reinvestment businesses or parents other than subsidiaries
		Compensation (A)		Severance pay and pension (B)		Directors' remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc. (E)		Severance pay and pension (F)		Employee remuneration (G)						
		The Company	All companies included in	The Company	All companies included in	The Company	All companies included in	The Company	All companies included in			The Company	All companies included in	The Company	All companies included in	The Company		All companies included in the consolidated financial statements				
										Cash amount	Shares amount					Cash amount	Shares amount					
Chairman, Director	Yin Feng Enterprise Co., Ltd. Representative: Wang, Jiunn-Chih (Note 2), Fu, Chien-Yi (Note 3)	7,017	7,017	-	-	17,392	17,392	384	394	24,793 0.60%	24,803 0.60%	-	-	-	-	-	-	-	24,793 0.60%	24,803 0.60%	N/A	
Vice Chairman, Director	Yin Feng Enterprise Co., Ltd. Representative: Chang, Chih-Ming (Note 4 ), Lee, Wen-Chu (Note 5 )	1,688	1,688	18	18	14,371	14,371	150	170	16,227 0.39%	16,247 0.39%	16,411	16,450	108	108	556	-	556	-	33,302 0.81%	33,361 0.81%	N/A
Director	Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun,	-	-	-	-	11,605	11,605	140	295	11,745 0.28%	11,900 0.29%	-	-	-	-	-	-	-	11,745 0.28%	11,900 0.29%	N/A	
1. In addition to what was disclosed in the above table, during the most recent year, directors of the Company received remuneration for providing services (such as serving as non-employee consultants for the parent company/ any consolidated companies in the financial statements/ any invested enterprises, etc.): President Lee, Wen-Chu received compensation of NT\$38,871 while serving as a consultant for the subsidiary, CSC Futures.																						

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

Title		Name	Director's remuneration								The sum of A, B, C and D, and its percentage of net income after tax		Compensation as Company employee								The sum of A, B, C, D, E, F, and G, and its percentage of net income		Remuneration from reinvestment businesses or parents other than subsidiaries
			Compensation (A)		Severance pay and pension (B)		Directors' remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc. (E)		Severance pay and pension (F)		Employee remuneration (G)						
			The Company	All companies included in the	The Company	All companies included in the	The Company	All companies included in the	The Company	All companies included in the	The Company	All companies included in the	The Company	All companies included in the	The Company	All companies included in the	The Company	All companies included in the	The Company	All companies included in the			
Director	Director	Kwang Hsing Industrial Co., Ltd. Representative: Tseng, Chun-Hao(Note 6), Zhang,Yi-Ping(Note 7)	515	515	6	6	60,506	60,506	671	671	61,698 1.49%	61,698 1.49%	-	-	-	-	-	-	61,698 1.49%	61,698 1.49%	N/A		
	Director	Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching																					
	Director	Hung Lung Enterprise Co., Ltd. Representative: Tung, Chih-Hsiang(Note 8),Wang,Wan-Ling(Note 9)																					
	Director	Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi																					
	Director, Director, Chairman	Tai He Real Estate Management Co., Ltd. Representative: Hung, Tsung-Yen(Note 10),Li,Meng-Ching(Note 11)(Note 12),Chiang, Cheng-Chia(Note 13)(Note 14),Chou,Hsiu-Chen(Note 15)																					
Independent Director	Independent Director	Shea, Jia-Dong	1,800	1,800	-	-	34,815	34,815	660	695	37,275 0.90%	37,310 0.90%	-	-	-	-	-	-	37,275 0.90%	37,310 0.90%	N/A		
	Independent Director	Lee, Shen-Yi																					
	Independent Director	Lin, Tsalm-Hsiang																					
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 operation status and applicable laws and regulations to achieve sustainable management of the Company and balanced risk control.																							

Note 1: Remuneration paid to the driver was NT\$1,015,000  
 Note 2: Dismissed on 2023/4/1  
 Note 3: Took office on 2023/4/10  
 Note 4: Dismissed on 2023/3/29  
 Note 5: Took office on 2023/3/29  
 Note 6: Dismissed on 2023/2/10  
 Note 7: Took office on 2023/2/10  
 Note 8: Dismissed on 2023/7/7  
 Note 9: Took office on 2023/7/7  
 Note 10: Dismissed on 2023/2/1  
 Note 11: Took office on 2023/2/10  
 Note 12: Dismissed on 2023/7/7  
 Note 13: Took office on 2023/7/7  
 Note 14: Dismissed on 2023/11/23  
 Note 15: Took office on 2023/11/23

## 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 I	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)	-	-	-	-
NT\$ 10,000,000 (included) ~ NT\$ 15,000,000 (not included)	Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun Kwang Hsing Industrial Co., Ltd. Representative: Tseng, Chun-Hao, Zhang, Yi-Ping Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching Hung Lung Enterprise Co., Ltd. Representative: Tung, Chih-Hsiang, Wang, Wan-Ling Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi Tai He Real Estate Management Co., Ltd. Representative: Hung, Tsung-Yen, Li, Meng-Ching, Chiang, Cheng-Chia, Chou, Hsiu-Chen Shea, Jia-Dong, Lee, Shen-Yi, Lin, Tsang-Hsiang	Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun Kwang Hsing Industrial Co., Ltd. Representative: Tseng, Chun-Hao, Zhang, Yi-Ping Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching Hung Lung Enterprise Co., Ltd. Representative: Tung, Chih-Hsiang, Wang, Wan-Ling Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi Tai He Real Estate Management Co., Ltd. Representative: Hung, Tsung-Yen, Li, Meng-Ching, Chiang, Cheng-Chia, Chou, Hsiu-Chen Shea, Jia-Dong, Lee, Shen-Yi, Lin, Tsang-Hsiang	Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun Kwang Hsing Industrial Co., Ltd. Representative: Tseng, Chun-Hao, Zhang, Yi-Ping Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching Hung Lung Enterprise Co., Ltd. Representative: Tung, Chih-Hsiang, Wang, Wan-Ling Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi Tai He Real Estate Management Co., Ltd. Representative: Hung, Tsung-Yen, Li, Meng-Ching, Chiang, Cheng-Chia, Chou, Hsiu-Chen Shea, Jia-Dong, Lee, Shen-Yi, Lin, Tsang-Hsiang	Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun Kwang Hsing Industrial Co., Ltd. Representative: Tseng, Chun-Hao, Zhang, Yi-Ping Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching Hung Lung Enterprise Co., Ltd. Representative: Tung, Chih-Hsiang, Wang, Wan-Ling Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi Tai He Real Estate Management Co., Ltd. Representative: Hung, Tsung-Yen, Li, Meng-Ching, Chiang, Cheng-Chia, Chou, Hsiu-Chen Shea, Jia-Dong, Lee, Shen-Yi, Lin, Tsang-Hsiang
NT\$ 15,000,000 (included) ~ NT\$ 30,000,000 (not included)	Yin Feng Enterprise Co., Ltd. Representative: Wang, Jiunn-Chih, Fu, Chien-Yi Yin Feng Enterprise Co., Ltd. Representative: Chang, Chih-Ming, Lee, Wen-Chu	Yin Feng Enterprise Co., Ltd. Representative: Wang, Jiunn-Chih, Fu, Chien-Yi Yin Feng Enterprise Co., Ltd. Representative: Chang, Chih-Ming, Lee, Wen-Chu	Yin Feng Enterprise Co., Ltd. Representative: Wang, Jiunn-Chih, Fu, Chien-Yi	Yin Feng Enterprise Co., Ltd. Representative: Wang, Jiunn-Chih, Fu, Chien-Yi
NT\$ 30,000,000 (included) ~ NT\$ 50,000,000 (not included)	-	-	Yin Feng Enterprise Co., Ltd. Representative: Chang, Chih-Ming, Lee, Wen-Chu	Yin Feng Enterprise Co., Ltd. Representative: Chang, Chih-Ming, Lee, Wen-Chu
NT\$ 50,000,000 (included) ~ NT\$ 100,000,000 (not included)	-	-	-	-
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)		Severance pay and 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 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			
President	Lee, Wen-Chu	30,558	30,558	1,400 (Note 9)	1,400 (Note 9))	38,100	38,143	5,005	-	5,005	-	75,063 1.82%	75,106 1.82%	N/A
Executive Vice President	Chen, Ming-Shing (Note 2)													
Executive Vice President	Huang, Chi-Ming													
Executive Vice President	Fang, Chih-Hung (Note 3)													
Executive Vice President	Zhang, Pei-Wen (Note 4)													
Executive Vice President	Qiu, Jian-Hua (Note 5)													
Executive Vice President	Chou, Hsien-Yang													
Senior Executive Vice President	Yang, Jie-Bin													
Executive Vice President	Zhang, Jia-Wen (Note 6)													
Executive Vice President	Lai, Jun-Fu (Note 7)													
Executive Vice President	Lin, Yan-Fen													
Executive Vice President	Wang, Juan-Hui													
Executive Vice President	Hung, Shin-Ru (Note 8)													
Executive Vice President	Ma, Jia-Huan													

Note 1: Note 1: Remuneration paid to the driver was NT\$909,000

Note 2: Dismissed on 2023/10/2

Note 3: Dismissed on 2023/10/25

Note 4: Retired on 2023/6/1

Note 5: Retired on 2023/12/1

Note 6: Retired on 2023/9/1

Note 7: Retired on 2023/6/1

Note 8: Took office on 2023/3/1

Note 9: The amount of Severance pay and pension actually paid amounted to NT\$222,339 in 2023. The amount of pension contribution expensed during the year was NT\$1,177,200.

Note 10: Mr. Wang, Jiunn-Chih, the former CSO, resigned on April 1, 2023, and did not receive any remuneration during his tenure.

Note 11: Mr. Chang, Chih-Ming, the former Chief of Staff, resigned on March 1, 2023, and did not receive any remuneration during his tenure.

Remuneration bracket table

Range of remunerations to the President and Executive Vice Presidents	Name of President and Executive Vice Presidents	
	The Company	All companies included in the consolidated statements E
Below NT\$1,000,000	-	-
NT\$ 1,000,000 (included) ~ NT\$ 2,000,000 (not included)	Lai, Jun-Fu	Lai, Jun-Fu
NT\$ 2,000,000 (included) ~ NT\$ 3,500,000 (not included)	Chen, Ming-Shing; Zhang, Pei-Wen; Zhang, Jia-Wen; Hung, Shin-Ru	Chen, Ming-Shing; Zhang, Pei-Wen; Zhang, Jia-Wen; Hung, Shin-Ru
NT\$ 3,500,000 (included) ~ NT\$ 5,000,000 (not included)	Huang, Chi-Ming; Fang, Chih-Hung; Lin, Yan-Fen	Huang, Chi-Ming; Fang, Chih-Hung; Lin, Yan-Fen
NT\$ 5,000,000 (included) ~ NT\$ 10,000,000 (not included)	Qiu, Jian-Hua; Chou, Hsien-Yang; Yang, Jie-Bin; Wang, Juan-Hui	Qiu, Jian-Hua; Chou, Hsien-Yang; Yang, Jie-Bin; Wang, Juan-Hui
NT\$ 10,000,000 (included) ~ NT\$ 15,000,000 (not included)	Ma, Jia-Huan	Ma, Jia-Huan
NT\$ 15,000,000 (included) ~ NT\$ 30,000,000 (not included)	Lee, Wen-Chu	Lee, Wen-Chu
NT\$ 30,000,000 (included) ~ NT\$ 50,000,000 (not included)	-	-
NT\$ 50,000,000 (included) ~ NT\$ 100,000,000 (not included)	-	-
NT\$ 100,000,000 and above	-	-
Total	14	14

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

March 31, 2024

	Title	Name	Shares amount	Cash amount	Total	Total amount as a percentage of net income after tax (%)
Managers	President	Lee, Wen-Chu	0	73,967	73,967	1.79%
	Senior Executive Vice President	Yang, Jie-Bin				
	Executive Vice President	Huang, Chi-Ming, Wang, Ya-Fang, Wu, Yun-Wen, Chou, Hsien-Yang, Kuo, Nien-Ching, Chiu, Tsan-Hsi, Lin, Yan-Fen, Wang, Juan-Hui, Hung, Shin-Ru, Ma, Jia-Huan, Chen, Wei-Ting				
	Senior Vice President	Lin, Jing-Hua, Hsieh, Hsiu-Yin, Xie, Xiu-Ying, Xu, Tsui-Yun, Tseng, Mei-Ling, Chen, Pei-Qi, Zheng, Yu-Ling				
	Senior Vice President	Chang, Tun-Fu, Huang, Zhi-Hua, Pan, Hui-Mei				
	Senior Vice President	Huang, Sheng-Kai, Lin, Bo-Wei, Chang, Li-Fen, Liu, Shu-Ru, Xie, Hui-Ya, Kan, Kai-Chung, Ho, Yu-Wen, Chung, Chi-Yao, Chen, Yi-Ren, Zhang, Jing-Yao, Tu, Tsung-En, Chang, Yu-Ching, Ye, Yu-Zhen, Huang, Chi, Wang, Chin-Chieh, Jang, Chin-Rung, Huang, Yi-Lian, Wu, Qing-Yan, Cao, Hou-Sheng, Zhang, Xue-He, Liu, Pin-Chen, Ma, Shao-Hong, Liu, Hsiang-Li, Lee, Kuei-Jung, Zhu, De-Ren, Li, Mu-Xian, Chiu, Hsi-Chuan				
	Vice President / Assistant Vice President	Lai, Ai-Wen, Wu, Hong-Zhi, Zhang, Ren-Fang, Chang, Chun-Fu, Zhao, Zhi-Ming, Li, Xiang-Jun, Chung, Yi-Chien, Tien, Chih-Min, Huang, Shih-Chung, Peng, Gui-Cong, Kai, Shi-Hua, Yen, Chia-Yueh, Ku, Pei-Ching, Chen, Xuan-Zhi, Yang, Kun-Long, Yang, Yan-Qiu, Tsai, Hsin-Tai, Li, Chih-Chiang, Xu, Li-Fen, Cai, Qing-Fen, Chen, Mei-Ru, Wu, Chen-Yi, Lee, Shu-Yu, Tang, Wen-Ji, Chen, Zhi-Shan, Hai, Yan, Lin, Jing-Wen, Zheng, Yu-Chang, Deng, Xue-Ren				
	Assistant Vice President	Cheng, Ya-Yun, Jhu, Wei-Shuo, Wang, Hsin-Hui, Chou, Yun-An, Wu, Chi-Ying, Li, I-Chih, Lin, Chang-Tzu, Wu, Fen-Fang, Fang, Po-Hsiang, Yeh, Meng-Jung, Hong, Yan-Chang, Chen, Hui-Chen, Chen, Chun-Chih, Huang, Miao-Yin, Yeh, Yu-Ching, Wang, Hsiang, Yeh, Ting-Sheng				
	Senior Manager	Pan, Chi-Wen				

#### (IV) Analyze the total amounts of the remuneration paid by the Company to directors, the President and vice presidents accounted respectively for the following percentages of net income after tax. And describe remuneration policies for determining remuneration and its linkage to operating performance.

The total amounts of the remuneration paid by the Company to directors, the President and vice presidents in 2022 and 2023 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 2022 accounted for 6.32% of the annual net income after tax. The total amount of remuneration paid to the President and vice presidents in 2022 accounted for 14.44% 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 2023 accounted for 3.67% of the annual net income after tax. The total amount of remuneration paid to the President and vice presidents in 2023 accounted for 1.82% 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.
- (6) Linkage between ESG performance and the remuneration to senior managers: To carry out the Company's operational objectives and sustainable development goals, senior managers' performance indicators (Performance Management Indicator KPI Implementation Regulations) have been incorporated into the Company's sustainability initiatives. The weights of various sustainability performance indicators range from 7% to 27% (depending on the manager's position), including sustainable finance evaluation, corporate governance evaluation, GHG inventory, inclusive finance and responsible finance, ESG talent development, ESG investment portfolio, green bond underwriting positions, volunteer leave, and other performance indicators. Senior managers' ESG performance is closely related to their variable remunerations (year-end bonus, performance bonus, and employee salary) through the performance management system.

## IV. Corporate governance

### (I) Functionality of Board of Directors

#### 1. Functionality of Board of Directors

**A total of 10 meetings (A) were held in the last year (January 1, 2023 ~ March 31, 2024) and directors' attendance records are summarized below:**



Title	Name (Note 1)	Actual attendance (B)	Proxy attendance	Attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Tai He Construction Management Co., Ltd. Representative: Chou, Hsiu-Chen	3	0	100%	Newly elected Date of reappointment: 2023.11.23
Director	Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun	10	0	100%	Re-elected Date of election: 2022.6.27
Director	Yin Feng Enterprise Co., Ltd. Representative: Lee, Wen-Chu	8	0	100%	Newly elected Date of election: 2023.3.29
Director	Yin Feng Enterprise Co., Ltd. Representative: Fu, Chien-Yi	7	0	100%	Newly elected Date of reappointment: 2023.4.10
Director	Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi	0	10	0%	Re-elected Date of election: 2022.6.27
Director	Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching	10	0	100%	Re-elected Date of election: 2022.6.27
Director	Hung Lung Enterprise Co., Ltd. Representative: Chu, Shu-Er	0	0	100%	Newly elected Date of reappointment: 2024.3.18
Director	Kwang Hsing Industrial Co., Ltd. Representative: Zhang, Yi-Ping	8	1	89%	Newly elected Date of reappointment: 2023.2.10
Independent Director	Shea, Jia-Dong	10	0	100%	Re-elected Date of election: 2022.6.27
Independent Director	Lee, Shen-Yi	10	0	100%	Re-elected Date of election: 2022.6.27
Independent Director	Lin, Tsalm-Hsiang	10	0	100%	Re-elected Date of election: 2022.6.27

Title	Name (Note 1)	Actual attendance (B)	Proxy attendance	Attendance rate (%) (B/A) (Note 2)	Remarks
Former Director	Yin Feng Enterprise Co., Ltd. Representative: Wang, Jiunn-Chih	2	1	67%	Former Date of election: 2023.3.31
Former Director	Yin Feng Enterprise Co., Ltd. Representative: Chang, Chih-Ming	1	1	50%	Former Date of election: 2023.3.29
Former Director	Hung Lung Enterprise Co., Ltd. Representative: Wang, Wan-Ling	6	0	100%	Former Date of re- appointment: 2024.3.18
Former Director	Hung Lung Enterprise Co., Ltd. Representative: Tong, Chih-Hsiang	3	1	75%	Former Date of re- appointment: 2023.7.7
Former Director	Tai He Real Estate Management Co., Ltd. Representative: Chiang, Cheng-Chia	2	1	67%	Former Date of re- appointment: 2023.11.23
Former Director	Tai He Real Estate Management Co., Ltd. Representative: Li, Meng-Jing	3	0	100%	Former Date of re- appointment: 2023.7.7
Former Director	Tai He Real Estate Management Co., Ltd. Representative: Hung, Tsung-Yen	1	0	100%	Former Date of re- appointment: 2023.2.10
Former Director	Kwang Hsing Industrial Co., Ltd. Representative: Tseng, Chun-Hao	1	0	100%	Former Date of re- appointment: 2023.2.10

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

Note 2: (1) If any director or supervisor resigns before the last date of the year, the date of resignation shall be indicated in remark field. The actual present (in attendance) rate (%) is calculated based on the number of board meetings held and the number of meetings actually presented (attended) during active duty.  
(b) Where any election of directors or supervisors has been held before the end of the year, both new and former directors/supervisors shall be named. Each director/supervisor shall be indicated as former, newly elected or re-elected in the remarks column, with the date of election thereof specified. The actual attendance (presence) rate (%) is calculated based on the number of Board of Directors meetings during the term of office and the actual attendance (presence).

#### Other relevant information:

- I. 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:
  - (I) 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.
  - (II) 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.
- II. 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.
  - (I) The 4th meeting of the 12th Board of Directors on January 12, 2023
    1. Proposal: In response to the addition of a Digital Business Division to the Brokerage Department, the Company planned to lease premises from "Fu Tai Construction Corporation" for office use.

Recusal reason: Vice Chairman Chang Chi-Ming was the Chairman of Fu Tai Construction Corporation; In addition, corporate directors Yin Feng Enterprise Co., Ltd., Hung Lung Enterprise Co., Ltd., and Tai He Real Estate Management Co., Ltd. were stakeholders to Fu Tai Construction Corporation. Therefore, their representatives, Chairman Wang, Jiunn-Chih, Chairman Chang, Chih-Ming, director Liu, Ching-Tsun, director Tong, Chih-Hsiang, director Kuo, Yuh-Chyi (entrusted Vice Chairman Chang, Chih-Ming in proxy), director Tsai, I-Ching, and director Hung, Tsung-Yen had to recuse themselves as stakeholders.

Voting results: This proposal (the chairman, Chairman Wang, Jiunn-Chih, recused himself, and independent director Shea, Jia-Dong acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

2. Proposal: Appointment and attendance fee recommendations of the members of the first-term Sustainable Development Committee of the Company.

Recusal reason: Chairman Wang, Jiunn-Chih, independent director Shea, Jia-Dong, and independent director Lin, Tsalm-Hsiang recused themselves due to being stakeholders in this proposal.

Voting results: This proposal (the chairman, 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 chairman with the directors present.

3. Proposal: In response to business needs, it is proposed to reassign the list of supervisors for the Company's invested enterprises.

Recusal reason: Chairman Wang, Jiunn-Chih was the representative of corporate director Capital Securities Corp. of CSC Venture Capital Corporation; Vice Chairman Chang, Chih-Ming was the representative of corporate director Capital Securities Corp. of CSC Capital Management Co., Ltd. and the representative of corporate director CSC Capital Management Co., Ltd. of CSC Private Equity Fund I Co.; Therefore, they recused themselves due to being stakeholders in this proposal.

Voting results: The case was circumvented by the chairman (Chairman Wang, Jiunn-Chih recused himself and director Liu, Ching-Tsun chaired on his behalf) The remaining directors were consulted and passed without objection.

(II) The 5th meeting of the 12th Board of Directors on March 13, 2023

1. Proposal: 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.

Recusal reason: Chairman Wang, Jiunn-Chih was the representative of Capital Securities Corporation, a corporate director of CSC International Holdings Ltd., and recused himself from this proposal due to status as a stakeholder.

Voting results: This proposal (the chairman, Chairman Wang, Jiunn-Chih, recused himself, and independent director Lee, Shen-Yi acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

2. Proposal: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC Securities (HK) Ltd., for it to apply the renewal and expansion of the credit facility from Taishin Bank Hong Kong Branch.

Recusal reason: Chairman Wang, Jiunn-Chih was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and recused in this proposal due to status as a stakeholder.

Voting results: This proposal (the chairman, Chairman Wang, Jiunn-Chih, recused himself, and independent director Lee, Shen-Yi acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

3. Proposal: 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.

Recusal reason: 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 recused in this proposal due to status as a stakeholder.

Voting results: This proposal (the chairman, Chairman Wang, Jiunn-Chih, recused himself, and independent director Lee, Shen-Yi acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

(III) The 6th meeting of the 12th Board of Directors on May 12, 2023

1. Proposal: To meet the business expansion and manpower needs of the Proprietary Trading Department, the Company planned to lease premises from "Chuan Yi Construction Co., Ltd." for office use.

Recusal reason: Corporate directors Yin Feng Enterprise Co., Ltd., Hung Lung Enterprise Co., Ltd., and Tai He Real Estate Management Co., Ltd. were stakeholders to Chuan Yi Construction Co., Ltd. Therefore, their representatives, Chairman and acting President Lee, Wen-Chu, director Liu, Ching-Tsun, director Fu, Chien-Yi, director Tong, Chih-Hsiang (entrusted director Fu, Chien-Yi in proxy), director Kuo, Yuh-Chyi (entrusted director Liu, Ching-Tsun in proxy), director Tsai, I-Ching, and director Li, Meng-Jing had to recuse themselves as stakeholders.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and independent director Shea, Jia-Dong acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

2. Proposal: 2022 directors' remuneration distribution.

Recusal reason: All of the directors and independent directors were stakeholders in this proposal. The three independent directors all recused when reviewing the remuneration for independent directors; all directors other than the three independent directors recused when reviewing remuneration for directors; and did not participate in discussion and votes.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and independent director Lee, Shen-Yi acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

3. Proposal: Distribution of the remuneration for employees (in cash) in 2022.

Recusal reason: Acting Chairman and President Lee, Wen-Chu recused himself from this proposal due to status as a stakeholder.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and independent director Lee, Shen-Yi acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

4. Proposal: Make up the appointment for the Company's first Sustainable Development Committee members.

Recusal reason: Acting Chairman and President Lee, Wen-Chu recused himself from this proposal due to status as a stakeholder.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and independent director Shea, Jia-Dong acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

5. Proposal: In response to business needs, it is proposed to reassign the list of directors for the Company's invested enterprises.

Recusal reason: Acting Chairman and President Lee, Wen-Chu recused himself from this proposal due to status as a stakeholder.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and director Liu, Ching-Tsun acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

6. Proposal: Lifting of non-compete restrictions on directors.

Recusal reason: Acting Chairman and President Lee, Wen-Chu recused himself from this proposal due to status as a stakeholder.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and director Liu, Ching-Tsun acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

(IV) The 7th meeting of the 12th Board of Directors on July 27, 2023

1. Proposal: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC Securities (HK) Ltd., for it to apply the renewal and expansion of the credit facility from TaipeiFubon Bank Hong Kong Branch.

Recusal reason: Acting Chairman and President Lee, Wen-Chu was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and recused in this proposal due to status as a stakeholder.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and director Liu, Ching-Tsun acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

2. Proposal: Capital International Technology Corp. (hereinafter referred to as "Capital International Technology"), a reinvestment of the Company's subsidiary, Capital Futures Corp. (hereinafter referred to as "Capital Futures"), planned to increase its investment in Capital True Partner Technology Co., Ltd. (hereinafter referred to as "Capital True Partner") for 49% of its shareholdings.

Recusal reason: Acting Chairman and President Lee, Wen-Chu and director Liu, Ching-Tsun were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and recused themselves from this proposal due to status as stakeholders.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and independent director Lin, Tsalm-Hsiang acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

(V) The 8th meeting of the 12th Board of Directors on August 25, 2023

1. Proposal: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC Securities (HK) Ltd., for it to apply the renewal and expansion of the credit facility from Far Eastern International Bank Hong Kong Branch.

Recusal reason: Acting Chairman and President Lee, Wen-Chu was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and recused in this proposal due to status as a stakeholder.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and director Liu, Ching-Tsun acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

(VI) The 9th meeting of the 12th Board of Directors on November 10, 2023

1. Proposal: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC Securities (HK) Ltd., for it to apply the renewal and expansion of the credit facility from Taishin International Bank Hong Kong Branch.

Recusal reason: Acting Chairman and President Lee, Wen-Chu was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and recused in this proposal due to status as a stakeholder.

Voting results: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and director Liu, Ching-Tsun acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.

(VII) The 10th meeting of the 12th Board of Directors on January 22, 2024

1. Proposal: The salary adjustment for the Chairman.

Recusal reason: Chairman Chou, Hsiu-Chen recused herself from this proposal due to the status as a stakeholder.

Voting results: This proposal (Chairman Chou, Hsiu-Chen recused herself, and independent director Lee, Shen-Yi acted on her behalf) was adopted without any objection upon consultation by the chairman with the directors present.

2. Proposal: Promotion of the President of CSC Venture Capital Corp.

Recusal reason: Director and President Lee, Wen-Chu was the representative of corporate director, Capital Securities Corp., of CSC Venture Capital Corp. and recused himself from this proposal due to the status as a stakeholder.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

3. Proposal: Promotion of President of CSC Capital Management Co. Ltd.

Recusal reason: Director and President Lee, Wen-Chu was the representative of corporate director, Capital Securities Corp., of CSC Capital Management Co., Ltd. and recused himself from this proposal due to the status as a stakeholder.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

4. Proposal: Appointment of the President of CSC Private Equity Fund I Co.

Recusal reason: Director and President Lee, Wen-Chu was the representative of corporate director, CSC Capital Management Co., of CSC Private Equity Fund I Co. and recused himself from this proposal due to the status as a stakeholder.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

5. Proposal: The suggestion of using a base of two months' salary for the year-end bonus for 2023.

Recusal reason: Director and President Lee, Wen-Chu recused himself from this proposal due to status as a stakeholder.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

6. Proposal: The distribution of year-end bonuses to officers at the level of manager or higher in 2023.

Recusal reason: Director and President Lee, Wen-Chu recused himself from this proposal due to status as a stakeholder.



Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

7. Proposal: The re-appointment of directors, supervisors, and Presidents for the reinvestment enterprises, "Capital International Technology Corp." and "Capital True Partner Technology Co., Ltd." of the Company's reinvestment enterprise, "Capital Futures Corp."

Recusal reason: Director and President Lee, Wen-Chu and director Liu, Ching-Tsun were the representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and recused themselves from this proposal due to status as stakeholders.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

8. Proposal: In response to business needs, it is proposed to reassign and appoint directors and the President for the Company's invested enterprises, "CSC Venture Capital Corp.", "CSC Capital Management Co.", and "CSC Private Equity Fund I Co."

Recusal reason: Chairman Chou, Hsiu-Chen, and Director and President Lee, Wen-Chu recused themselves from this proposal due to status as stakeholders.

Voting results: The case was circumvented by the chairman (Chairman Chou, Hsiu-Chen recused himself and director Liu, Ching-Tsun chaired on his behalf) The remaining directors were consulted and passed without objection.

9. Proposal: In response to business needs, it is proposed to reassign directors for the Company's invested enterprises, "CSC Futures (HK) Ltd." and "TIS Securities (HK) Ltd."

Recusal reason: Director and President Lee, Wen-Chu recused himself from this proposal due to status as a stakeholder.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

(VIII) The 11th meeting of the 12th Board of Directors on March 13, 2024

1. Proposal: Suggestions of the attendance fee for the Company's Audit Committee members - Independent Directors.

Recusal reason: Independent director Shea, Jia-Dong, and independent director Lin, Tsalm-Hsiang recused themselves from this proposal due to their status as stakeholders.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

2. Proposal: 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.

Recusal reason: Director and President Lee, Wen-Chu was the representative of Capital Securities Corporation, a corporate director of CSC International Holdings Ltd., and recused himself from this proposal due to status as a stakeholder.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

3. Proposal: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC Securities (HK) Ltd., for it to apply the renewal and expansion of the credit facility from Cathay United Bank Hong Kong Branch.

Recusal reason: Director and President Lee, Wen-Chu was the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and recused from this proposal due to status as a stakeholder.



Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

4. Proposal: In response to business needs, it is proposed to reassign directors and supervisor for "CSC Private Equity Fund I Co.", a reinvested enterprise of the Company's invested enterprise, "CSC Capital Management Co."

Recusal reason: Chairman Chou, Hsiu-Chen recused herself from this proposal due to the status as a stakeholder.

Voting results: The case was circumvented by the chairman (Chairman Chou, Hsiu-Chen recused himself and director Liu, Ching-Tsun chaired on his behalf) The remaining directors were consulted and passed without objection.

5. Proposal: To meet business needs, it is proposed to nominate the list of directors for the tenth-term Board of Directors election for our invested enterprise, "Capital Futures Corp."

Recusal reason: Director and President Lee, Wen-Chu, and director Liu, Ching-Tsun recused themselves from this proposal due to status as stakeholders.

Voting results: This proposal was adopted without objection upon consultation by the chairman with the remaining directors present.

- III. 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 table "2. Implementation of the Board of Director's Appraisal."

- IV. 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.

- (I) 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, Audit Committee, and Sustainable Development 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 Board of Directors to fully perform its professional and independent functions.
- (II) 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.
- (III) The Company commissioned the Taipei Financial Research and Development Foundation to conduct a performance evaluation on the Board of Directors in 2023. The Foundation and its evaluators have no business dealings with the Company, demonstrating their independence. Further details are as follows:  
Evaluation period: January 1, 2022 to November 30, 2023  
Evaluators:  
  - (1) Evaluation Committee Members: Chang, Hsiu-Lian (Deputy Director of the Evaluation Committee) and Lai, Ching-Chi (Deputy Director of the Evaluation Committee and Executive Secretary)
  - (2) Task force: Mei, Guo-Chung (Deputy Executive Secretary of the Evaluation Committee) and Cheng, Yu-Chung (Secretary of the Evaluation Committee)

Evaluation content and items: Evaluate the organizations' development from seven major aspects, including safeguarding shareholder rights, strengthening the structure and operation of the Board of Directors, participation in company operations, enhancing the quality of board decision-making, improving information transparency, internal controls, and promoting sustainable development. Additionally, appropriately incorporate other supplementary evaluation items to examine the operation of the Board of Directors and functional committees of the Company.

Evaluation method: Taipei Financial Research and Development Foundation evaluated through paper-based self-assessment questionnaires and reviews of the Company's board meeting minutes, current internal policies, other supporting documents, and public information. On December 1, 2023, two evaluation committee members and two task force members were assigned to conduct interviews. They interviewed the Chairman, President, convenors of the Board of Directors and functional committees, Chief Corporate Governance officer, and CFO of the Company. The Foundation submitted the evaluation report on December 12, 2023, and reported the evaluation results in the 10th meeting of the 12th Board of Directors on January 22, 2024.

## 2. Implementation of the Board of Directors Appraisal

The performance evaluation results of the Board of Directors and functional committees for the year 2023 were reported in the 11th meeting of the 12th Board of Directors on March 13, 2024.

Evaluation cycle (Note 1)	Once per year		
Evaluation period (Note 2)	Performance assessment between January 1, 2023 to December 31, 2023		
Evaluation scope (Note 3)	Board of Directors, board members, and functional committees (Audit Committee, Remuneration Committee, Risk Management Committee, and Sustainable Development Committee)		
Evaluation method (Note 4)	Internal self assessment in the Board of Directors, self-assessment by director, and internal self assessment in the functional committees		
Evaluation content (Note 5) and results	I.	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 4.96 points (highest 5 points); the overall assessment result is positive.	
		The summary of the average scores and supplementary descriptions for each aspect, and the comprehensive comment are as follows:	

Evaluation aspect	Evaluation criteria	Average scores
I. Participation in the operation of the company;	Total 4 items	4.92
II. Awareness of the duties of the Audit Committee;	Total 5 items	5.00
III. Improvement of quality of decisions made by the Audit Committee;	Total 7 items	5.00
IV. Makeup of the Audit Committee and election of its members;	Total 3 items	5.00
V. Internal control	Total 3 items	5.00
Subtotal	Total 22 items	4.98
Recommendations and comprehensive comments: The Audit Committee has performed quite well in fulfilling its functions.		

- IV. 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 3 members). The overall average score is 5.00 points (highest 5 points); the overall assessment result is positive.

The summary of the average scores and supplementary descriptions for each aspect, and the comprehensive comment are as follows:

Evaluation aspect	Evaluation criteria	Average scores
I. Participation in the operation of the company;	Total 4 items	5.00
II. Awareness of the duties of the Remuneration Committee;	Total 4 items	5.00
III. Improvement of quality of decisions made by the Remuneration Committee;	Total 7 items	5.00
IV. Makeup of the Remuneration Committee and election of its members;	Total 3 items	5.00
Subtotal	Total 18 items	5.00
Recommendations and comprehensive comments: N/A		

- V. The measurements of the Risk Management Committee performance assessment include the following four major aspects for total 18 items; the self assessment is conducted by all members (total 3 members). The overall average score is 5.00 points (highest 5 points); the overall assessment result is positive.

The summary of the average scores and supplementary descriptions for each aspect, and the comprehensive comment are as follows:

Evaluation aspect	Evaluation criteria	Average scores
I. Participation in the operation of the company;	Total 4 items	5.00
II. Awareness of the duties of the Risk Management Committee	Total 4 items	5.00
III. Improvement of quality of decisions made by the Risk Management Committee	Total 7 items	5.00
IV. Makeup of the Risk Management Committee and election of its members	Total 3 items	5.00
Subtotal	Total 18 items	5.00
Recommendations and comprehensive comments: N/A		

- VI. The measurements of the Sustainable Development Committee performance assessment include the following four major aspects for total 18 items; the self assessment is conducted by all members (total 3 members). The overall average score is 5.00 points (highest 5 points); the overall assessment result is positive.

The summary of the average scores and supplementary descriptions for each aspect, and the comprehensive comment are as follows:

Evaluation aspect	Evaluation criteria	Average scores
I. Participation in the operation of the company;	Total 4 items	5.00
II. Awareness of the duties of the Sustainable Development Committee	Total 4 items	5.00
III. Improvement of quality of decisions made by the Sustainable Development Committee	Total 7 items	5.00
IV. Makeup of the Sustainable Development Committee and election of its members	Total 3 items	5.00
Subtotal	Total 18 items	5.00
Recommendations and comprehensive comments: N/A		

Remarks: The evaluation grades and corresponding numerical scores for each aspect are as follows:  
"1: Extremely poor; 2: Poor; 3: Fair; 4: Good; 5: Excellent".

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

Note 2: Fill in the evaluation period covered by the Board appraisal, e.g. evaluate the performance of the Board of Directors from January 1, 2023 to December 31, 2023.

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.

## (II) Functionality of the Audit Committee

1. The Audit Committee of the Company consists of all three independent director. 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. The Audit Committee held 7 meetings during the most recent year (January 1, 2023, to March 31, 2024) (A). The attendance of independent directors is as follows:

Title	Name	Actual attendance (B)	Proxy attendance	Attendance rate (%) (B/A) (Note 1 and Note 2)	Remarks
Independent Director	Shea, Jia-Dong	7	0	100%	Re-elected Date of election: 2022.6.27
Independent Director	Lee, Shen-Yi	6	1	86%	Re-elected Date of election: 2022.6.27
Independent Director	Lin, Tsalm-Hsiang	7	0	100%	Newly elected Date of election: 2022.6.27

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. The 3rd meeting of the 3rd Audit Committee on January 5, 2023

- (1) Proposal: 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: Ratification approved.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously and ratification was granted by directors presented in the 4th meeting of the 12th Board of Directors on January 12, 2023, upon consultation by the chairman.

- (2) Proposal: The Company's Brokerage Department planned to establish a Digital Business Division. To meet the business expansion and manpower needs, the Company planned to lease premises from "Fu Tai Construction Corporation" for office use.

Resolution of the Audit Committee: The proposal was revised and approved after deliberation.

The Company's handling of the Audit Committee's opinion:

This proposal was approved unanimously by the directors presented upon consultation by the chairman (Chairman Wang, Jiunn-Chih, recused himself, and independent director Shea, Jia-Dong acted on his behalf) in the 4th meeting of the 12th Board of Directors on January 12, 2023.

- (3) Proposal: It was proposed to continue appointing KPMG Taiwan CPA Wu, Cheng-Yen and appoint CPA Chen, Yi-Jen to replace CPA Chung, Tan-Tan to handle the audit and attestation of the 2023 financial statements.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by all directors presented in the 4th meeting of the 12th Board of Directors on January 12, 2023, upon consultation by the chairman.

2. The 4th meeting of the 3rd Audit Committee on March 10, 2023

- (1) Proposal: 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: Ratification approved.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously and ratification was granted by directors presented in the 5th meeting of the 12th Board of Directors on March 13, 2023, upon consultation by the chairman, upon consultation by the chairman.

- (2) Proposal: The "Statement on the Internal Control System" of the Company for 2022.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 5th meeting of the 12th Board of Directors on March 13, 2023, upon consultation by the chairman.

- (3) Proposal: 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.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 5th meeting of the 12th Board of Directors on March 13, 2023, upon consultation by the chairman.

- (4) Proposal: The 2022 parent-only and consolidated financial reports.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 5th meeting of the 12th Board of Directors on March 13, 2023, upon consultation by the chairman.

- (5) Proposal: Recommendations for distribution of the profits in 2022.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 5th meeting of the 12th Board of Directors on March 13, 2023, upon consultation by the chairman.

- (6) Proposal: The 2022 Business Report of the Company.

Resolution of the Audit Committee: The proposal was revised and approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 5th meeting of the 12th Board of Directors on March 13, 2023, upon consultation by the chairman.

3. The 5th meeting of the 3rd Audit Committee on May 11, 2023

- (1) Proposal: 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: Ratification approved.



The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously and ratification was granted by directors presented in the 6th meeting of the 12th Board of Directors on May 12, 2023, upon consultation by the chairman.

- (2) Proposal: Report on the 2022 compliance risk assessment.

Resolution of the Audit Committee: The proposal was revised and approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously by directors presented in the 6th meeting of the 12th Board of Directors on May 12, 2023, upon consultation by the chairman.

- (3) Proposal: The Company's overall risk evaluation report on anti-money laundering and counter terrorism financing for the year of 2022.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously by directors presented in the 6th meeting of the 12th Board of Directors on May 12, 2023, upon consultation by the chairman.

- (4) Proposal: Parent-company-only financial reports for Q1, 2023.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously and ratification was granted by directors presented in the 6th meeting of the 12th Board of Directors on May 12, 2023, upon consultation by the chairman.

- (5) Proposal: To meet the business expansion and manpower needs of the Proprietary Trading Department, the Company planned to lease premises from "Chuan Yi Construction Co., Ltd." for office use.

Resolution of the Audit Committee: The proposal was revised and approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
This proposal was approved unanimously by the directors presented upon consultation by the chairman (Acting Chairman and President Lee, Wen-Chu, recused himself, and independent director Shea, Jia-Dong acted on his behalf) in the 6th meeting of the 12th Board of Directors on May 12, 2023.

#### 4. The 6th meeting of the 3rd Audit Committee on August 24, 2023

- (1) Proposal: 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: Ratification approved.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously and ratification was granted in the 8th meeting of the 12th Board of Directors on August 25, 2023.

- (2) Proposal: Parent-company-only and consolidated financial reports for Q2, 2023.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously by directors presented in the 8th meeting of the 12th Board of Directors on August 25, 2023, upon consultation by the chairman.

#### 5. The 7th meeting of the 3rd Audit Committee on November 9, 2023

- (1) Proposal: 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.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously and ratification was granted by directors presented in the 9th meeting of the 12th Board of Directors on November 10, 2023, upon consultation by the chairman.

- (2) Proposal: Proposal to formulating 2024 internal audit plan.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously by directors presented in the 9th meeting of the 12th Board of Directors on November 10, 2023, upon consultation by the chairman.

- (3) Proposal: Parent-company-only financial reports for Q3, 2023.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously by directors presented in the 9th meeting of the 12th Board of Directors on November 10, 2023, upon consultation by the chairman.

- (4) Proposal: Pre-approve KPMG Taiwan and its affiliated entities to provide non-assurance services.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously by directors presented in the 9th meeting of the 12th Board of Directors on November 10, 2023, upon consultation by the chairman.

6. The 8th meeting of the 3rd Audit Committee on January 15, 2024

- (1) Proposal: 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: Ratification approved.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously and ratification was granted by directors presented in the 10th meeting of the 12th Board of Directors on January 22, 2024, upon consultation by the chairman.

- (2) Proposal: It was proposed to continue appointing KPMG Taiwan CPA Wu, Cheng-Yen and CPA Chen, Yi-Jen as the attestation CPAs for year 2024.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously by directors presented in the 9th meeting of the 10th Board of Directors on January 22, 2024, upon consultation by the chairman.

7. The 9th meeting of the 3rd Audit Committee on March 13, 2024

- (1) Proposal: 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: Ratification approved.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously and ratification was granted by directors presented in the 11th meeting of the 12th Board of Directors on March 13, 2024, upon consultation by the chairman.

- (2) Proposal: The "Statement on the Internal Control System" of the Company for 2023.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:  
The proposal was approved unanimously by directors presented in the 9th meeting of the 11th Board of Directors on March 13, 2024, upon consultation by the chairman.

- (3) Proposal: The Company's 2023 "Statement of Internal Control System for Anti-money laundering and Counter Terrorism Financing".

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 9th meeting of the 11th Board of Directors on March 13, 2024, upon consultation by the chairman.

- (4) Proposal: The 2023 parent-only and consolidated financial reports.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 9th meeting of the 11th Board of Directors on March 13, 2024, upon consultation by the chairman.

- (5) Proposal: Recommendations for distribution of the profits in 2023.

Resolution of the Audit Committee: Approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 9th meeting of the 11th Board of Directors on March 13, 2024, upon consultation by the chairman.

- (6) Proposal: The 2023 Business Report of the Company.

Resolution of the Audit Committee: The proposal was revised and approved after deliberation.

The Company's handling of the Audit Committee's opinion:

The proposal was approved unanimously by directors presented in the 9th meeting of the 11th Board of Directors on March 13, 2024, upon consultation by the chairman.

- (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.

- II. 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, 2023 to March 31, 2024, there wasn't any proposal involving the interest of any independent director.

- III. 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's Chief Internal Auditor would attend the Audit Committee meetings to explain to the independent directors the revision made to the internal control system and the effectiveness of the internal control system.
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 to inquire.

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

Assessment criteria	Compliance (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Y e s	N o	Summary description	
I. 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?	V		The Company has established "Corporate Governance Principles" and disclosed them on the corporate website, intranet, and Market Observation Post System.	N/A
II. Shareholding structure and shareholder's equity	V		(I) 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
(II) 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?	V		(II) 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.9-15, and the shareholders whose shareholding ratios are in the top 10 are disclosed on p.101.	N/A
(III) Does your company have a firewall mechanism in	V		(III) Risk control measures and firewalls have been established and implemented to regulate transactions	N/A

Assessment criteria	Compliance (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Y e s	N o	Summary description	
<p>place to control the risks between the company and its affiliates?</p> <p>(IV) Does your company have internal regulations to prohibit insiders of the company from using undisclosed information in the market to trade securities?</p>	V		<p>between the Company and affiliated enterprises. The Company follows the authority's rules with regards to other matters concerned.</p> <p>(IV) 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.</p>	N/A
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors establish the diversity policy, concrete management targets, and implement such?</p>	V		<p>(I) 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. Detailed information about the Board Members and the diversity status are disclosed on p.7-8 and p.16-18.</p>	N/A
<p>(II) 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?</p>	V		<p>(II) The Company currently has Remuneration Committee, Audit Committee, Risk Management Committee, Sustainable Development Committee, Integrity Management Committee, and Human Resource Review Committee.</p>	N/A
<p>(III) 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?</p>	V		<p>(III) 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 2023 performance assessment for the Board of Directors and functional committees have been reported to the 11th meeting of the Board of Directors of 12th Term on March 13, 2024. 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. The Company commissioned the Taipei Financial Research and Development Foundation to conduct an external performance evaluation of the Board of Directors in 2023. Please refer to p.xx of this annual report.</p>	N/A



Assessment criteria	Compliance (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Y e s	N o	Summary description	
(IV) Does your company assess the independence of the CPAs on a regular basis?	V		(IV) 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 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 periodically (at least once per year) and by referencing the Audit Quality Indicators (AQIs). After evaluations by the Audit Committee on January 15, 2024, and the Board of Directors on January 22, 2024, CPAs Wu, Chen-Yen and Chen, Yi-Jen 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.39.	N/A
IV. 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)?	V		At the 18th meeting of the 10th Board of Directors held on May 13, 2019, it was resolved to establish a Chief Corporate Governance Officer and a Sustainable Development Department under the Planning Department. A Sustainable Development Division 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 sustainable development reports. The purposes are to promote corporate governance, enhance the functions of the Board of Directors and build a culture of corporate governance. Effective from June 10, 2022, Senior Vice President Xie, Xiu-Ying of the Planning Office served concurrently as the Chief Corporate Governance Officer. According to Article 24 of the "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers", she completed 15 hours of continuing education in the year 2023. For detailed information on her continuing education, please refer to the Company's website.	N/A
V. 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?	V		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. The Company periodically (at least once a year) reports the stakeholder communication status to the Board of Directors. The stakeholder communication status for the year 2023 was reported at the board meeting on January 22, 2024.	N/A
VI. Does your company engage any professional registrar to deal with matters related to the shareholders' meeting?	V		Capital Securities Corporation is an integrated securities service provider, and has a Registrar Agency Department to handle shareholder meeting affairs.	N/A

Assessment criteria	Compliance (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Y e s	N o	Summary description	
VII. Disclosure of information				
(I) Does your company have a website to disclose the financial and corporate governance information of the company?	V		(I) Financial, business and corporate governance information has been disclosed on the Company's website and is updated regularly to keep investors informed.	N/A
(II) 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)?	V		(II) 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
(III) 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?		V	(III) 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
VIII. 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)?	V		(I) 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. (II) 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. (III) 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. (IV) Supplier relationship: The Company has required its suppliers to meet the requirements of sustainable development 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 sustainable development policy that has significant environmental and social impact, the Company may terminate or cancel the contractual terms at any time, and the	N/A



Assessment criteria	Compliance (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Y e s	N o	Summary description	
			<p>supplier may not claim any compensation from the Company.</p> <p>(V) Continuing education of directors: Detailed information regarding continuing education of the directors of the Company is disclosed on p. 60.</p> <p>(VI) 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>(VII) 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>(VIII) 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. 59.</p>	
<p>IX. 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 2023, 1,706 TWSE/TPEx-listed companies participated in corporate governance evaluation. According to the result of evaluation, the Company was ranked in the top 21%~35% 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 promoting sustainable development. 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.

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

##### 1. Information of Remuneration Committee members

December 31, 2023

Identity (Note 1)	Criteria Name	Professional qualifications and experience (Note 2)	Independence (Note 3)	Number of positions as Remuneration Committee member in other public companies
Convener Independent Director	Lee, Shen-Yi	Please refer to p.8 "(I) Information of Directors (1)" for the professional qualifications major experience.	All members of the Remuneration Committee maintain their	2
Independent Director	Lin, Tsalm-Hsiang	Please refer to p.8 "(I) Information of Directors (1)" for the professional qualifications major experience.	independence within the extent of performing duties, and they have no direct or indirect interest in the Company. Each member complies to independence requirement set forth 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."	1
Other	Yen, Chien-San	1. Holder of qualification as Certified Public Accountant 2. Major experience (1) Chief of Section, Central Bank (2) Specialist, The Bankers Association of Taipei and Joint Credit Information Center (3) Senior Vice President, Finance Department, Hongtai Securities Co., Ltd. (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 of Information on Directors on p.xx 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

- I. The Remuneration Committee of the Company is composed of three members.
- II. Term of office: from June 27, 2022 to June 26, 2025. The 5th Remuneration Committee held 7 meetings (A) in the last year (2023); 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	7	0	100%	
Committee member	Lin, Tsalm-Hsiang	7	0	100%	
Committee member	Yen, Chien-San	7	0	100%	

Other relevant information:

- (1) If the Board of Directors does not adopt or revise the suggestions of the Remuneration Committee, the decision must indicate the date of Board of Directors meeting, term, contents of the proposal, Board of Directors resolution and how we handle the Committee's opinions: 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.

III. 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.

**(V) Promotion of sustainable development:**

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

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company established a governance structure and an exclusively (or concurrently) dedicated unit to promote sustainable development and the senior management is authorized by the Board of Directors for handling? How is the status of Board of Directors' oversight?	V		<ol style="list-style-type: none"> <li>At the Board of Directors' meeting held on January 21, 2021, it was resolved to establish an ESG Committee, which was be responsible for the implementation and supervision of ESG. To emphasize prudence and importance on sustainability issues, the Company amended its organizational charter and structure on November 10, 2022, renaming the ESG Committee as the "Sustainability Development Committee" and elevating its organizational level to report directly to the Board of Directors, so as to enhance management oversight and supervise the development of ESG-related matters within the Company. The Sustainable Development Committee reports to the Board of Directors quarterly. In 2023, the Board of Directors listened to reports from the Sustainability Development Committee on the Company's sustainability efforts and achievements for 4 times.</li> <li>Members of the Sustainable Development Committee shall be appointed by the resolution of the Board and the Committee shall consist of no fewer than three members, with a majority being independent directors. It is responsible for facilitating sustainable development and overseeing the implementation of the Company's environmental, social, and corporate governance-related policies or management guidelines, e.g. integrating the value of corporate sustainable development into the Company's business strategy and reviewing and evaluating the implementation of sustainability-related matters to ensure their effectiveness, etc.</li> <li>The Sustainable Development Committee reports to the Board of Directors quarterly on the implementation results and future work plan of sustainable development. It held 4 meetings in 2023. The agenda included annual sustainable development promotion plans, quarterly implementation results, GHG inventories and validations, approval of sustainability reports, and TCFD climate risk-related financial disclosure reports, etc.</li> <li>Under the Sustainable Development Committee, there is a Sustainable Operation Office led by the President. The Sustainable Operation Office comprises six taskforce teams, namely Corporate Governance, Sustainable Finance, Human Rights Protection, Environmental Sustainability, Climate Change, and Social Welfare. Each taskforce team is headed by department managers who coordinate the tasks of their respective groups.</li> <li>The Sustainable Operation Office holds meetings regularly to track the performance of each workforce teams so as to implement the sustainability in the Company.</li> </ol>	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		<ol style="list-style-type: none"> <li>The risk assessment scope is primarily focused on the Company, covering the period from January 2023 to December 2023. The Company, bases on significant ESG issues in the sustainability report and takes into account the domestic and international sustainability trends as well as external expert opinions to assess the material ESG issues. Subsequently, relevant risk policies and action plans are formulated through discussions among the various taskforce teams within the Sustainable Operation Office.</li> </ol>	N/A

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>2. Environmental issues mainly cover physical risks and transition risks, including operational disruptions and asset damage caused by natural disasters due to climate change; and the GHG emission inventories and reductions, and adjustment of investment and financing portfolios by regulations or government requirements may increase operational costs. The relevant response policies include: ensuring the drills of the business continuity plan and obtaining ISO 22301:2019 (BCMS) certification from the British Standards Institution (BSI); conducting regular GHG inventories and promoting energy management policies and energy-saving and carbon reduction initiatives; conducting financial impact analysis and assessments related to climate change issues.</p> <p>3. Social aspect: Primarily reflects in employee manpower and health and safety matters. The relevant risks include labor relations, occupational safety, information security, and personal data protection, etc. The Company established the human rights policy in 2022 as the management policy governing human rights-related risks. We also ensure compliance with relevant insurance and welfare regulations to guarantee recruitment, compensation, assessment, training, and career development opportunities for employee. We also conduct regular health check-ups and implement various occupational health promotion measures and educational training to respond to and manage issues promptly.</p> <p>4. Corporate governance aspect: The Company has established specific policies regarding anti-money laundering, stakeholder communication, strengthening directorial functions, and ethical business operations. These policies encompass evaluations of the performance of the Board of Directors, and committees such as audit, remuneration, risk management, and sustainable development (including external evaluations), as well as principles for preventing money laundering and combating terrorism financing, fair customer treatment standards, codes of ethical business conduct, and whistleblower systems. These measures promote corporate governance in a manner characterized by integrity, transparency, and sustainability. In terms of implementation, the Company conducts risk assessments at least once per year as well as reviewing market or operational changes and conduct risk assessments accordingly. Additionally, we review our management mechanisms based on the risk assessment results obtained.</p> <p>5. The Company regularly discloses relevant policies on the official website, in annual reports, and on the Market Observation Public System, including sustainability reports, sustainability development plans and achievements, climate change information, human rights policies, energy management and GHG emission policies, low-carbon strategies and action plans, water resources and waste management, as well as risk management policies related to environmental, social, and corporate governance issues.</p>	
<p>III. Environmental issues</p> <p>(I) Does your company have an environmental management system suitable for the industrial characteristics of the</p>	V	(I)	<p>1. The Company belongs to the financial securities industry rather than manufacturing, therefore our direct impact on the environment is generally lower. However, to mitigate the speed of global warming and reduce energy and resource consumption, the Company has established an</p>	N/A

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
company?			<p>"Regulations for Environmental Protection", continuously promotes various energy-saving and carbon-reduction measures and replaces old equipment within the Company.</p> <p>2. Since 2022, in line with the FSC's "Roadmap for Sustainable Development for TWSE and TPEX Listed Companies," the Company has initiated the ISO 14064-1 organizational greenhouse gas inventory. Using 2023 as the baseline year, we have established environmental targets from 2023 to 2030, including reductions in GHG emissions for scopes 1 and 2, reductions in energy consumption, reductions in waste generation, and water consumption. We annually compare the reduction achievements with the baseline year and report them to the Board of Directors.</p>	
(II) Does the Company dedicate in promoting energy utilization efficiency, and use renewable materials that have low impact to the environment.	V		<p>(II) The Company, upholding the principles of reducing energy consumption and saving costs, has always been committed to improving energy use efficiency to reduce energy consumption and save costs. Since 2022, in line with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and the FSC's "Roadmap for Sustainable Development of TWSE/TPEX Listed Companies," we have set a target to reduce energy consumption by 10% compared to the baseline year of 2023 by the year 2030. This translates to an average annual reduction of 1.43%.</p> <p>The energy conservation and carbon reduction action plan for 2023 is listed below:</p> <p>1. The actions for employees responding to low-carbon initiatives</p> <p>(1) Encourage employees to reduce the use of elevators when appropriate.</p> <p>(2) Remind employees to keep doors and windows closed in air-conditioned areas.</p> <p>(3) Promote to staff to turn off unnecessary lighting fixtures when not in use.</p> <p>(4) Promote to all departments to manually switch off the power of electrical devices during off-duty hours, weekends, and consecutive holidays to reduce standby power consumption.</p> <p>(5) Promote the benefits of energy conservation and environmental awareness to staff through events, emails, or other channels from time to time.</p> <p>2. Energy-saving activities at business premises</p> <p>(1) The number of operating elevators is controlled during work and off-work hours.</p> <p>(2) Low-carbon management of the AC equipment:</p> <p>(a.) Control the chilled water supply of the air conditioning chiller, increase the chilled water temperature by 1 degree to save electricity.</p> <p>(b.) Set the indoor air conditioning temperature to 26 degrees at off-office hours, i.e. before 07:30 and after 17:00.</p> <p>(c.) Adding small air conditioning units to replace large ones during off-peak hours.</p> <p>(d.) Regular cleaning and maintenance to improve operational efficiency.</p> <p>(3) Setting the closing time of advertising signboards on the external wall of each branch after 12:00 a.m. to avoid wasting electricity.</p> <p>(4) Set the office machines to power-saving mode and keep them in sleep mode when not in use.</p>	N/A

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>(5) Adopt responsible zone management to turn off unnecessary lighting and air conditioning when not in use.</p> <p>3. Replace high-energy-consuming or outdated equipment.</p> <p>(1) Allocate a budget for the replacement of the AC equipment based on energy consumption or usage lifespan.</p> <p>(2) Gradually replace outdated lighting fixtures with LED fixtures to reduce heat and lower electricity consumption.</p> <p>(3) Replace fire exit indicators, escape route signs, and fire indicators with LED light fixtures.</p> <p>(4) Replace power-consuming multifunctional office machines with more energy-efficient ones.</p> <p>4. Improve the efficiency of company vehicle usage</p> <p>(1) Use company vehicles based on the principle of carpooling.</p> <p>(2) Encourage employees to use public transport when making business trips.</p> <p>(3) Regularly inspect and maintain company vehicles.</p> <p>5. Implement green procurement by requiring suppliers to provide their product standards during the procurement phase. Products must comply with environmental and energy-saving standards, green building materials labels, or meet the same performance with less environmental impact, such as recycled materials and low pollution, to promote environmentally friendly products.</p> <p>Due to 2023 being the baseline year, reduction achievements are compared with data from 2022. According to the achievements of the 2023 low-carbon and energy-saving action plan, although energy consumption in 2023 decreased by only 1.02% compared to 2022, the energy intensity in 2023 decreased by 47.33% compared to 2022, due to an 87% increase in revenue in 2023 compared to 2022. In 2024, in addition to continuing low-carbon and energy-saving actions, the Company plans to replace laser printers with inkjet printers. According to actual tests, the new inkjet printers can save approximately 80% of energy compared to the old laser printers, further significantly reducing energy consumption.</p>	
(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		<p>(III)</p> <p>1. The Company regards the Board of Directors as the highest governance unit for sustainable development and established the ESG Committee in 2021. In 2022, we amended the organization's charter and structure, renaming the ESG Committee to the "Sustainable Development Committee" and elevating its organizational hierarchy to be subordinate to the Board of Directors which aims to enhance management oversight and supervise the company's sustainable development efforts concerning climate change-related issues.</p> <p>2. A Sustainable Operation Office is established under the Sustainable Development Committee, with the President serving as the Executive Director. Additionally, a Climate Change Taskforce team is set up, with the head of Risk Management Department serves as the leader to coordinate the tasks of the team.</p> <p>3. On climate change issues, the Company, by assessing external legal requirements, regulatory expectations from authorities, global and industry standard norms (including GRI, SASB, TCFD, etc.), and feedback from stakeholders, identified climate change as a material issue for driving sustainable development of the Company. Additionally, we manage climate change risk and opportunities through risk management mechanisms.</p>	N/A



Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>4. The Company continues to adopt "Task Force on Climate-related Financial Disclosure (TCFD)" as a climate change management mechanism to identify the Company's short-, medium- and long-term risks and opportunities, and their financial impacts.</p> <p>5. Identified climate change related issues for the year:</p> <p>(1) Immediate or short-term physical risks: Typhoons, floods, and operational disruptions.</p> <p>(2) Transition risks: The impact of carbon fees levied per legal regulations on the credit and market risks.</p> <p>6. The risk management strategies and countermeasures for the above identified climate change issues are summarized below:</p> <p>(1) Identify and manage risks from financing and investment perspectives. Referring to the PCAF methodology, we incorporate industry information affected by carbon emissions and stress tests on stock and bond volatility influenced by carbon emissions to disclose investment positions related to high-carbon emission industries, allowing us to plan investment limits for the future and further achieve our carbon reduction goals.</p> <p>(2) If any shares from high-energy-consuming and high-GHG/carbon 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) Disclose the Company's investment positions on green bonds to promote the development of potential climate-change opportunities.</p> <p>(4) Conduct an annual GHG inventory to identify emission sources and establish registries for control and management. Additionally, we plan to pursue international standard certifications in the future.</p> <p>(5) Continue to conduct energy-saving and carbon reduction programs within the Company, plan the direction of total emission reduction, reduce costs such as power consumption and water consumption, and reduce environmental impact.</p> <p>(6) Compile information on the points (3) and (4) and the implementation status thereof, and report to the Sustainable Development Committee and the Board of Directors on a quarterly basis to facilitate supervision and management.</p> <p>7. Continue to follow the TCFD framework, identify climate change-related issues, and conduct financial impact analysis and assessment. Disclose such information annually in the Task Force on Climate-Related Financial Disclosures (TCFD) report and publish it on the Company's website.</p>	
(IV) Does the 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>(IV)</p> <p>1. To reduce GHG emissions and mitigate global warming, the Company has established an "Regulations for Environmental Protection." The General Affairs Office of the Administration Department collaborates with relevant government resources to continuously promote various carbon reduction measures within the Company. In addition, starting from 2022, in compliance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and the FSC's "Roadmap for Sustainable Development of TWSE/TPEX Listed Companies," the Company has begun implementing ISO 14064-1 organizational greenhouse gas inventories. Using</p>	N/A

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>2023 as the baseline year, environmental targets have been established for the period from 2023 to 2030, including the reduction targets for Scope 1 and Scope 2 greenhouse gas emissions and energy consumption are to achieve an average annual reduction of 1.43% compared to the baseline year; the waste and water consumption reduction targets aim for an average annual reduction of 1% compared to the baseline year. Based on the low-carbon action plan (including employees' participation in low-carbon actions, energy-saving activities at business premises, replacement of high-energy-consuming or outdated equipment, improvement of company vehicle usage efficiency, and promotion of green procurement), and water-saving measures such as installing water-saving devices, replacing old water-using equipment, and promoting the correct water use concepts. We have also introduced policies to reduce waste and promote resource recycling, we annually compare and review the reduction effectiveness compared to the baseline year and report it to the Board of Directors. Since 2023 is the baseline year, the 2023 achievements were compared with the 2022 values.</p> <p>2. Scope 1 and Scope 2 GHG Emission of Capital Securities business premises across Taiwan: In 2022, the emissions were approximately 5,481.28 tCO<sub>2</sub>e, while in 2023, the emissions were approximately 5,215.86 tCO<sub>2</sub>e, representing a decrease of 4.84% compared to the previous year, which exceeds the annual reduction target of 1.43%. The emissions of Scope 1 and Scope 2 GHG for 2023 were subjected to limited assurance following ISAE 3410 by KPMG Taiwan in April 2024.</p> <p>3. Water Consumption: In 2022, the water consumption was 52,374 units, while in 2023, it was 52,422 units, representing an increase of 0.092% compared to the previous year. In 2022, the water consumption was 27.92 units, while in 2023, it was 27.45 units, representing an increase of 1.81% compared to the previous year which failed to meet the annual deduction target of 1%.</p> <p>4. Waste Generation: In 2022, the total weight was approximately 107.05 metric tons, while in 2023, it was approximately 101.4 metric tons, representing a decrease of 5.3% compared to the previous year which exceeded the annual reduction target of 1%.</p>	
IV. Social issues (I) Does the company have management policies and procedures in accordance with relevant regulations and International Bill of Human Rights?	V		<p>(I)</p> <p>1. To support the Universal Declaration of Human Rights (UDHR) and adhere to international human rights standards, the Company has established the "Capital Securities Corporation Human Rights Policy" to uphold and safeguard the fundamental human rights of stakeholders such as employees, customers, and consumers</p> <p>2. 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>3. 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".</p>	N/A

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>4. 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>5. 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>	
(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> <p>Workplace diversity and equality</p> <p>The Company advocates for the creation of a gender-equal and inclusive workplace environment, respecting diverse social and cultural backgrounds. We strive to achieve equal pay for equal work and equal opportunities for promotion for both men and women. As of the end of 2023, there is an equal number of men and women who are division heads and above in the Company. In addition to this, there are other relevant measures:</p> <ol style="list-style-type: none"> <li>1. During pregnancy, an employee may apply for a reassignment if there is a job available within the department that is easier to perform and that the employee is able to perform.</li> <li>2. The Headquarters has established a nursery room on the 11th floor for employees with children under the age of two to breastfeed or pump milk. The nursery time is twice daily, with each session limited to thirty minutes.</li> <li>3. In order to raise a child under the age of three, an employee may apply for a shift adjustment or a reduction in working hours by one hour per day, provided that the reduced working hours are not subject to a claim for pay.</li> <li>4. After being in service for six months, employees may apply for parental leave without pay before any of their children reach the age of three years old. The period of this leave is until their children reach the age of three years old but may not exceed two years.</li> <li>5. When an employee applies for reinstatement after taking parental leaves, each department shall not refuse or treat their absence as an absence that would affect the employee's attendance bonuses, performance evaluations, or any other adverse treatment.</li> <li>6. Miscarriage Leave: Employees who experience a miscarriage at three months or more of pregnancy are entitled to four weeks of miscarriage leave. For those who experience a miscarriage at two months</li> </ol>	N/A

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies								
	Yes	No	Summary description									
			or more but less than three months of pregnancy, one week of miscarriage leave is granted. Employees who experience a miscarriage at less than two months of pregnancy are entitled to five days of miscarriage leave. During the miscarriage leave period, employees are entitled to receive their regular salary.									
(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		(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. <table><tr><th>Implemented measures</th><th>Item</th><th>Description</th></tr><tr><td rowspan="2">Employee Health</td><td></td><td>(I) Measures mandated by law 1. Labor and health insurance. 2. The "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace" has been established. 3. "Employee lactation rooms" have been set up. 4. Regular health examinations have been organized for employees. 5. 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</td></tr><tr><td>Insurance and welfare</td><td>(II) Measures provided above legal requirements 1. The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. 2. Employees are invited to include their family members in group insurance at a discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members. 3. Hold a seminar on "Healthy Exercise and Thinning" to promote the concept of healthy exercise among employees. 4. Organize a "Science-based Physical Fitness Testing" event by collaborating with the Sports Administration, Ministry of Education, to assist employees in understanding their physical condition and mastering the key aspects of health management. 5. 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. 6. Held the "Jump Up, Capital! 2023 Happy Enterprise Sports Day" at the Taichung Chaoma Sports Center, with nearly 400</td></tr></table>	Implemented measures	Item	Description	Employee Health		(I) Measures mandated by law 1. Labor and health insurance. 2. The "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace" has been established. 3. "Employee lactation rooms" have been set up. 4. Regular health examinations have been organized for employees. 5. 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	Insurance and welfare	(II) Measures provided above legal requirements 1. The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. 2. Employees are invited to include their family members in group insurance at a discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members. 3. Hold a seminar on "Healthy Exercise and Thinning" to promote the concept of healthy exercise among employees. 4. Organize a "Science-based Physical Fitness Testing" event by collaborating with the Sports Administration, Ministry of Education, to assist employees in understanding their physical condition and mastering the key aspects of health management. 5. 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. 6. Held the "Jump Up, Capital! 2023 Happy Enterprise Sports Day" at the Taichung Chaoma Sports Center, with nearly 400	N/A
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	Yes	No	Summary description	
			<div> <div></div> <div>employees and their families from the central region participating. The event included badminton competitions, fun games, and more.</div> <div>7. Free massage services have been provided to the employees of the Head Office.</div> <div>8. Apply for the solution to offer thoughtful inoculation of free flu vaccines in the workplace and subsidize self-funded vaccinations.</div> </div>	
			<div> <div>Environmental health</div> <div>           1. A set of "Tobacco Hazard Prevention Measures" was implemented.            2. The Company acquired "Badge of Accredited Healthy Workplace" from Health Promotion Administration, Ministry of Health and Welfare.            3. The Company has been certified as an "iSports Corporation" by the Sports Administration, Ministry of Education.         </div> </div>	
			<div> <div>Safety certification</div> <div>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.</div> </div>	
			<div> <div>Certification for personal information</div> <div>The Company has obtained the international certificates (BS10012: 2017) on the personal information management systems for securities, future, and insurance advisory businesses. It indicates 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.</div> </div>	
			<div> <div>Workers' safety</div> <div>           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 also regularly organizes various educational training sessions for general employees, such as "New Employee Training on Occupational Safety and Health for General Workers" and "On-the-job Training on Occupational Safety and Health for General Workers," to strengthen employees' concepts of occupational safety and health.             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         </div> </div>	
			<div> <div>Safety of work environment</div> </div>	

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<div>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. In 2023, there were 3 occupational incidents involved 3 employees, accounting for 0.45% of the total number of employees (667 employees) reported for occupational incidents. The 3 occupational incidents were traffic accidents on the way to and from work, and staff were reminded to pay attention to road safety to avoid recurrence.</div> <div>Fire safety           <ol style="list-style-type: none"> <li>1. Organize "Fire Safety (Fire Prevention, Earthquake Awareness, First Aid Training) Workshops" and "Fire Evacuation Drill" regularly.</li> <li>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.</li> </ol> </div> <div>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"> <li>1. Commercial fire insurance;</li> <li>2. Electronic equipment insurance;</li> <li>3. Public accident liability insurance.</li> </ol> <p>The Company conducts regular fire safety inspections and declarations. In 2023, there were zero fire incidents.</p> </div>	
(IV) Does your company have effective programs for development and training regarding employees' career skills?	V		<p>(IV) The Company has effective programs for development and training regarding employees' career skills as following:</p> <p>In an attempt to cultivate talents and to improve management performance, the Company has been organizing a wide 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. Employee training expenses amounted to NT\$7,251 thousand in 2023. A total of 3,999 enrollments were registered with external training courses, which represented 216% of total employees. The Company held 131 internal training courses during the year, and trained its sales force intensively using nation-wide video conferencing to help them develop professional qualities and skills. A digital platform has been established and 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.</p> <p>The Company also provides incentive payments for professional licenses and education and training subsidies, in the hope of employees achieving a win-win situation in terms of talent cultivation and personal career development through diversified learning methods.</p> <p>In establishing a succession planning and talent pipeline, Capital also implements various measures, as outlined below:</p> <ol style="list-style-type: none"> <li>1. Capital Financial College: Established in 2007, it is a three-month training course organized annually. The students of the training are targeted at the outstanding management trainees referred by each department, thereby improving personal work management ability and team work spirit, such that</li> </ol>	N/A

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>the training program can serve as tools for cultivating intermediate management talents.</p> <p>2. Functional training for branch office managers: Hold regular training for branch managers, sales counter managers, and settlement counter managers. In recent years, we have adopted a more proactive internal training approach for branch managers (Eagle Project) and counter managers (Counter Management Trainee Training Program) to assist outstanding specialists who aspire to transition into managerial roles and employees who aim to progress from counter managers to branch managers and possess both professional knowledge and potential. We provide them with solid courses to enhance their business and management leadership abilities, so as to improve their overall competence. Aiming mainly to assist them in transitioning into counter managers and branch managers, we provide them with career development opportunities.</p> <p>3. Senior manager training: The Company organizes senior manager operational meetings annually, and during the meeting, competency courses are arranged. The course content includes: ESG and Sustainable Finance, Anti-Money Laundering and Counter-Terrorist Financing, and Corporate Risk Management and Integrity in Business Practices, etc.</p> <p>4. Diverse industry-academia collaboration projects: To assist students of colleges and universities in understanding and experiencing the financial industry early and to assist them in determining their future careers, thereby reducing the gap between school learning and job practice, the Company actively organizes diverse industry and academic collaboration programs in order to cultivate students to become financial talents with theoretical bases and practical skills. The content of the industry and academic collaboration program organized by the Company includes:</p> <p>(1) Industrial lecturer: Making the best of its financial expertise, the Company proactively promotes the combination of school courses with resources available in the industry where managers of various levels enter campuses to share their experience on respective financial issues and to help students know the latest financial knowledge while at the same time enabling them to absorb practical experience so that they may be one day practical talent for the financial sector. It helps build a solid quality financial talent bank, putting the belief in giving back to society by promoting a sustainable youth workforce into practice.</p> <p>(2) Industry and academic collaboration: We promote talent development through collaboration with academia. The Company can teach students professional knowledge based on practical experience, and at the same time find and nurture outstanding talents to join the Company in advance. Schools, in turn, can assist students in aligning with their future careers by collaborating with the Company, enabling students to transition smoothly from</p>	



Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>graduation to employment. This mutually beneficial partnership achieves a win-win outcome for both parties. To cultivate key talents - "Wealth Management Brokers" and "Digital Technology Talents" for the Company, the Information Tech. Department and Brokerage Department have currently adopted an industry-academia internship program to nurture future key talents.</p> <p>The Company was awarded the 17th Golden Goblet Awards "Talent Cultivation Award" for our effective implementation of various cultivation measures, which ensures that the Company has a sufficient pool of excellent talents to cope with future development and challenges.</p>	
(V) Does the 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?	V		<p>As a provider of securities and financial services and to fulfill our commitment to providing customers with a secure trading environment, the Company has formulated internal regulations in accordance with the Personal Data Protection Act, the Financial Consumer Protection Act, and securities-related regulations. We have also comply with international standards and obtained the British Standards Institution (BSI), ISO27001:2022 (ISMS) \ BS10012: 2017 (PMIS) validation certificates for international standards, to protect customer privacy and provide a secure financial environment for transactions.</p> <p>The Company has established "Personal Data Management Objectives and Policies" and instituted a Personal Data Protection Committee. Based on an operational risk-oriented approach, these are utilized to establish, implement, operate, monitor, review, maintain, and improve personal data management. Through the education and training of the entire Company, we implement and monitor the personal data protection mechanism to protect the privacy of our customers and safeguard customer information. We also require the collaborating partners to sign a commitment letter, ensuring that they faithfully adhere to the Company's personal data protection mechanisms when conducting collaborative business activities.</p> <p>To provide consumers with appropriate financial products or services, the Company has formulated a "Operational Guidelines for Reviewing Investment-Type Financial Products" to review the products and a KYC Evaluation Operational Regulations to evaluate the risk tolerance attributes of customers, so as to provide them with appropriate financial products or services.</p> <p>In addition, we have established a "Regulations Governing the Production and Dissemination of Publicity Materials for Advertising, Business Solicitation, and Sales Promotion Activities". All marketing documents must be reviewed or filed with the Taiwan Securities Association before they can be used externally.</p> <p>The Company has established the "Business Dispute Resolution Guidelines" as the basis for handling complaint cases. Additionally, we have set up a Customer Service Department to provide customer support services and handle customer complaint cases.</p>	N/A
(VI) Does your company establish any supplier management policy that requires suppliers to comply with regulations	V		<p>(VI)</p> <p>To require our suppliers to adhere to relevant regulations concerning environmental protection, occupational safety and health, or labor rights issues, and to jointly promote corporate sustainability policies, the Company has</p>	N/A

Promotion Item	Implementation (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
concerning environmental protection, occupational safety and health or labor rights? What's the status of its implementation?			established the "Supplier Management Regulations." When signing various procurement contracts with the suppliers, we require them to fill out the "Supplier Human Rights and Environmental Sustainability Commitment Letter" of which the main contents address specific implementation measures for human rights policies, environmental sustainability, and code of conduct. It also involves promoting autonomous implementation of education and training to suppliers. This commitment letter is considered an integral part of the signed contract and holds the same legal force as the contract itself. In addition, an annual questionnaire evaluation is conducted for key suppliers with an accumulated transaction amount exceeding NT\$5 million per year, ensuring that suppliers adhere to and implement human rights and environmental sustainability policies. This serves as a reference for continued cooperation. In 2023, no supplier has been found for negative news related to violation of human rights or labor rights.	
V. Does the 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 its sustainable reports in accordance with the "Regulations Governing the Preparation and Reporting of Sustainable Reports by Listed Companies" of the Taiwan Stock Exchange and with reference to the standards issued by GRI. The Company's 2022 Sustainability Report compiled in 2023 has been assured by KPMG Taiwan in accordance with the Assurance Standard 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the Accounting Research and Development Foundation. The 2023 Sustainable Report to be prepared in 2024 will be commissioned to an accounting firm for assurance. The relevant contents will be disclosed in the Sustainable Development section of the Company's website.	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/TPEX Listed Companies, please describe the differences between the actual implementation of CSR and the company's own CSR principles: 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: The Company has published the annual Corporate Social Responsibility (CSR) reports on our corporate website. Starting from the year 2021, it has been renamed as the Sustainability Report. (From 2016 to 2020, it was referred to as the CSR report. The English version has been concurrently released since 2019.) The Company has established a Sustainable Development section on our corporate website (<a href="https://www.capital.com.tw/web/#/responsibility/sustainable">https://www.capital.com.tw/web/#/responsibility/sustainable</a>), where relevant and reliable Sustainability Reports and related information are disclosed for stakeholders to access.</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/TPEX Listed Companies and reasons" and describe the plans for adopting relevant policies, strategies and measures in the future. However, regarding initiatives one and two, TWSE/TPEX listed companies should elaborate on the governance and oversight framework for sustainable development, including but not limited to management policies, strategy and objective formulation, and review measures. In addition, the companies has to elaborate their risk management policy or strategy regarding the environmental, social and corporate governance issues related to the business operations, and the evaluation results.

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.

## Climate-related information of TWSE/TPEX listed companies

### 1 Implementation of the climate-related information

The summary of the Company's climate-related information implementation is as follows. For a more detailed account of the Company's climate change adaptation measures, structure, and information, please refer to the Company's 2023 annual climate-related financial disclosure report and sustainability report.

Item	Execution
1. Describe the Board of Directors' and managements' supervision and governance on climate-related risks and opportunities.	<p>(1) Climate change has become one of the risks to the Company, but also an opportunity for future business development. To address it prudently, the Company's governance structure places the Board of Directors as the highest governing body. Through the Company's risk management mechanism, leadership direction and supervision are cascaded from top to bottom, while implementation and progress reporting are ensured from bottom to top. This facilitates a continuous improvement management cycle. For instance, regular updates on climate change action strategies and risk management measures are provided, ensuring comprehensive reporting, addressing implementation obstacles, and assessing performance outcomes so as to effectively supervise progress and resource allocation.</p> <p>(2) The Sustainable Development Committee was upgraded to a functional committee under the jurisdiction of the Board of Directors on November 10, 2022. Apart from the Chairman, who serves as an ex officio member, the other committee members are appointed by the Board of Directors. The committee must consist of no fewer than two members, with at least two independent directors included. The Sustainable Operations Office, under the Sustainable Development Committee, is functionally organized to coordinate climate change issues, which are incorporated into the discussions and management of the Sustainable Development Committee. It integrates the Company's resources to implement sustainable development goals and strategies across departments.</p> <p>(3) The Sustainable Development Committee regularly reviews, formulates and promotes climate change action strategies and risk management measures based on climate and environmental trends and the results of the identification of various departments; confirms short-, medium- and long-term plans; and manage the results of performance evaluation for subsequent presentation to the Board of Directors.</p> <p>(4) A Sustainable Operation Office is established under the Sustainable Development Committee, with the President serving as the Executive Director; and a Climate Change Taskforce team is set up under the Office, with the head of Risk Management Department serves as the leader to coordinate the tasks of the team. The climate change taskforce team is responsible for identifying and assessing the risks and opportunities of climate change to assist the development of relevant quantitative methods and indicators internally. Furthermore, it develops related management measures to mitigate or adapt to the impacts of climate change. The team is also responsible to develop strategies, action plans, and risk management policies for various impacts on the Company and regularly report them to the general manager. It sets implementation goals based on the Company's business conditions and reports climate-related performance outcomes to the Board of Directors on a regular basis each year.</p>
2. Describe how the identified climate risks and opportunities affect the business, strategy and finances of the organization (short, medium and long term).	<p>The Company has adopted the Task Force on Climate-related Financial Disclosures (TCFD) guidelines to introduce financial or operational impact assessments of climate-related risks and opportunities. We reference national net zero emission policies, industry-specific developments, and climate change issue analyses from consulting experts to identify risks such as "increased greenhouse gas emission pricing," "strengthened emission reporting obligations," and "increased severity of extreme weather events such as typhoons and floods," as well as opportunities such as "recycling and reuse," "reducing water usage and consumption," "developing and/or increasing low-carbon goods and services," and "entering new markets." Their impact on the Company's business, strategy and finances is summarized below:</p> <p>(1) "Increased GHG emission pricing"</p> <p>A. Short- and medium-term impact on business, strategy and finance:</p> <p>I. If national policies require the disclosure of GHG emissions to include emissions from a company's investment targets or its customers, it will affect the overall GHG emissions of the company. This, in turn, will increase the required payment of carbon fees, impacting the company's operating costs.</p> <p>II. The energy-saving and replacement operations are expected to increase related operating costs.</p> <p>III. Conducting a GHG inventory in accordance with ISO 14064-1 and implementing the greenhouse gas inventory assurance to compile the overall GHG emissions of the organization. Then, allocate a budget for the replacement of high-energy-consuming equipment and operations.</p> <p>B. Long-term impact on business, strategy and finance:</p> <p>I. The tightening of carbon levies, carbon emission or reduction targets and obligations, or energy conservation policies and regulations may result in a reduction in the operating profit of our investees, which may affect the Company's revenue.</p>

Item	Execution
	<p>II. Engage an external assurance organization to perform limited assurance in accordance with the ISAE 3410 assurance criteria to assess the business or operational level impacts of promoting net zero carbon emission planning.</p> <p>(2) "Strengthened emission reporting obligations"</p> <p>A. Short- and medium-term impact on business, strategy and finance:</p> <p>I. As a result of the FSC's plan to require the securities industry to report on climate change results annually, companies will have to pay for the costs of the regulation and face administrative penalties if they fail to do so. This will lead to an increase in operating costs.</p> <p>II. In accordance with the relevant regulations, it is estimated that the implementation fee of the assurance organization will increase by NT\$110,000/year.</p> <p>III. Compile the overall GHG emissions status of the industry and initiate a mechanism to replace and adjust the suppliers and cooperative partners.</p> <p>IV. Continue to monitor the portfolio companies and strengthen our negotiation activities in order to adjust our investment positions in a timely manner.</p> <p>B. Long-term impact on business, strategy and finance:</p> <p>I. To comply with the net zero emissions trend, continuous enactment of relevant laws and strong requirements for energy conservation and carbon reduction to achieve carbon reduction goals may increase our operating costs. Failure to achieve carbon reduction goals or low carbon levels will not meet market expectations, leading to impacts on our business development and revenue.</p> <p>II. Continuously conduct greenhouse gas inventories and verification operations, investigate the industry's adaptation to climate change policies, and adjust the Company's GHG management policies.</p> <p>(3) "Increased severity of extreme weather events such as typhoons and floods"</p> <p>A. Mid and long-term impact on business, strategy and finance:</p> <p>I. With significant GHG emissions, the anticipated increase in severe flooding due to extreme weather events might impact business premises. This could potentially increase the impact on business, strategy, and financial aspects.</p> <p>II. Natural disasters caused by extreme weather conditions could result in service interruptions by the suppliers, which could indirectly affect our operations, reduce our profitability, or increase the risk of default.</p> <p>III. To mitigate the risks to the company's profit and loss arising from operational disruptions at sites, declining prices of owned real estate, or increased maintenance costs due to climate change and natural resource variations, it is necessary to incorporate climate change risk factors into consideration when establishing business premises and investing in owned real estate.</p> <p>(4) "Recycle and reuse"</p> <p>A. Short-term impact on business, strategy and finance:</p> <p>I. Reducing the generation of non-recyclable waste will help reduce carbon emissions and carbon fee expenditures, thereby lowering operating costs (such as waste disposal expenses).</p> <p>II. Promote waste reduction measures.</p> <p>B. Mid and long-term impact on business, strategy and finance:</p> <p>I. The Company's procurement primarily targets on goods that meet green environmental standards and products from sustainable development enterprises. In the long-term, this approach can reduce the Company's operating or maintenance costs.</p> <p>II. Include the issue of sustainability in the evaluation criteria for suppliers.</p> <p>(5) "Reduce water usage and water consumption"</p> <p>A. Short-term impact on business, strategy and finance:</p> <p>I. Reducing water consumption will help reduce carbon emissions and carbon fee expenditures, thereby lowering operating costs (such as water bills). II. Promote water conservation measures and install or replace water-saving equipment.</p> <p>B. Mid and long-term impact on business, strategy and finance:</p> <p>Continuously promoting water and energy conservation measures to reduce the overall impact of GHG emissions on the Company.</p> <p>(6) "Developing and/or increasing low-carbon goods and services"</p> <p>A. Short- and medium-term impact on business, strategy and finance:</p> <p>I. Enhance operational efficiency, reduce operational costs, and minimize the impact of climate change on the Company's business and operation premises through digital operations.</p> <p>II. Clients/consumers have shifted their investment/consumption preference to environmentally friendly companies and reduced investment in high carbon emission/high energy consumption securities due to rising awareness of climate change.</p> <p>III. We will make timely adjustments to our investment positions and increase investments in net-zero carbon emission or green enterprises to diversify our climate-related investment risks.</p> <p>B. Long-term impact on business, strategy and finance:</p> <p>I. In response to climate change, develop or provide products or services in line with the low-carbon economy, develop investment opportunities, and increase diversified sources of income.</p>

Item	Execution
	<p>II. Incorporate the evaluation of climate change and corporate transition expectation into investment strategy identification and management. When selecting investment targets, carefully evaluate whether they fulfill corporate governance, environmental protection, and social responsibility, thus enhancing investment efficiency for the Company.</p> <p>(7) "Entering new markets"</p> <p>A. Short- and medium-term impact on business, strategy and finance:</p> <p>I. With the advent of the low-carbon era, the demand for funds in related industries such as green energy, circular economy, and sustainability trends is increasing. We will actively seek opportunities to undertake market listing cases and support green energy industries with funding to seize business opportunities.</p> <p>II. Seizing opportunities in new markets, developing green financial products with sustainable development as the main focus in response to customers' and consumers' concerns about climate change issues and their preference for green financial product services.</p> <p>B. Long-term impact on business, strategy and finance:</p> <p>I. Incorporate the evaluation of climate change and corporate transition expectation into investment strategy. When selecting investment targets, carefully evaluate whether they fulfill corporate governance, environmental protection, and social responsibility, thus enhancing investment efficiency for the Company.</p> <p>II. Develop and invest in new market opportunities to increase diverse sources of income.</p> <p>Continue to monitor the portfolio companies and strengthen our negotiation activities in order to adjust our investment positions in a timely manner.</p>
3. Describe the financial impacts of extreme climate events and transitional actions.	<p>(1) Extreme climate events</p> <p>In recent years, the Company has not experienced risks such as the "increased severity of extreme weather events such as typhoons and floods" as identified above, nor has it encountered any other significant events resulting from extreme weather. However, if such events were to occur, based on the Company's comprehensive assessment of its fixed asset losses, they would still be within the financial resilience of the Company to withstand the impact.</p> <p>(2) Transition activities</p> <p>A. To fully echo the trend of energy saving and carbon reduction, we will continue to allocate budgets for replacing high energy-consuming equipment, which will help reduce carbon emissions and carbon fees, and lower operating costs.</p> <p>B. In response to legal requirements or government mandates, as well as stakeholders' expectations, the company actively promotes transformation action plans such as "developing and/or increasing low-carbon goods and services" and "entering new markets." By proactively deploying and promoting positive growth in business and strategy, there will be significant opportunities for considerable improvement in the company's finances, either entirely or partially.</p> <p>C. The Company will continue to diversify its investment portfolio to minimize the financial impact of climate risk factors. In addition, based on the scenario analysis results, we will re-diagnose our risk-taking ability and asset risk pricing, and monitor the risk of our climate risk investments.</p>
4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	<p>(1) The Company has a comprehensive risk management structure, policies, and management regulations. The scope of risks covers industry-specific risks, market risks, credit risks, liquidity risks, operational risks, climate risks, information security risks, as well as legal and other risks that the Company may face in its operations.</p> <p>(2) Climate risk includes transition risks which are associated with climate change and arise from the transition to a low-carbon economy and may affect the Company's finances, strategies, operations, products, and reputation, as well as physical risks, which result from extreme weather events caused by climate change and may affect the Company's finances and operations.</p> <p>(3) For climate change risk issues, the Company adopts an independent identification, assessment, and management process. We utilize the existing internal risk management mechanism for control. Each department independently identifies the significance, likelihood of occurrence, response management measures, and performance outcomes related to climate change risks. These are then consolidated and presented to the Climate Change Taskforce Team under the Sustainable Development Committee. The taskforce team will discuss the content and formulate strategies and risk management measures, which will then be reported to the Sustainable Development Committee for review. It will also develop and promote climate change action strategies and risk management measures, confirm short-, medium-, and long-term plans, and assess management performance outcomes. Lastly, relevant issues will be reported to the Board of Directors to oversee the implementation and performance outcomes of climate change action strategies and risk management measures. This ensures effective control of material climate change risks.</p> <p>(4) The material climate risk issues identified for the year, through internal expertise, resources and manpower, integrated with practical experience and market changes, and the trend analysis results by external experts, will be periodically reassessed for their impact on the Company's business and operations, so as to adjust the risk management measures accordingly.</p>



Item	Execution
5. If the scenario analysis is adopted to evaluate the resistance against climate change, the scenarios, parameters, hypotheses, analyzing factors, and major financial impacts shall be described here.	<p>(1) Physical risks: Based on the TCCIP (Taiwan Climate Change Projection Information) and the Adaptation Knowledge Platform model (including "Orderly Transition - 2050 Net Zero Emissions," "Disorderly Transition," and "Hot House World (Current Policy)"), with a focus on operational sites and equipment, and referencing the climate risk levels (temperature, rainfall, and wind disasters, etc.) of various administrative regions in Taiwan published by the National Science and Technology Center for Disaster Reduction's Climate Change Disaster Risk Adaptation Platform, we conduct a climate risk assessment of each operational site to evaluate the potential impact on operational disruptions, equipment damage, and losses of owned real estate that the Company may face.</p> <p>(2) Transition risks: Based on the REMIND-MagPIE model of the IAMs announced by the Taiwan Securities Association, which includes the parameters, the model or methodology used, and the results (profit or loss) of "Orderly Transition - Net Zero 2050", "Disorderly Transition", and "Hot House World (Current Policy)", the calculation was performed on the Company's own assets and in accordance with the PCAF Carbon Accounting Methodology published by the Partnership for Carbon Accounting and Financials (PCAF). Based on the calculation process for calculating GHG emissions of each asset class of financial institutions for investment and financing, which is based on the PCAF carbon accounting methodology published by the Partnership for Carbon Accounting and Financials (PCAF), the Company compares the impact of the carbon fee expense on profit or loss depending on the magnitude of increase or decrease in the Company's carbon emissions.</p>
6. If there is a transition plan for managing climate-related risks, describe the plan and the metrics and objectives used to identify and manage physical risks and transition risks.	<p>(1) Physical risks:</p> <p>A. Short- and mid-term transition plan</p> <p>I. The Company will continue to budget for the replacement of energy-intensive equipment and operations.</p> <p>II. Compile the overall GHG emissions status of the industry and initiate a mechanism to replace and adjust the suppliers and cooperative partners.</p> <p>III. A flood likelihood and risk assessment will be conducted for operational sites and the Company's assets. For operational sites with a high likelihood and severity of flooding risks, relocation plans will be gradually developed upon the expiration of the lease agreements.</p> <p>B. Long-term transition plan</p> <p>I. To mitigate the risks to the company's profit and loss arising from operational disruptions at sites, declining prices of owned real estate, or increased maintenance costs due to climate change and natural resource variations, it is necessary to incorporate climate change risk factors into consideration when establishing business premises and investing in owned real estate.</p> <p>II. Regularly train the staff on emergency response mechanisms.</p> <p>(2) Transition risks:</p> <p>A. The GHG emission intensity of Scope 1 and Scope 2 in 2030 will be reduced by 10% compared to 2023 (base year), requiring an average annual reduction of 1.43%.</p> <p>B. Continue to monitor the portfolio companies and strengthen our negotiation activities in order to adjust our investment positions in a timely manner.</p>
7. If internal carbon pricing is used as a planning tool, the basis for price setting should be specified.	The Company has not yet implemented carbon pricing and will continue to monitor international trends and assess the feasibility of introducing it.
8. If climate-related goals are set, information on the activities covered, the scope of greenhouse gas emissions, the planned timeline, and the annual progress should be provided; if carbon offsets or Renewable Energy Certificates (RECs) are used to achieve relevant targets, the source and amount of carbon reduction credits or the number of RECs offset should be specified.	<p>(1) In response to the FSC's requirements and the phased reduction targets of climate change response laws, the Company began establishing a GHG management system in 2022 and commenced the first inventory. Based on the inventory results of 2022 and considering our available resources, we have set Scope 1 and Scope 2 GHG emission reduction targets and low-carbon action plans from 2023 to 2030. Using 2023 as the base year, we will annually assess the reduction achievements compared to the base year. We plan to adjust the reduction targets again in 2031 according to actual implementation status.</p> <p>(2) The reduction targets for Scope 1 and Scope 2 GHG emissions are set to decrease by 10% compared to the base year until 2030, with an average annual reduction rate of 1.43%. In addition, as this year (2023) served as the base year, the reduction effectiveness of the Scope 1 and Scope 2 GHG emissions was compared with the data from the previous year.</p> <p>(3) According to the implementation results of the Company's low-carbon action plan in 2023, Scope 1 and Scope 2 GHG emissions were reduced by 4.84% compared to the previous year, exceeding the annual reduction target of 1.43%.</p>
9. GHG inventory and assurance, as well as reduction targets, strategies, and specific action plans (to be filled in 1-1 and 1-2).	Filled in Table 1-1 and 1-2 as below.

## 1 GHG inventory and assurance situation in the most recent two years

### 1-1-1 GHG inventory information

Describe the GHG emissions (tCO<sub>2</sub>e), intensity (tCO<sub>2</sub>e per million dollars), and the scope of data coverage for the past two years.

Capital Securities GHG Emission Analysis Table

Year	2022	2023	Unit
Direct Greenhouse Gas Emission (Scope 1)	447.24	357.23	tCO <sub>2</sub> e
Indirect Greenhouse Gas Emission (Scope 2)	5,034.04	4,858.63	tCO <sub>2</sub> e
Total	5,481.28	5,215.86	tCO <sub>2</sub> e
GHG Emission Intensity (tCO <sub>2</sub> e/million revenue)	0.971	0.492	

※ The inventory scope covers all of the business premises of Capital Securities across Taiwan

- Note 1: Direct emissions (Scope 1, i.e., emissions directly from sources owned or controlled by the Company); indirect energy emissions (Scope 2, i.e., emissions resulting from the consumption of purchased electricity, heat, or steam); and other indirect emissions (Scope 3, i.e., emissions from sources not owned or controlled by the company, but associated with its activities).
- Note 2: The data coverage for direct emissions and energy indirect emissions should be conducted according to the schedule specified in Article 10, Paragraph 2 of these Principles. Information on other indirect emissions may be disclosed voluntarily.
- Note 3: Greenhouse gas inventory standards: The Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 published by the International Organization for Standardization (ISO).
- Note 4: GHG intensity may be calculated per product unit/service or revenue, but at least data based on revenue (in million New Taiwan Dollars) should be provided.

### 1-1-2 GHG assurance information

Describe the status of assurance for the two most recent years ended on the date of printing of the annual report, including the scope of assurance, the assurance organization, the assurance criteria and the opinion of the assurance.

The Company began establishing our GHG management system and conducting the first inventory in 2022. As the 2022 inventory was conducted voluntarily, we did not engage a third-party organization to verify or assure the results of the 2022 inventory in 2023. In 2024, KPMG Taiwan was engaged to assure the results of the inventories of Scope 1 and Scope 2 GHG emissions for all of Capital Securities' business premises in Taiwan. The assurance was a limited assurance conducted in April 2024, and in accordance with the ISAE 3410 standard. The disclosed total GHG emissions for 2023 included Scope 1 emissions of 357.23 tCO<sub>2</sub>e, accounting for 6.8% of the total emissions, and Scope 2 emissions of 4,858.63 tCO<sub>2</sub>e representing 93.2% of the total emissions. Together, Scope 1 and Scope 2 emissions totaled 5,215.86 tCO<sub>2</sub>e. We have obtained the assurance report on April 19, 2024. Please refer to p.374 of the annual report.

- Note 1: This should be conducted in accordance with the timeline set out in Article 10, paragraph 2 of these Principles. If a company is not able to obtain a complete assurance opinion on GHG emissions by the printing day of the annual report, it should note that "complete assurance information will be disclosed in the sustainability report." If a company does not prepare a sustainability report, it should state that "complete assurance information will be disclosed on the Market Observation Post System," and complete assurance information will be disclosed in the subsequent year's annual report.
- Note 2: The assurance organization shall comply with the requirements for assurance organizations of sustainability reports set by Taiwan Stock Exchange Corporation and Taipei Exchange
- 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 contents.

### 1-2 GHG reduction targets, strategies, and specific action plans

Describe GHG reduction base year and its data, reduction targets, strategies, specific action plans, and the achievement of reduction targets

The Company uses 2023 as the baseline year for GHG emission reduction and set the reduction targets for Scope 1 and Scope 2 emissions from 2023 to 2030 and low-carbon action plans. Reduction achievements will be reviewed annually compared to the baseline year. Adjustment of reduction targets is anticipated in 2031 based on actual implementation status.

- (1) The Company's Scope 1 and Scope 2 GHG emissions for 2023, combined, are 5,215.86 tCO<sub>2</sub>e. The reduction targets for Scope 1 and Scope 2 GHG emissions are set until 2030 to be reduced by 10% from the base year emissions of 5,215.86 tCO<sub>2</sub>e with an average annual reduction rate of 1.43%. In addition, as this year (2023) served as the base year, the reduction effectiveness of the Scope 1 and Scope 2 GHG emissions was compared with the 5,481.28 tCO<sub>2</sub>e emissions in the previous year.
- (2) The 2023 low-carbon action plans included employees' participation in low-carbon actions, energy-saving activities at business premises, replacement of high-energy-consuming or outdated equipment, improvement of company vehicle usage efficiency, and green procurement, etc. In 2023, besides promoting carbon reduction activities among employees, we also updated 106 sets of LED lighting fixtures, 2 split air conditioners, and 2 inkjet office machines, resulting in an annual electricity saving of 64,285 kWh. As a result, the Scope 1 and Scope 2 GHG emissions were reduced by 4.84% compared to the previous year, exceeding the target of reducing emissions by 1.43% annually. In 2024, the Company plans to replace most of the laser printers with inkjet printers. According to actual tests, the new inkjet printers can save approximately 80% of energy compared to the old laser printers. We expect a significant reduction in scope 2 emissions.

- Note 1: It should be conducted in accordance with the timeline set out in Article 10, paragraph 2 of these Principles.
- Note 2: The baseline year should be the year in which the GHG inventory is completed within the boundary of the consolidated financial statements. For example, according to the provisions of Article 10, paragraph 2 of these Principles, companies with a capital of NT\$10 billion or more should complete the inventory of the consolidated financial statements for the year 2024 by 2025. Therefore, the baseline year is 2024. If a company has completed the inventory for the year of the consolidated financial statements ahead of schedule, it may use the earlier year as the baseline year. Additionally, the data for the baseline year may be a single-year value or an average value over several years.
- 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 contents.



## (VI) Ethical management implementation status

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 (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Y e s	N o	Summary description	
I. Establishment of ethical management policies and programs				
(I) 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?	V		(I) At the 5th extraordinary meeting of the 8th Board of Directors (March 29, 2012), 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
(II) 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"?	V		(II) The Company has established a risk assessment mechanism against unethical conduct and a "Self-Assessment Form for Unethical Conducts" to analyze and assess regularly. Additionally, for operating activities within its business scope which are at a higher risk of involving unethical conduct, the Company has established programs to prevent unethical conduct which 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." These are all stipulated in various rules and policies of the Company.	N/A
(III) 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?	V		(III) 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 (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Y e s	N o	Summary description	
II. Implementation of ethical management				
(I) 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?	V		(I) 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
(II) 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?	V		(II) 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 2023, the Company organized online courses on a total of 15 online courses with different topics (including promotion of securities regulations, ethical corporate management regulations, principles of handling business disputes, prohibited conducts of securities personnel, financial friendly services, corporate sustainable development, operational sustainability management, Financial Consumer Protection Act and principle of fair treatment to customers, cyber security, promotion of regulations related to handling internal material information and insider trading, prevention and control of sexual harassment, prevention of workplace violence, safety and health education, promotion of laws and regulations on personal data protection, and promotion of anti-money laundering and anti-terrorism laws and regulations). There were 34,615 employees had completed the above online training for a total of 1,582,088 hours.	N/A
(III) Does your company have policies against conflicts of interest and provide proper channels through which explanations may be given? Has the company implemented them?	V		(III) 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 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	N/A

Assessment criteria	Compliance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Y e s	N o	Summary description	
(IV) Does the 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?	V		(IV) 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. In addition, the regular assessments of unethical conduct risks conducted by the Company are submitted to the Auditing Department for scrutiny to assess compliance with the measures to prevent unethical conduct.	N/A
(V) Does your company regularly hold internal and external education and training sessions regarding ethical management?	V		(V) 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 2023, the Company organized online courses on a total of 15 online courses with different topics (including promotion of securities regulations, ethical corporate management regulations, principles of handling business disputes, prohibited conducts of securities personnel, financial friendly services, corporate sustainable development, operational sustainability management, Financial Consumer Protection Act and principle of fair treatment to customers, cyber security, promotion of regulations related to handling internal material information and insider trading, prevention and control of sexual harassment, prevention of workplace violence, safety and health education, promotion of laws and regulations on personal data protection, and promotion of anti-money laundering and anti-terrorism laws and regulations). There were 34,615 employees had completed the above online training for a total of 1,582,088 hours.	N/A
III. Functioning of the whistleblowing system				
(I) Does the company have concrete systems for whistleblowing and rewards? Does the 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?	V		(I) During the 15th meeting of the 10th Board of Directors held on November 22, 2018, 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
(II) Does the company establish standard operating procedures for investigation of matters reported by whistleblowers, measures to be taken following the conclusion of investigation and relevant mechanisms for confidentiality?	V		(II) 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 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.	N/A

Assessment criteria	Compliance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Y e s	N o	Summary description	
(III) Has the Company provided proper whistleblower protection?	V		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.  (III) 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
IV. 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?	V		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
V. 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."				
VI. 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.

**(VII) 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](http://www.capital.com.tw))/About Capital/Corporate Governance.

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

**(IX) Internal Control Systems****1. Statement of Internal Control System:**

**Capital Securities Corporation**  
**Statement of Internal Control System**

Date: March 13, 2023

Based on the result of self-assessment of the Company's internal control system in 2023, we hereby state the following:

- I. 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.
- II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance regarding the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may be altered as a result of changes in the environment and circumstances. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. We determine the effectiveness of the design and implementation of our internal control system by using the items specified in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter the "Regulations") for determination of the effectiveness of an internal control system. 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.
- IV. We have used the aforementioned items to assess the effectiveness of the design and implementation of our internal control system.
- V. Based on the assessment result in the previous item, 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.
- VI. 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.
- VII. This Statement was adopted by the Board of Directors meeting on March 13, 2024. All 11 directors present approved the contents of this Statement, and none of them expressed dissent. This information is declared as an addition.

Capital Securities Corporation

Chairman: Chou, Hsiu-Chen

President: Lee, Wen-Chu

Chief Auditor: Huang, Chi-Ming

Chief Information Security Officer: Wu, Yun-Wen

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

(Baseline Date: December 31, 2023)

Enhancement Items	Improvement Measures	Expected Completion Date of Improvement
<p>The Financial Examination Bureau conducted a special inspection on the brokerage and commodity sales businesses of the sanctioned institution at its Dongmen and Dunhua branches. Following deficiencies were found: employees allowed their substitutes to use their computer passwords while on leave; conducted wealth management business without disclosing the actual channel service fees and annualized fees charged; failed to require elderly clients to sign and stamp the guaranteed rate product explanation section or confirm in other mutually agreed-upon ways; did not establish a control mechanism for collecting transaction documents outside the office; sales representatives installed digital certificates on their computers to place orders for clients; conducted self-audit operations merely as a formality; and experienced delays in setting up entrusted trading quotas. The above indicates that the sanctioned institution failed to implement internal control systems and audit mechanisms, thereby violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms. Therefore, the Bureau imposed a fine of NT\$480,000 in accordance with Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act. (Jin-Guan-Zheng-Quan-Fa-Zi No. 1110358523, dated January 16, 2023)</p>	<p>I. We have reiterated to the branches that employees are not allowed to give their login credentials to others.</p> <p>II. We have revised the bond transaction details on the trade confirmation and monthly statement, adding the distribution service fee % and annualized fee % to provide a detailed disclosure of the distribution service fee percentage and annualized fee rate charged to counterparties.</p> <p>III. We have instructed our branches that when trust platforms accept customer subscriptions for structured instruments, in addition to signing and stamping in the original signature column of the product prospectus, customers should also affix their original seal and signature in the blank space of the principal guarantee rate column.</p> <p>IV. We have formulated the "Business Promotion and Customer Account Risk Management Procedures" to establish a control mechanism for collecting customer transaction documents while out of the office.</p> <p>V. We have implemented controls to restrict the use of the Company's PCs, prohibiting login with non-internal personnel's 98 account for trading purposes.</p> <p>VI. We have reiterated to the self-inspection personnel of all branches nationwide to strictly follow the established self-inspection procedures when handling the inspection item "whether company representatives, sales staff, and employees do not keep securities, funds, seals, or passbooks on behalf of clients,"</p>	<p>All improvements have been completed</p>



	<p>and to maintain inspection records.</p> <p>VII. We have reinforced to all branches in Taiwan that, when handling the review of consigned transaction limits, they must strictly follow the "Self-Regulatory Rules for Members of Taiwan Securities Association to Know the Clients, Conduct Credit Checks, and Manage Trading Limits When Handling Consigned Transactions" established by the Securities Association of Taiwan, as well as the Company's "Credit Check and Limit Management Procedures for Consigned Domestic Securities Transactions." The daily trading limits for clients and their related accounts must be approved by the respective levels of authorized managers as per internal regulations before being established.</p>	
<p>The Financial Examination Bureau conducted a targeted examination on the supervision and the examination findings were: Failed to follow the established guidelines to provide an impact assessment in the subsidiary's supervision report regarding the case where an overseas subsidiary incurred customer loss due to operational errors; Failed to accurately review supervisory reports resulting in discrepancies between the number of suspected money laundering transactions reported by a subsidiary to the competent authorities in the region where the subsidiary is located and the number of such transactions notified to the parent company; Failed to urge overseas subsidiaries to make improvements or corrections in accordance with the audit findings in the audit report; Failed to supervise subsidiaries to comply with the Company's regulations on stock financing and debt security measures, deficiencies in performing the operations of investment risk management and loss review and control, and suspicious transaction checking. The above indicates that the institute liable to penalty failed to implement internal control systems and audit mechanisms, thereby</p>	<p>I. Subsidiaries are required to accurately report the "Monthly Anomaly Report and Investigation." Additionally, the parent company will assign a dedicated person to strengthen the review process to avoid oversights.</p> <p>II. Track the improvement of the audit report finds of subsidiaries on a monthly basis and report this information in the management's monthly meeting. Additionally, the legal division of the subsidiary was required to report on the improvement of the audit findings identified by the parent company and the implementation status of matters instructed by managers during the monthly Hong Kong meetings.</p> <p>III. Review and revise the credit policy of subsidiaries in accordance with the practice.</p> <p>IV. The Risk Management Division of the Internal Control Department of the subsidiaries has strengthened the education and training of the Proprietary Investment Division of the Investment Department in order to prevent the recurrence of similar incidents.</p>	<p>All improvements have been completed</p>

<p>violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms.</p> <p>In accordance with the provisions of Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act in effect at the time of the conduct, Capital Securities Corp. was fined NT\$240,000. (Jin-Guan-Zheng-Quan-Fa-Zi No. 1110367320, dated May 24, 2023)</p>		
<p>The Taipei Exchange conducted an examination on the sales of derivative financial instruments at the Pingtung Branch and the examination findings were: In conducting the qualification review process for professional investors, there were instances where the trading experience selected by customers did not match the supporting evidence they provided; When conducting unrestricted money loans, despite knowing the customers' intentions, the Company accepted loan applications from customers who intended to use the borrowed funds to invest in high-risk derivatives and still sold these derivatives to them, resulting in customer complaints. The above indicates that the institute liable to penalty failed to implement internal control systems and audit mechanisms, thereby violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms.</p> <p>In accordance with the provisions of Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act in effect at the time of the conduct, Capital Securities Corp. was fined NT\$240,000. (Jin-Guan-Zheng-Quan-Fa-Zi No. 1120332386, dated June 20, 2023)</p>	<p>I. After receiving the disciplinary letter, the Pingtung branch re-examined the situation and confirmed that since January 2018, such customer had been continuously trading leveraged ETFs, TWSE-listed stocks, and funds with the Company. This trading experience meets the requirements stipulated in Article 6 of the Company's "Application and Review Procedures for High Net Worth/Professional Investor Qualification," providing the necessary supporting documents for trading experience.</p> <p>II. The Pingtung branch reiterated during the branch meeting that when evaluating a customer's application for professional investor qualification, reasonable due diligence must be conducted, and credible supporting evidence should be obtained from the customer. When accepting a client's investment in structured products, the branch should fully understand the client's relevant information (including the source of funds and fund operation status) to ensure the suitability of the product for the client.</p> <p>III. After receiving the disciplinary letter, the Pingtung Branch's self-checking staff has been conducting enhanced checks for 10 consecutive days. The daily checking of professional investor applications and structured product subscriptions did not reveal any irregularities.</p>	<p>All improvements have been completed</p>
<p>The Financial Examination Bureau conducted a full-scope examination from April 17 to May 8, 2023. The examination findings were: The institute liable to penalty failed to manage insider account transactions</p>	<p>I. Added the control of "the consigned dealers shall not consign the smart order functions of his/her own account and the account of his/her minor children through the</p>	<p>All improvements have been completed</p>

<p>in accordance with the regulations; when managing risks in the warrant business, the Company failed to adequately follow the established responsibility hierarchy regulations; a Proprietary Trading Department manager and trader continued to buy individual stocks through a designated proxy during his suspension period due to investment losses reaching the suspension threshold, and those actions were not included in the scope of Traders' Investment Review. The above indicates that the institute liable to penalty failed to implement internal control systems and audit mechanisms, thereby violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms. Deficiencies in the operations of customer risk grading and periodic review have violated the provisions of Article 5, Clause 3 of the Regulations Governing Anti-Money Laundering of Financial Institutions.</p> <p>In accordance with the provisions of Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act in effect at the time of the conduct, Capital Securities Corp. was fined NT\$480,000; and a fine of NT\$500,000 was imposed in accordance with Article 7, paragraph 5 of the Money Laundering Control Act. (Jin-Guan-Zheng-Quan-Fa-Zi No. 1120351211, dated November 7, 2023)</p>	<p>salesperson's own order placement system". Established a monitoring system to regularly check the account opening status of internal personnel and send abnormal alert notifications. Additionally, implement system controls to prevent insiders from acting as proxy agents for the company's natural person securities customers.</p> <p>II. Each quarter, conduct an internal approval process for warrant hedging correlation analysis, involving the Risk Management Office to verify the correlation coefficients. Additionally, revise the relevant operating procedures to include combined hedging controls and an agent system for volatility adjustment applications.</p> <p>III. The Proprietary Trading Department stipulates that when a department manager, who also serves as a trader, is suspended, their positions will be managed by a proxy agent appointed by the department manager. However, the manager shall issue an "Exception Management Procedure" and have it approved by the General Manager.</p> <p>IV. Strengthen personnel training to ensure the implementation of regular review operations. Additionally, produce management reports listing customers with very high risk, high risk, and specific high risk to facilitate the examination of regular review processes.</p>	
<p>Taiwan Stock Exchange (TWSE) conducted an examination at the Haishan Branch of the Company on August 2 and 8, 2023, and, per the Tai-Zheng-Fu-Zi Letter No.1120502875, the examination findings was: Violated the Criteria Governing Internal Control Systems of Services Enterprises in the Securities and Futures Market, and the relevant regulations governing the internal control system of TWSE pursuant to the aforementioned regulations: CC-17010 Internet Security Management (h.): "When a company offers online trading</p>	<p>I. The Company's "Capital Mobile Winner" app has completed problem corrections and passed cybersecurity testing by a certified third-party testing laboratory.</p> <p>II. The Company's profit and loss estimation system now includes an automatic file conversion mechanism.</p>	<p>All improvements have been completed.</p>

<p>services, it must ensure the quality of customer service... and include the following key points:... 2. Transaction stability and system availability:... avoid the risks of network congestion, slow transaction execution, or system crashes." 3. Providing customer services: Should provide customers with diverse value-added services, including seven basic services such as..... account inquiries, ..... real-time inventory ..... etc.</p> <p>I. The "Capital Mobile Winner" app failed to have adequate preventive controls, leading to customers placing duplicate orders. Additionally, the system lacked an automatic re-processing mechanism, and manual re-processing was not performed timely, resulting in incorrect inventory information and profit and loss estimates for customers. Therefore, the Company failed to meet the standards for the quality of internet order placement services due to the insufficient stability of the online trading system and providing incorrect information to customers.</p>		
<p>Taiwan Stock Exchange conducted an examination on October 17 and 18, 2023 at the Company. Per the Tai-Zheng-Fu-Zi Letter No. 1120503722, the examination findings was: Violated the Criteria Governing Internal Control Systems of Services Enterprises in the Securities and Futures Market, CC-19000 System Development and Maintenance (xii), 4. "After the request being modified and tested successfully, the content of the online app will be revised in accordance with the change request management procedures for online apps." As well as TWSE's related internal control system regulations established in accordance with the Criteria.</p> <p>I. The company failed to identify existing flaws in the newly launched electronic statement delivery app during testing. This led to the incorrect delivery of electronic statement query links to multiple clients at the same branch who were not the actual account holders.</p>	<p>I. The problem with the electronic statement delivery system has been fixed.</p> <p>II. The issue with the electronic statement delivery system has been rectified. Moving forward, in accordance with our company's "Information System Development, Maintenance, and Deployment Procedures," we will ensure that before important programs are deployed, supervisors or staff will conduct rigorous code reviews to verify the correctness of the program logic and enhance pre-deployment testing procedures.</p>	<p>All improvements have been completed.</p>

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 a CPA is engaged to conduct a special audit on the internal control system, the CPA's audit report should be disclosed:

The Company did not engage a CPA to conduct such special audit for the year.

**(X)** 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.

- (i) Financial Supervisory Commission, dated January 16, 2021 Jin-Guan-Zheng-Quan-Fa-Zi No. 1110358523

The Financial Examination Bureau conducted a special inspection on the brokerage and commodity sales businesses of the sanctioned institution at its Dongmen and Dunhua branches. Following deficiencies were found: employees allowed their substitutes to use their computer passwords while on leave; conducted wealth management business without disclosing the actual channel service fees and annualized fees charged; failed to require elderly clients to sign and stamp the guaranteed rate product explanation section or confirm in other mutually agreed-upon ways; did not establish a control mechanism for collecting transaction documents outside the office; sales representatives installed digital certificates on their computers to place orders for clients; conducted self-audit operations merely as a formality; and experienced delays in setting up entrusted trading quotas. The above indicates that the sanctioned institution failed to implement internal control systems and audit mechanisms, thereby violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms.

Therefore, the Bureau imposed a fine of NT\$480,000 in accordance with Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act.

Status of improvement:

- i. We have reiterated to the branches that employees are not allowed to give their login credentials to others.
- ii. We have revised the bond transaction details on the trade confirmation and monthly statement, adding the distribution service fee % and annualized fee % to provide a detailed disclosure of the distribution service fee percentage and annualized fee rate charged to counterparties.
- iii. We have instructed our branches that when trust platforms accept customer subscriptions for structured instruments, in addition to signing and stamping in the original signature column of the product prospectus, customers should also affix their original seal and signature in the blank space of the principal guarantee rate column.
- iv. We have formulated the "Business Promotion and Customer Account Risk Management Procedures" to establish a control mechanism for collecting customer transaction documents while out of the office.
- v. We have implemented controls to restrict the use of the Company's PCs, prohibiting login with non-internal personnel's 98 account for trading purposes.
- vi. We have reiterated to the self-inspection personnel of all branches nationwide to strictly follow the established self-inspection procedures when handling the inspection item "whether company representatives, sales staff, and employees do not keep securities, funds, seals, or passbooks on behalf of clients," and to maintain inspection records.
- vii. We have reinforced to all branches in Taiwan that, when handling the review of consigned transaction limits, they must strictly follow the "Self-Regulatory Rules for Members of Taiwan Securities Association to Know the Clients, Conduct Credit Checks, and Manage Trading Limits When Handling Consigned Transactions" established by the Securities Association of Taiwan, as well as the Company's "Credit Check and Limit Management Procedures for Consigned Domestic Securities Transactions." The daily trading limits for clients and their related accounts must be approved by the respective levels of authorized managers as per internal regulations before being established.



- (ii) Financial Supervisory Commission, dated May 24, 2023 Jin-Guan-Zheng-Quan-Fa-Zi No. 1110367320

The Financial Examination Bureau conducted a targeted examination on the supervision and the examination findings were: The institute liable to penalty failed to follow the established guidelines to provide an impact assessment in the subsidiary's supervision report regarding the case where an overseas subsidiary incurred customer loss due to operational errors; Failed to accurately review supervisory reports resulting in discrepancies between the number of suspected money laundering transactions reported by a subsidiary to the competent authorities in the region where the subsidiary is located and the number of such transactions notified to the parent company; Failed to urge overseas subsidiaries to make improvements or corrections in accordance with the audit findings in the audit report; Failed to supervise subsidiaries to comply with the Company's regulations on stock financing and debt security measures. The above indicates that the institute liable to penalty failed to implement internal control systems and audit mechanisms, thereby violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms.

In accordance with the provisions of Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act in effect at the time of the conduct, Capital Securities Corp. was fined NT\$240,000.

Status of improvement:

- i. Subsidiaries are required to accurately report the "Monthly Anomaly Report and Investigation." Additionally, the parent company will assign a dedicated person to strengthen the review process to avoid oversights.
- ii. Track the improvement of the audit report finds of subsidiaries on a monthly basis and report this information in the management's monthly meeting. Additionally, the legal division of the subsidiary was required to report on the improvement of the audit findings identified by the parent company and the implementation status of matters instructed by managers during the monthly Hong Kong meetings.
- iii. Review and revise the credit policy of subsidiaries in accordance with the practice.
- iv. The Risk Management Division of the Internal Control Department of the subsidiaries has strengthened the education and training of the Proprietary Investment Division of the Investment Department in order to prevent the recurrence of similar incidents.

- (iii) Financial Supervisory Commission, dated June 20, 2023 Jin-Guan-Zheng-Quan-Fa-Zi No. 1120332386

The Taipei Exchange conducted an examination on the sales of derivative financial instruments at the Pingtung Branch of the institute liable to penalty and the examination findings were: In conducting the qualification review process for professional investors, there were instances where the trading experience selected by customers did not match the supporting evidence they provided; When conducting unrestricted money loans, despite knowing the customers' intentions, the Company accepted loan applications from customers who intended to use the borrowed funds to invest in high-risk derivatives and still sold these derivatives to them, resulting in customer complaints. The above indicates that the institute liable to penalty failed to implement internal control systems and audit mechanisms, thereby violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms.

In accordance with the provisions of Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act in effect at the time of the conduct, Capital Securities Corp. was fined NT\$240,000.

Status of improvement:

- i. After receiving the disciplinary letter, the Pingtung branch re-examined the situation and confirmed that since January 2018, such customer had been continuously trading leveraged ETFs, TWSE-listed stocks, and funds with the Company. This trading experience meets the requirements stipulated in Article 6 of the Company's "Application and Review Procedures for High Net Worth/Professional Investor Qualification," providing the necessary supporting documents for trading experience.
- ii. The Pingtung branch reiterated during the branch meeting that when evaluating a customer's application for professional investor qualification, reasonable due diligence must be conducted, and credible supporting evidence should be obtained from the customer. When accepting a client's investment in structured products, the branch should

fully understand the client's relevant information (including the source of funds and fund operation status) to ensure the suitability of the product for the client.

- iii. After receiving the disciplinary letter, the Pingtung Branch's self-checking staff has been conducting enhanced checks for 10 consecutive days. The daily checking of professional investor applications and structured product subscriptions did not reveal any irregularities.
- (iv) Taiwan Stock Exchange, dated July 20, 2023 Tai-Zheng-Fu-Zi No. 1120502313  
Taiwan Stock Exchange conducted an examination on June 13 and 14, 2023 at the Company and found that the Executive Vice President of the Bond Department had digital certificates of clients stored on his mobile phone, and possessed both the securities account passwords and the online banking transaction passwords provided by clients, so that he could place orders via the APP, which constituted the fact of subscribing and trading securities using client accounts. This violated Article 18, Paragraph 2 of the TWSE's Operating Regulations, Article 18, Paragraph 2, Subparagraphs 7 and 11 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms, and the Criteria Governing Internal Control Systems of Services Enterprises in the Securities and Futures Market, CA-11210 Consigned Trading and Transaction Operations (XXXXii). Regarding the violations of relevant regulations such as those of TWSE's operating rules, Your Company is requested to pay close attention to rectification. As for the misconduct of the associated persons, your company is requested to suspend them for two months.  
Status of improvement:  
The personnel training has been enhanced to strengthen legal compliance and ensure implementation of the internal control system.
- (v) Financial Supervisory Commission, dated November 7, 2023 Jin-Guan-Zheng-Quan-Fa-Zi No. 1120351211  
The Financial Examination Bureau conducted a full-scope examination from April 17 to May 8, 2023 on the institute liable to penalty. The examination findings were: The institute liable to penalty failed to manage insider account transactions in accordance with the regulations; when managing risks in the warrant business, the Company failed to adequately follow the established responsibility hierarchy regulations; a Proprietary Trading Department manager and trader continued to buy individual stocks through a designated proxy during his suspension period due to investment losses reaching the suspension threshold, and those actions were not included in the scope of Traders' Investment Review. The above indicates that the institute liable to penalty failed to implement internal control systems and audit mechanisms, thereby violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms. Deficiencies in the operations of customer risk grading and periodic review have violated the provisions of Article 5, Clause 3 of the Regulations Governing Anti-Money Laundering of Financial Institutions.  
In accordance with the provisions of Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act in effect at the time of the conduct, Capital Securities Corp. was fined NT\$480,000; and a fine of NT\$500,000 was imposed in accordance with Article 7, paragraph 5 of the Money Laundering Control Act.

Status of improvement:

- i. Added the control of "the consigned dealers shall not consign the smart order functions of his/her own account and the account of his/her minor children through the salesperson's own order placement system". Established a monitoring system to regularly check the account opening status of internal personnel and send abnormal alert notifications. Additionally, implement system controls to prevent insiders from acting as proxy agents for the company's natural person securities customers.
  - ii. Each quarter, conduct an internal approval process for warrant hedging correlation analysis, involving the Risk Management Office to verify the correlation coefficients. Additionally, revise the relevant operating procedures to include combined hedging controls and an agent system for volatility adjustment applications.
  - iii. The Proprietary Trading Department stipulates that when a department manager, who also serves as a trader, is suspended, their positions will be managed by a proxy agent appointed by the department manager. However, the manager shall issue an "Exception Management Procedure" and have it approved by the General Manager.
  - iv. Strengthen personnel training to ensure the implementation of regular review operations. Additionally, produce management reports listing customers with very high risk, high risk, and specific high risk to facilitate the examination of regular review processes.
- (vi) Taiwan Stock Exchange, dated January 4, 2024 Tai-Zheng-Fu-Zi No. 1120504486  
Taiwan Stock Exchange conducted an examination on November 7 and 8, 2023 on Company's Tucheng Branch. The examination findings were: The associated person in charge of the consigned trading business, Hsu 00, was involved in lending/borrowing funds to/from clients and acting as an intermediary for loan transactions.  
For violation of the regulations, Your Company should pay attention to improving and implementing the internal control system, and should notify the associated person, Hsu 00, immediately upon the arrival of this Letter, and suspend him for 4 months for the violation of the regulations.

Status of improvement:

- i. The personnel training has been enhanced to strengthen legal compliance and ensure implementation of the internal control system.
- ii. After receiving the disciplinary letter, the self-checking staff has been conducting enhanced checks for 10 consecutive days, adding said findings to the daily internal audit checking items. During such period, no identical incidents was found.

**(XI) 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.:

**i. The 5th meeting of the 12th Board of Directors on March 13, 2023**

- 1) Proposal: The 2022 parent-only and consolidated financial reports.  
Resolution: The case was consulted by all the directors without objection.  
Execution: It has been announced and filed with the competent authorities in accordance with the regulations, and has been submitted to the 2023 Annual General Meeting of Shareholders for ratification..
- 2) Proposal: Proposal of 2022 remuneration for employees and directors of the Company.  
Resolution: The case was consulted by all the directors without objection.  
Execution: The remuneration was distributed as required and submitted to the 2023 annual general meeting for reporting.

- 3) Proposal: Recommendations for distribution of the profits in 2022.  
Resolution: The case was consulted by all the directors without objection.  
Execution: This motion has been submitted to the 2023 annual general meeting for ratification.
- 4) Proposal: Agenda of the 2023 Annual General Meeting of Shareholders and Period and Premises for Acceptance of Shareholders' Proposals.  
Resolution: The case was consulted by all the directors without objection.  
Execution: The relevant procedures for the 2023 shareholder's annual meeting have been announced and carried out in accordance with regulations.

**ii. The 3rd special meeting of the 12th Board of Directors on March 31, 2023**

- 1) Proposal: Recommendation of the Company's Acting Chairman  
Resolution: The proposal has been approved unanimously by all directors consulted by the chairman. Director Lee, Wen-Chu was appointed as the Acting Chairman of the Company, effective from April 1, 2023.  
Execution: The announcement and filing have been made in accordance with regulations after the recommendation.

**iii. The 6th meeting of the 12th Board of Directors on May 12, 2023**

- 1) Proposal: 2022 directors' remuneration distribution.  
Resolution: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and independent director Lee, Shen-Yi acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.  
Execution: The remuneration was distributed as required and submitted to the 2023 annual general meeting for reporting.
- 2) Proposal: Distribution of the remuneration for employees (in cash) in 2022.  
Resolution: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and independent director Lee, Shen-Yi acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.  
Execution: The remuneration was distributed as required and submitted to the 2023 annual general meeting for reporting.
- 3) Proposal: Plan for Amendments to the Company's "Rules and Procedures for Shareholders' Meetings"  
Resolution: The case was consulted by all the directors without objection.  
Execution: This resolution had been submitted to the 2023 annual general meeting for discussion and was implemented upon approval.
- 4) Proposal: Amendments to the Company's Articles of Incorporation.  
Resolution: The case was consulted by all the directors without objection.  
Execution: This resolution had been submitted to the 2023 annual general meeting for discussion and was implemented upon approval.
- 5) Proposal: Lifting of non-compete restrictions on directors.  
Resolution: This proposal (Acting Chairman and President Lee, Wen-Chu recused himself, and director Liu, Ching-Tsun acted on his behalf) was adopted without any objection upon consultation by the chairman with the directors present.  
Execution: This resolution had been submitted to the 2023 annual general meeting for review and was approved.
- 6) Proposal: Amendment to the Agenda of the 2023 annual general meeting of the Company.  
Resolution: The case was consulted by all the directors without objection.  
Execution: The relevant procedures for the 2023 shareholder's annual meeting have been announced and carried out in accordance with regulations.

**iv. The 7th meeting of the 12th Board of Directors on July 27, 2023**

- 1) Proposal: Liability insurance for directors, supervisors and essential employees of the Group in 2023.

Resolution: The case was consulted by all the directors without objection.

Execution: Renewal of insurance was completed, with the insurance term starting from September 1, 2023 and ending on September 1, 2024.

**v. The 4th special meeting of the 12th Board of Directors on November 24, 2023**

- 1) Proposal: Election of the Company's Chairman.

Resolution: Except for the abstention of independent director Shea, Jia-Dong, this proposal was adopted unanimously upon consultation by the chairman with the directors present, and Director Chou, Hsiu-Chen was appointed as the Chairman of the Company.

Execution: The announcement and filing have been made in accordance with regulations after the election.

- 2) Proposal: Changes in the Chief Information Security Officer of the Company

Resolution: The case was consulted by all the directors without objection.

Execution: Effective from December 1, 2023. The announcement and filing have been made.

**vi. The 11th meeting of the 12th Board of Directors on March 13, 2024**

- 1) Proposal: The 2023 parent-only and consolidated financial reports.

Resolution: The case was consulted by all the directors without objection.

Execution: It has been announced and filed with the competent authorities in accordance with the regulations, and has been submitted to the 2024 Annual General Meeting of Shareholders for ratification..

- 2) Proposal: Recommendations for distribution of the profits in 2023.

Resolution: The case was consulted by all the directors without objection.

Execution: This motion has been submitted to the 2023 annual general meeting for ratification.

- 3) Proposal: Amendments to the Company's Articles of Incorporation.

Resolution: The case was consulted by all the directors without objection.

Execution: This resolution has been submitted to the 2024 annual general meeting for review.

- 4) Proposal: Agenda of the 2024 Annual General Meeting of Shareholders and Period and Premises for Acceptance of Shareholders' Proposals.

Resolution: The case was consulted by all the directors without objection.

Execution: The pre-meeting operations related to 2024 AGM were proceeded, and announcement was made pursuant to regulations.

**2. Resolutions of the shareholders' meeting (annual shareholders' meeting on June 27, 2023) and their implementation:**

Item		Proposal	Resolution	Execution
Approved items	No. 1	The Company's 2022 Business Report and Financial Statements for approval.	A statutory majority voted in favor, and the proposal was approved as proposed.	To proceed as resolved during the shareholders' meeting and announce accordingly.
	No. 2	The Company's 2022 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\$0.39 (record date: July 19, 2023; date of dividend distribution: August 9, 2023).

Item		Proposal	Resolution	Execution
Discussion items	No. 1	Discussion of the proposal for amendment to the Company's "Articles of Incorporation".	A statutory majority voted in favor, and the proposal was approved as proposed.	The change was approved on July 19, 2023 by the Ministry of Economic Affairs for registration, and was announced on the Company's website.
	No. 2	Amendments to the Company's "Rules and Procedures for Shareholders' Meetings" 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 "Rules and Procedures for Shareholders' Meetings" came into force.
	No. 3	Removal of restrictions against competing business involvements by the Company's directors.	A statutory majority voted in favor, and the proposal was approved as proposed.	Pursuant to the resolution, material informaton was published on the MOPS on June 27, 2023.

**(XII) 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.**

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

April 29, 2024

Title	Name	Date On Board	Date Departed	Reasons for Resignation or Discharge
Vice Chairman	Chang, Chih-Ming	2021/9/6	2023/3/1	Resigned
Chairman	Wang, Jiunn-Chih	2012/9/3	2023/4/1	Resigned
Acting Chairman	Lee, Wen-Chu	2023/4/1	2023/11/24	Resigned

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



## (XIV) Managers, directors and supervisors of the Company and their participation in continuing education and training related to corporate governance:

### 1. Manager:

December 31, 2023

Title	Name	Course start time	Course end time	Organizer	Hours	Course Name
President	Lee, Wen-Chu	2023/06/16	2023/06/16	Securities and Futures Institute	3	Corporate Governance - Introduction to Short-term Trading by Corporate Insiders and Case Analysis
		2023/09/04	2023/09/04	Financial Supervisory Commission	3	The 14th Taipei Corporate Governance Forum_morning session
Executive Vice President	Fang, Chih-Hung	2023/02/22	2023/02/22	Trust Association of R.O.C	3	Trust Supervisors On-the-job Training
		2023/03/17	2023/03/17	Taiwan Academy of Banking and Finance	3	Trust Supervisors On-the-job Training
		2023/09/06	2023/09/06	Taiwan Securities Association	8	On-job Training of Securities Specialists
Senior Vice President	Xie, Xiu-Ying	2023/01/11	2023/01/11	Securities and Futures Institute	3	Corporate Governance M&A Practices and Case Sharing
		2023/01/12	2023/01/12	Securities and Futures Institute	3	Corporate Governance on Corporate Governance Blueprint 3.0 and Directors' Responsibilities
		2023/02/08	2023/02/08	Securities and Futures Institute	3	Corporate Governance on How Boards Use OKRs to Enhance Corporate Governance Effectiveness
		2023/03/02	2023/03/02	China Finance and Economics Development Association	3	Corporate Governance - Business Strategies for the Digital Age
		2023/03/03	2023/03/03	Taiwan Corporate Governance Association	3	Corporate Governance - Analysis of Key Messages and Responsibilities in the Annual Report: Directors' and Supervisors' Perspectives
		2023/10/25	2023/10/25	2023 International Finance Seminar	6	National Treasury Administration, Ministry of Finance
		2023/09/11	2023/09/11	Capital Securities Corporation	3	Greenhouse Gas Inventory Operations Verifier Training Course
		2023/12/21	2023/12/21	Capital Securities Corporation	3	Building for the Future, ESG in Action
Vice President	Lai, Ai-Wen	2023/03/06	2023/03/10	Taiwan Securities Association	15	On-job Training of Securities Specialists
		2023/09/04	2023/09/05	Taiwan Securities Association	6	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2023/09/20	2023/09/20	Taiwan Academy of Banking and Finance	3	Trust Supervisors On-the-job Training
		2023/09/20	2023/09/20	Trust Association of R.O.C	3	Trust Supervisors On-the-job Training
		2023/10/19	2023/10/20	Taiwan Securities Association	6	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
Executive Vice President	Huang, Chi-Ming	2023/02/22	2023/02/22	Trust Association of R.O.C	3	Trust Supervisors On-the-job Training
		2023/05/05	2023/05/05	Taiwan Stock Exchange Corporation	4	2023 Amendment to the "Criteria Governing Internal Control Systems of Securities Firms"
		2023/06/14	2023/06/14	Securities and Futures Institute	8	2023 Laws and Regulation Compliance Dissemination of the Securities Industry
		2023/06/16	2023/06/16	Taiwan Futures Exchange Corporation	3	2023 Futures Commission Merchant and Introducing Broker Internal Control System Amendments
		2023/09/06	2023/09/06	Taiwan Securities Association	8	2023 Securities Firms Executive Seminar
Executive Vice President	Wang, Ya-Fang	2023/05/19	2023/05/19	Capital Securities Corporation	1	Interpreting and Analyzing Pension Actuarial Reports
Executive Vice President	Chou, Hsien-Yang	2023/01/10	2023/01/10	Taiwan Securities Association	3	Under the ESG wave, companies should prioritize social responsibility and regulatory compliance.
		2023/05/16	2023/05/16	Taiwan Securities Association	3	Recent Trends in ESG: For Securities - Financial - Industry Sustainability Strategies
		2023/05/17	2023/05/17	Taiwan Securities Association	3	How enterprises construct the financial investment risk and reward management platform
		2023/05/31	2023/05/31	Trust Association of R.O.C	3	Trust Supervisors On-the-job Training
		2023/12/12	2023/12/12	Securities and Futures Institute	3	ESG Information Disclosure Strategy in the Era of Sustainability Trends
Senior Vice President	Xie, Hui-Ya	2023/09/12	2023/09/12	Taiwan Securities Association	3	Entrusted with the purchase and sale of foreign securities laws and professional ethics
Vice President	Tsai, Wen-Chuan	2023/07/11	2023/07/11	Taiwan Securities Association	3	Response and Countermeasures for Enterprises under the Changing Global Financial Situation
		2023/09/19	2023/09/19	Taiwan Securities Association	3	Corporate Fraud Liability and Case Studies
		2023/09/19	2023/09/19	Taiwan Securities Association	3	How enterprises construct the financial investment risk and reward management platform
		2023/09/20	2023/09/20	Taiwan Securities Association	3	Preparation, key reviewing points, interpretation and analysis of financial statements
		2023/03/06	2023/03/10	Taiwan Securities Association	15	On-job Training of Securities Specialists
Executive Vice President	Kuo, Nien-Qing	2023/05/29	2023/06/02	Taiwan Securities Association	15	On-job Training of Securities Specialists
		2023/07/03	2023/07/03	Capital Securities Corporation	1	Quantitative Trading Experience Sharing
		2023/11/29	2023/12/20	Capital Securities Corporation	9	Calculation of Market Value at Risk VaR
Senior Assistant Manager	Yang, Jie-Bin	2023/09/06	2023/09/06	Taiwan Securities Association	8	On-job Training of Securities Specialists
Senior Vice	Xu, Tsui-Yun	2023/06/29	2023/06/30	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
		2023/09/06	2023/09/06	Capital Securities Corporation	2	2023 Capital Securities Love Reading Program -

Title	Name	Course start time	Course end time	Organizer	Hours	Course Name
President						How to Use Board Games and Picture Books to Teach Children Financial Literacy
Executive Vice President	Zhang, Jia-Wen	2023/02/17	2023/02/17	Taiwan Securities Association	3	Corporate Governance - Sustainability and Carbon Management under Net-Zero Emissions Policy
Executive Vice President	Chiu, Tsan-Hsi	2023/09/06	2023/09/06	Securities and Futures Institute	3	Corporate Governance_Business Judgment Rules and Case Studies
		2023/02/23	2023/02/23	Taiwan Securities Association	3	Corporate Governance - Preparation, key reviewing points, interpretation and analysis of financial statements
		2023/12/21	2023/12/21	Capital Securities Corporation	3	Building for the Future, ESG in Action
Vice President	Yen, Yu-Tung	2023/02/17	2023/02/17	Taiwan Securities Association	3	Corporate Governance - Sustainability and Carbon Management under Net-Zero Emissions Policy
		2023/02/23	2023/02/23	Taiwan Securities Association	3	Corporate Governance - Preparation, key reviewing points, interpretation and analysis of financial statements
		2023/12/21	2023/12/21	Capital Securities Corporation	3	Building for the Future, ESG in Action
Senior Vice President	Tseng, Mei-Ling	2023/03/02	2023/03/02	Taiwan Stock Affairs Association	3	Corporate Governance - Corporate Governance Trends and Future Prospects
		2023/12/07	2023/12/07	Taiwan Stock Affairs Association	3	Announcement of Recent Amendments to Shareholding and Share-related Laws and Regulations
Executive Vice President	Lin, Yan-Fen	2023/12/02	2023/12/02	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
Senior Vice President	Chen, Pei-Qi	2023/09/06	2023/09/06	Taiwan Securities Association	8	On-job Training of Securities Specialists
		2023/12/02	2023/12/02	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
Executive Vice President	Wang, Juan-Hui	2023/03/17	2023/03/18	Chinese National Futures Association	12	On-job Training of Futures Specialists
		2023/05/25	2023/06/02	Taiwan Securities Association	12	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2023/06/29	2023/06/30	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
		2023/09/06	2023/09/06	Taiwan Securities Association	8	On-job Training of Securities Specialists
		2023/04/13	2023/04/13	Trust Association of R.O.C	3	Trust Supervisors Pre-Service Training
Executive Vice President	Hung, Hsin-Ru	2023/04/11	2023/04/13	Taiwan Academy of Banking and Finance	12	On-the-job Training for Trust Administrators
		2023/12/06	2023/12/06	Capital Securities Corporation	1.5	Business Service Etiquette
		2023/09/06	2023/09/06	Taiwan Securities Association	8	On-job Training of Securities Specialists
Executive Vice President	Ma, Jia-Huan	2023/09/20	2023/09/20	Trust Association of R.O.C	3	Trust Supervisors On-the-job Training
		2023/12/20	2023/12/20	Taiwan Academy of Banking and Finance	3	Trust Supervisors On-the-job Training
Senior Vice President	Zheng, Yu-Ling	2023/02/13	2023/02/13	Taiwan Academy of Banking and Finance	12	On-the-job Training for Trust Administrators
		2023/02/02	2023/02/03	Taiwan Securities Association	6	Wealth Management Business on-the-job training
		2023/09/06	2023/09/06	Taiwan Securities Association	8	On-job Training of Securities Specialists

## 2. Directors and supervisors:

December 31, 2023

Title	Name	Date	Organizer	Course Name	Hours of continuing education: (hours)
Chairman	Tai He Real Estate Management Co., Ltd. Representative: Chou, Hsiu-Chen	2023/07/05	Taiwan Academy of Banking and Finance	Anti-Money Laundering and Principles for Fair Treatment of Customers	3.1
		2023/08/16	Taiwan Academy of Banking and Finance	Net-Zero Emission Policy and Carbon Management Trends and Responses	3.5
		2023/10/17	Taiwan Academy of Banking and Finance	Trends in Financial Technology and Cybersecurity Risks	3.5
Director and President	Representative of Yin Feng Enterprise Co., Ltd.: Lee, Wen-Chu	2023/06/16	Securities and Futures Institute	Introduction to Short-term Trading by Corporate Insiders and Case Analysis	3
		2023/09/04	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum_morning session	3
Director	Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun	2023/08/15	Taiwan Securities Association	ChatGPT Technology Development and Application Opportunities	3
		2023/09/20	Taiwan Securities Association	Legal Liability and Case Analysis of "Trade Secret Protection"	3
Director	Representative of Yin Feng Enterprise Co., Ltd.: Fu, Chien-Yi	2023/06/15	Securities and Futures Institute	Board of Directors Performance Evaluation	3
		2023/08/24	Taiwan Stock Exchange Corporation	Seminar on Advocating Strategies for Sustainable Development Transition in the Securities Industry	3
		2023/09/20	Taiwan Securities Association	Legal Liability and Case Analysis of "Trade Secret Protection"	3
		2023/10/13	Securities and Futures Institute	Carbon Trading Mechanisms and Corporate Management Applications (Online Course)	3
Director	Hung Lung Enterprise Co., Ltd. Representative: Wang, Wan-Ling	2023/10/13	Securities and Futures Institute	Carbon Trading Mechanisms and Corporate Management Applications (Online Course)	3
		2023/12/15	Corporate Operating and Sustainable Development Association	Board Compliance Practices and Directors' and Supervisors' Liabilities and Case Studies	3

Title	Name	Date	Organizer	Course Name	Hours of continuing education: (hours)
		2023/12/20	Taipei Financial Research and Development Foundation	Low Carbon Transition Pathway Planning - Carbon Rights and Carbon Pricing (Online Course)	3
		2023/12/22	Taipei Financial Research and Development Foundation	Financial Friendly Service Guidelines (Online Course)	2
		2023/12/25	Taipei Financial Research and Development Foundation	Introduction to Natural Carbon Sink (Online Course)	2
Director	Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi	2023/12/23	Accounting Research and Development Foundation	New Updates in International Sustainability Disclosure Standards (Online Course)	3
Director	Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching	2023/08/24	Taiwan Stock Exchange Corporation	Seminar on Advocating Strategies for Sustainable Development Transition in the Securities Industry	3
		2023/11/17	Securities and Futures Institute	Discussion of practice of AMT/CFT	3
		2023/12/08	Securities and Futures Institute	Challenges and Responsibilities of the Board of Directors in Corporate Governance Evaluation Indicators and Sustainable Actions	3
		2023/12/15	Taiwan Academy of Banking and Finance	Fintech serious (18th term) - Financial Corporate Governance and Ethical Culture	3
Director	Kwang Hsing Industrial Co., Ltd. Representative: Zhang, Yi-Ping	2023/03/29	Corporate Operating and Sustainable Development Association	Reform of Shareholder Meetings and Case Studies	3
		2023/05/25	Taiwan Insurance Institute	New Trends in Green Energy Investment - Taiwan Renewable Energy Market and Trends - Sharing from Renewable Energy Companies	3
		2023/09/20	Corporate Operating and Sustainable Development Association	ESG Trends, Pandemics on Global Tax Reform, and Corporate Tax Governance	3
		2023/11/14	Taiwan Securities Association	Legal liabilities of directors, supervisors, and managers of enterprises and case study.	3
Independent Director	Shea, Jia-Dong	2023/03/16	Taiwan Academy of Banking and Finance	Corporate Governance Lecture Series (Session 142) - Corporate Social Responsibility and Sustainable Governance	3
		2023/04/13	Taiwan Academy of Banking and Finance	Corporate Governance Lecture Series (Session 142) - Analysis of Practical Cases on Criminal Liability of Directors and Supervisors	3
		2023/06/14	Securities and Futures Institute	Analysis of Key Points for Corporate Governance Evaluation that Directors and Supervisors Should Pay Attention to	3
		2023/08/15	Taiwan Securities Association	ChatGPT Technology Development and Application Opportunities	3
Independent Director	Lee, Shen-Yi	2023/05/31	Taiwan Academy of Banking and Finance	Corporate Governance Lecture Series - Fintech Series (Session 15) - The Impact of ChatGPT in the Financial Sector and Response Strategies	3
		2023/06/16	Securities and Futures Institute	Introduction to Short-term Trading by Corporate Insiders and Case Analysis	3
		2022/09/23	Securities and Futures Institute	Application of Carbon Emissions Trading Mechanisms and Carbon Management	3
Independent Director	Lin, Tsalm-Hsiang	2023/02/15	Taipei Financial Research and Development Foundation	Trends in Sustainable Development and Sustainable Governance (Online Course)	3
		2023/06/20	Securities and Futures Institute	How Directors and Supervisors Should Supervise Corporate Risk Management and Crisis Handling	3
		2023/08/09	Taiwan Corporate Governance Association	RSG Internalized Corporate Governance Course	3

#### (XV) Qualification of personnel associated with financial transparency:

Name of certification	Auditing Department (27 persons)	Finance Department (40 attendees)	Risk Management Department (5 attendees)
Securities specialist	10	11	2
Senior securities specialist	23	12	3
Securities investment analyst			1
Margin trading and short sale	12	2	1
Securities lending	3		
Futures specialist	21	4	5
Securities investment trust and consulting professional	10	6	
Laws and regulations (including self-regulating rules) concerning securities investment trust and consulting	2	1	
Bill finance specialist	2	2	

Name of certification	Auditing Department (27 persons)	Finance Department (40 attendees)	Risk Management Department (5 attendees)
Life insurance representative	11	2	1
Investment-linked insurance representative	8		
Non-life insurance representative	9	2	
Qualification for non-investment foreign currency insurance products	8	2	
Wealth management specialist	15	1	
Stock affair specialist	1		
Bonds specialist	1		
Trust specialist	13	7	1
Trust manager	1		
Trust supervisors	1		1
Trust laws	1	1	
Structured instrument specialist	1		1
Passed the CPA examination	1	1	
Bookkeeper		2	
Seminar for new internal auditors in the securities industry	15		
Seminar for new internal auditors in the futures industry	2		
Bank internal control and internal audit		2	
Advanced securities capital adequacy ratio calculation and reporting personnel	8	14	5
Chartered Financial Analyst (CFA)			
Financial Risk Manager (FRM)			2
Professional Risk Manager (PRM)			1
Derivative sales personnel	2		
Foreign currency derivative course	4	4	1
Conducting Courses for 12-Hour Training of Foreign Exchange Spot Transactions		18	1
Proficiency test for junior credit specialist		1	
Certified Anti-Money Laundering Specialist (CAMS)	1		
AML and CTF Specialist Exam	1	1	
AML and CTF 12-hour courses	2		
AML and CTF 24-hour courses	3		
Total	192	96	26

## V. Disclosure of CPA professional service fee:

### 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 2023 ~ December 2023	4,030	870	4,900	
	Chen, Yi-Jen					

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, and the assurance service fee for sustainability report.

- (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.

## VI. Replacement of CPA:

### (I) Regarding the former certified public accountant

Date of replacement	January 12, 2023		
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	CPA		
	Status	CPA	The Company
	Voluntarily ended the engagement	V	
	Declined (discontinue) further engagement		
Issuance of an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	N/A		
Disagreement from the issuer	Yes		Accounting principles or practices
			Financial report disclosure
			Auditing scope or procedure
			Other
	N/A	V	
	Description		
Supplementary disclosure (disclosures specified in Article 10.6.1.4~7 of the Standards)	N/A		

### (II) Regarding the successor certified public accountant

Name of the successor accounting firm	KPMG
Name of CPA	Wu, Cheng Yen/ Chen, Yi Jen
date of engagement.	January 12, 2023
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	N/A
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.	N/A

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



**VII. Where the company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:**  
None

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

Title	Name	2023		As of April 29 of the current year	
		No. of increase (decrease) in shares held	No. of increase (decrease) in shares pledged	No. of increase (decrease) in shares held	No. of increase (decrease) in shares pledged
Chairman	Tai He Construction Management Co., Ltd. Representative: Chou, Hsiu-Chen	0	0	0	0
Director	Yin Feng Enterprise Co., Ltd. Representative: Liu, Ching-Tsun	0	0	0	0
Director	Yin Feng Enterprise Co., Ltd. Representative: Lee, Wen-Chu	0	0	0	0
Director	Yin Feng Enterprise Co., Ltd. Representative: Fu, Chien-Yi	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: Kuo, Yuh-Chyi	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: Tsai, I-Ching	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: Chu, Shu-Er	0	0	0	0
Director	Kwang Hsing Industrial Co., Ltd. Representative: Zhang, Yi-Ping	0	0	0	0
Independent Director	Shea, Jia-Dong	0	0	0	0
Independent Director	Lee, Shen-Yil	0	0	0	0
Independent Director	Lin, Tsalm-Hsiang	0	0	0	0

Title	Name	2023		As of April 29 of the current year	
		No. of increase (decrease) in shares held	No. of increase (decrease) in shares pledged	No. of increase (decrease) in shares held	No. of increase (decrease) in shares pledged
President	Lee, Wen-Chu	0	0	0	0
Senior Vice President	Lin, Jing-Hua	0	0	0	0
Vice President (Legal Compliance Officer)	Lai, Ai-Wen	0	0	0	0
Senior Vice President	Chang, Tun-Fu	0	0	0	0
Senior Vice President (Chief Corporate Governance Officer)	Xie,Xiu-Ying	0	0	0	0
Executive Vice President	Huang, Chi-Ming	(17,000)	0	0	0
Senior Vice President	Huang, Sheng-Kai	0	0	0	0
Executive Vice President	Wang, Ya-Fang	0	0	0	0
Senior Vice President	Lin, Bo-Wei	0	0	0	0
Senior Vice President	Zhang, Li-Fen	0	0	0	0
Executive Vice President	Wu, Yun- Wen	0	0	0	0
Senior Vice President	Liu, Shu-Ru	0	0	0	0
Executive Vice President	Chou, Hsien-Yang	0	0	0	0
Senior Vice President	Xie, Hui-Ya	0	0	0	0
Senior Assistant Manager (Chief Securities Custodian Officer)	Pan, Chi-Wen	0	0	0	0
Executive Vice President	Kuo, Nien-Qing	0	0	0	0
Senior Executive Vice President	Yang, Jie-Bin	0	0	0	0
Senior Vice President	Xu, Tsui-Yun	0	0	0	0
Senior Vice President	Kan, Kai-Chung	0	0	0	0
Senior Vice President	He, Yu-Wen	0	0	0	0
Executive Vice President	Chiu, Tsan-Hsi	0	0	0	0
Senior Vice President	Chung, Chi-Yao	0	0	0	0
Senior Vice President	Chen, Yi-Ren	0	0	0	0
Senior Vice President	Tseng, Mei-Ling	0	0	0	0
Executive Vice President	Lin, Yan- Fen	0	0	0	0
Senior Vice President	Chen, Pei-Qi	0	0	0	0
Senior Vice President	Zhang, Jing-Yao	0	0	0	0
Senior Vice President	Tu, Tsung-En	0	0	0	0
Senior Vice President	Chang, Yu-Ching	0	0	0	0
Executive Vice President	Wang, Juan-Hui	0	0	0	0
Senior Vice President	Ye, Yu-Zhen	0	0	0	0

Title	Name	2023		As of April 29 of the current year	
		No. of increase (decrease) in shares held	No. of increase (decrease) in shares pledged	No. of increase (decrease) in shares held	No. of increase (decrease) in shares pledged
Executive Vice President	Hung, Hsin-Ru	0	0	0	0
Senior Vice President	Huang, Qi	1,088	0	0	0
Senior Vice President	Wang, Qin-Jie	0	0	0	0
Senior Vice President	Chang, Chin-Jung	0	0	0	0
Executive Vice President	Ma, Jia-Huan	519,100	0	27,300	0
Executive Vice President	Chen, Wei-Ting	0	0	0	0
Senior Vice President	Huang, Zhi-Hua	0	0	0	0
Senior Vice President	Zheng, Yu-Ling	0	0	0	0
Senior Vice President	Huang, Yi-Lian	0	0	0	0
Senior Vice President	Wu, Qing-Yan	0	0	0	0
Senior Vice President	Cao, Hou-Sheng	0	0	0	0
Senior Vice President	Zhang, Xue-He	0	0	0	0
Senior Vice President	Liu, Pin-Chen	0	0	0	0
Senior Vice President	Ma, Shao-Hong	0	0	0	0
Senior Vice President	Liu, Xiang-Li	0	0	0	0
Senior Vice President	Lee, Kuei-Rong	0	0	0	0
Senior Vice President	Zhu, De-Ren	0	0	0	0
Vice President	Wu, Hong-Zhi	0	0	0	0
Manager	Cheng, Ya-Yun	0	0	0	0
Manager	Chu, Wei-Shuo	0	0	0	0
Vice President	Zhang, Ren-Fang	0	0	0	0
Vice President	Chang, Chun-Fu	0	0	0	0
Vice President	Zhao, Zhi-Ming	0	0	0	0
Manager	Wang, Hsin-Hui	0	0	0	0
Vice President	Li, Xiang-Jun	0	0	0	0
Vice President	Chung, Yi-Qian	0	0	0	0
Manager	Zhou, Yun-An	0	0	0	0
Manager	Wu, Qi-Ying	0	0	0	0
Vice President	Tian, Chih-Min	0	0	0	0
Vice President	Huang, Shih-Chung	0	0	0	0
Vice President	Peng, Gui-Cong	0	0	0	0
Manager	Li, Yi-Chih	0	0	0	0
Vice President	Kai, Shi-Hua	0	0	0	0
Vice President	Yen, Chia-Yueh	0	0	0	0
Manager	Lin, Chang-Tzu	0	0	0	0

Title	Name	2023		As of April 29 of the current year	
		No. of increase (decrease) in shares held	No. of increase (decrease) in shares pledged	No. of increase (decrease) in shares held	No. of increase (decrease) in shares pledged
Vice President	Ku, Pei-Ching	0	0	0	0
Vice President	Chen, Xuan-Zhi	0	0	0	0
Vice President	Yang, Kun-Long	0	0	0	0
Vice President	Yang, Yan-Qiu	0	0	0	0
Vice President	Tsai, Xin-Dai	0	0	0	0
Vice President	Li, Chih-Chiang	0	0	0	0
Manager	Wu, Fen-Fang	0	0	0	0
Vice President	Xu, Li-Fen	0	0	0	0
Vice President	Cai, Qing-Fen	0	0	0	0
Manager	Fang, Po-Xiang	0	0	0	0
Manager	Yeh, Meng-Rong	0	0	0	0
Manager	Hong, Yan-Chang	0	0	0	0
Vice President	Chen, Mei-Ru	0	0	0	0
Vice President	Wu, Chen-Yi	0	0	0	0
Manager	Chen, Hui-Zhen	0	0	0	0
Vice President	Li, Shu-Yu	0	0	0	0
Vice President	Tang, Wen-Ji	0	0	0	0
Manager	Chen, Chun-Chi	0	0	0	0
Senior Vice President	Li, Mu-Xian	0	0	0	0
Vice President	Chen, Zhi-Shan	0	0	0	0
Manager	Huang, Miao-Yin	0	0	0	0
Vice President	Hai, Yan	0	0	0	0
Manager	Yeh, You-Ching	0	0	0	0
Manager	Wang, Xiang	0	0	0	0
Manager	Yeh, Ding-Sheng	0	0	0	0
Vice President	Lin, Jing-Wen	0	0	0	0
Vice President	Zheng, Yu-Chang	918	0	8,000	0
Vice President	Deng, Xue-Ren	0	0	0	0
Senior Vice President	Pan, Hui-Mei	(2,000)	0	(3,000)	0
Senior Vice President	Chiu, Xi-Chuan	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.

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

As of April 29, 2024  
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. (Note 3)		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%	0	0	0
Bao Zuo Investment Co., Ltd. Representative: Liao, Chien-Hung	75,871,574	3.50%	0	0.00%	0	0.00%	0	0	0
Bao Sheng Investment Co., Ltd. Representative: Hsieh, Yu-Ting	72,313,817	3.33%	0	0.00%	0	0.00%	0	0	0
Tai Sheng Investment Co., Ltd. Representative: Wang, Chun-Fu	71,454,831	3.29%	0	0.00%	0	0.00%	0	0	0
Fubon Taiwan high dividend 30 ETF No Representative	67,567,000	3.11%	0	0.00%	0	0.00%	0	0	0
Hong Chia Investment Co., Ltd. Representative: Shen, Hui-Chuan	64,689,914	2.98%	0	0.00%	0	0.00%	0	0	0
Min Huei Enterprise Co., Ltd. Representative: Wang, Hui-Jin	61,245,459	2.82%	0	0.00%	0	0.00%	0	0	0
Hontai Life Insurance Co., Ltd. Representative: Li, Chi-Hsien	60,702,749	2.80%	0	0.00%	0	0.00%	0	0	0
Bao Qing Investment Co., Ltd. Representative: Yang, Shu-Huei	60,338,725	2.78%	0	0.00%	0	0.00%	0	0	0
Hung Lung Enterprise Co., Ltd. Representative: Liao, Chien-Hung	50,871,288	2.34%	0	0.00%	0	0.00%	0	0	0

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.

Note 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.

Note 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.

**X. 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, 2023

Invested 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 Co.,Ltd.	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 Co.,Ltd.	119,066,014	56.58%	443,538	0.21%	119,509,552	56.79%
Capital Insurance Advisory Co.,Ltd.	500,000	100.00%	—	—	500,000	100.00%
Capital Insurance Agency Co.,Ltd. (Note 2)	740,000	100.00%	—	—	740,000	100.00%
CSC Venture Capital Co.,Ltd.	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 Co.,Ltd.	33,067,507	20.00%	—	—	33,067,507	20.00%

Note 1: Investee business which is recognized as long term investments under equity method.

Note 2: The liquidation was completed on November 30, 2023, and the remaining assets were distributed on January 16, 2024.



### I. Capital and shares

#### (I) Source of capital and share category:

##### 1. Sources of share capital

As of April 29, 2024  
Unit: thousand shares / NT\$ thousand

Year /month	Issued price (NTD)	Authorized capital		Paid-up capital		Remarks		
		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	N/A	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	N/A	Note 2
2015.11	10	3,000,000	30,000,000	2,319,073	23,190,730	Reduced share capital by NT\$500,000 thousand	N/A	Note 3
2016.02	10	3,000,000	30,000,000	2,269,073	22,690,730	Reduced share capital by NT\$500,000 thousand	N/A	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	N/A	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	N/A	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	N/A	Note 7

Note 1: Authority's approval date and reference: Letter No. Jin-Guan-Zheng-Quan-1000009983 dated March 18, 2011.  
 Note 2: Authority's approval date and reference: Letter No. Jin-Guan-Zheng-Quan-1000031788 dated July 11, 2011.  
 Note 3: Authority's approval date and reference: Letter No. Jin-Guan-Zheng-Jiao-1040045464 dated November 10, 2015.  
 Note 4: Authority's approval date and reference: Letter No. Jin-Guan-Zheng-Jiao-1050001350 dated January 14, 2016.  
 Note 5: Authority's approval date and reference: Letter No. Jin-Guan-Zheng-Jiao-1060001490 dated January 13, 2017.  
 Note 6: Approved under Letter No. Jing-Shou-Shang-10701117580 with acknowledgment from Securities and Futures Bureau, Financial Supervisory Commission, on July 12, 2018 and Ministry of Economic Affairs on September 25, 2018.  
 Note 7: Date of approval by the competent authority and document no.: Approved by Letters Jin-Guan-Zheng-Jiao-Zi No. 1090300266, 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: N/A.

#### (II) Shareholder Structure

April 29, 2024

Shareholder Structure	Government Agencies	Financial Institutions	Other Institutional Investors	Domestic Natural Persons	Foreign Institutions & Individuals	Total
Quantity						
Number of shareholders	7	11	444	105,649	328	106,439
No. of shares held	39,357,371	102,983,684	1,028,594,510	631,835,926	368,136,606	2,170,908,097
Shareholding percentage	1.81%	4.74%	47.38%	29.11%	16.96%	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.

**(III) Shareholding Distribution Status**

April 29, 2024

Class of Shareholding	Number of Shareholders	No. of shares held	Shareholding percentage
1 ~ 999	46,441	7,424,823	0.34%
1,000 ~ 5,000	39,505	90,201,107	4.17%
5,001 ~ 10,000	9,467	73,167,565	3.37%
10,001 ~ 15,000	3,580	45,251,476	2.08%
15,001 ~ 20,000	2,172	40,016,062	1.84%
20,001 ~ 30,000	1,857	46,843,118	2.16%
30,001 ~ 40,000	850	30,225,394	1.39%
40,001 ~ 50,000	596	27,629,325	1.27%
50,001 ~ 100,000	1,022	72,898,416	3.36%
100,001 ~ 200,000	454	64,164,946	2.96%
200,001 ~ 400,000	213	58,473,774	2.69%
400,001 ~ 600,000	77	37,414,505	1.72%
600,001 ~ 800,000	27	18,896,415	0.87%
800,001 ~ 1,000,000	24	21,906,933	1.01%
1,000,001 or over (based on Company's self-classification)	154	1,536,394,238	70.77%
Total	106,439	2,170,908,097	100.00%

**(IV) Name of major shareholder**

Shares Name of major shareholder	No. of shares held	Shareholding percentage
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%
Fubon Taiwan high dividend 30 ETF	67,567,000	3.11%
Hong Chia Investment Co., Ltd.	64,689,914	2.98%
Min Huei Enterprise Co., Ltd.	61,245,459	2.82%
Hontai Life Insurance 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%

**(V) 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 (2024):**

Year		2022	2023	As of March 31 of the current year (2024) (Note 8)	
Item					
Market price per-share (Note 1)	Highest	17.35	16.4	19.30	
	Lowest	9.74	10.7	15.50	
	Average	13.36	13.99	17.87	
Net worth per-share (Note 2)	Before distribution	16.47	18.54	--	
	After distribution	16.08	--	--	
Earnings per-share	Weighted average outstanding shares (in thousands)	2,170,908	2,170,908	2,170,908	
	Earnings per share (Note 3)	0.39	1.9	--	
Dividend per-share	Cash dividend		0.39	Note 9	--
	Stock dividend	From earnings	--	Note 9	--
		From capital surplus	--	Note 9	--
	Accumulated unpaid dividend (Note 4)		--	Note 9	--
Investment return analysis	PE (Note 5)	34.26	7.36	--	
	PD (Note 6)	34.26	Note 9	--	
	Cash dividend yield (Note 7)	2.92%	Note 9	--	

\* 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 table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

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 stock dividends were issued, EPS are disclosed in amounts before and after retrospective adjustments.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year is disclosed separately.

Note 5: P/E ratio = average closing price per share for the year / earnings per share.

Note 6: Price to dividends ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for 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.

Note 9: As of the printing date of this annual report, the 2023 earnings distribution has yet been resolved by the Shareholders Meeting.

**(VI) 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\$2,887,307,769 (NT\$1.33 per share) from the Company's 2023 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.

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

**(VIII) Remunerations of employees, directors and supervisors:**

**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 it 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 2022 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 May 17, 2024, the Board of Directors adopted a resolution to distribute NT\$73,000,000 as remuneration for employees and NT\$17,926,027 as remuneration for directors; all in the form of 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 (2023)	Remuneration to employees	Remuneration for directors
Estimated amount recognized as expense of the year (A)	92,458,600	138,689,400
Amount to be distributed as per the resolution of the Board of Directors (B)	73,000,000	17,926,027
Difference (A - B)	19,458,600	120,763,373
Treatment of difference	Previous estimates were made based on unaudited profit and loss; the difference will be treated as a change of accounting estimate and adjusted to 2024 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: None.

4. **Actual distribution of the remuneration for employees and directors (including the number of shares distributed, amount and share price) in the previous year (2022). Where there is any difference with the recognized remuneration for employees, directors and supervisors, the amount of difference, reasons and treatment shall be described:**

Unit: NTD

Item (2022)	Remuneration to employees	Remuneration for directors
Estimated amount recognized as expense of the year (A)	16,731,000	20,404,000
Amount to be distributed as per the resolution of the Board of Directors (B)	8,197,353	10,929,804
Difference (A - B)	8,533,647	9,474,196
Treatment of difference	Previous estimates were made based on unaudited profit and loss; the difference will be treated as a change of accounting estimate and adjusted to 2023 profit and loss.	

**(IX) Status of stock repurchase by the Company: None.**

**II. Status of corporate bonds: None.**

**III. Status of preferred stock: None.**

**IV. Status of overseas depositary receipts: None.**

**V. Status of employee share subscription warrant: None.**

**VI. Status of new restricted employee shares: None.**

**VII. New shares issued for merger or acquisition: None.**

**VIII. Status of financing plans and implementation: None.**

# V. Operation Overview

## I. Business activities

### (I) Scope of business

#### (1) Primary operating activities

- Trading securities in the centralized exchange market on an engaged basis
- Trading securities at its business offices on an engaged basis
- Margin trading and short sale of securities
- Trading foreign securities on an engaged basis
- Agency of stock affairs in relation to securities
- Trading securities in the centralized exchange market on its own
- Trading securities at its business offices on its own
- Underwriting of securities
- Short-term notes brokerage
- Short-term notes proprietary trading
- Securities introducing broker
- Securities borrowing and lending (except for book-entry central government securities).
- Money borrowing and lending in connection with securities business.
- Wealth management
- Acting as custodian institution for overseas Chinese and foreigners
- Derivatives business
- Unrestricted money lending business
- Trading foreign securities on an engaged basis (high assets customer)
- Trading all types of bonds at own business premises (high assets customer)
- Spot foreign exchange transactions related to securities business
- Securities investment consulting service
- Other securities-related services approved by the competent authority

#### (2) Percentages of operating revenues during the most recent 3 years

Unit: NTD thousands

Year	2021		2022		2023	
Product category	Amount	%	Amount	%	Amount	%
Brokerage	7,824,703	72	5,100,616	90	5,528,245	52
Proprietary trading	2,732,442	25	196,311	4	4,766,977	45
Underwriting	382,153	3	346,285	6	309,887	3
Total	10,939,298	100	5,643,212	100	10,605,109	100

#### (3) 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, convertible corporate bond 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).



Service categories	Main purpose or function
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	Operations including tradings of domestic and foreign bonds, bond derivatives, ETF, REITS, short-term financing, spot foreign exchange and the derivatives thereof; 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. Brokerage and securities investment advisory services, futures investment advisory service
2. Accelerate the development of quantitative trading services.
3. Promote foreign currency customer ledgers of securities firm's settlement account service
4. Securities dealer and proprietary futures trading
5. Expand Corporate Business in Southeast Asian Markets using CSC Securities (HK) as a Platform.

## (II) Industry overview:

### 1. Current status and development of the industry:

Looking at the overall securities market in 2023 (see details in the table below), except for the decline in trading volume of TWSE-listed TDR/ETF and TPEX-listed bonds, all others show growth. The total TWSE trading volume increased by 12.81% compared to the previous year, while TPEX trading volume grew by 9.69%.

### Securities Market Trade Volume in the Last 3 Years

Unit: NTD billions

Year	2021	2022	2023	Increase/Decrease in 2023
<b>TWSE</b>				
Shares	92,289.97	56,080.59	63,170.25	12.64%
ETF	2,454.48	2,938.09	3,454.32	17.57%
Beneficiary securities	5.31	9.43	36.58	287.91%
Stock warrants	681.15	531.21	531.64	0.08%
TDR + ETN	86.08	14.42	13.39	-7.14%
Subtotal	95,516.99	59,573.74	67,206.18	12.81%
<b>TPEX</b>				
Shares	20,275.96	14,878.66	16,847.45	13.23%
Stock warrants	177.41	133.74	171.80	28.46%
ETF+ETN	249.64	230.08	1,238.06	438.10%
Bond	29,171.37	29,956.55	29,461.27	-1.65%

Year	2021	2022	2023	Increase/Decrease in 2023
Subtotal	49,874.38	45,199.03	47,718.58	5.57%
Total	145,391.37	104,772.77	114,924.76	9.69%
Excluding bonds	116,220.00	74,816.22	85,463.49	14.23%

Source: TWSE, TPEX.

In recent years, Taiwan's financial market has continued to open under the leadership of the Financial Supervisory Commission (FSC), moving towards directions such as sound operation of financial institutions, maintaining financial stability, and promoting the development of financial markets. According to the FSC's six major policy guidelines for 2024, the securities industry will continue to expand its business scope, diversify its products and investment channels, implement inclusive finance, enhance financial literacy among the public, and strengthen consumer protection.

Furthermore, as sustainable operation becomes increasingly important, key challenges for the securities finance industry will include enhancing resilience to climate risks, strengthening cybersecurity capabilities, and implementing responsible investments to support sustainable economic activities. Therefore, the securities finance industry should leverage its innovation capabilities to continuously promote and popularize the use of fin-tech, strengthen corporate governance and ethical management, enhance employee value and human resources, and improve resilience in financial cybersecurity and risk management. Only by doing so can the industry continue to create value for shareholders and society on the path of sustainable operation.

## 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:

Securities brokers, in addition to their traditional role as entrusted buying and selling and channels for selling various financial products, have expanded their service scope and convenience through digitalization and diversification trends. This expansion includes adding online channels alongside physical ones to serve customers, thereby broadening the scope of services offered. Moreover, with regulatory agencies continuously opening up regulations related to electronic services, brokerage businesses can meet various transaction and service needs of customers through various types of apps. For example, customers can handle all procedures from account opening to stock trading using only their mobile phones and telephones, without the need to go out. If they need to conduct other transactions such as unrestricted money lending, securities borrowing/lending, or dollar-cost averaging investments, they only need to add identity verification mechanisms to proceed.

To assist securities dealers in their digital development and deepen the provision of digital services, facilitating flexible use of their human resources and physical locations while ensuring risk management, the regulatory authority has issued the Guidelines on Digital Services for Securities Dealers. Through technology and the internet, securities dealers can provide financial services to customers in the form of digital experience zones and customer service centers. Therefore, in the future, securities dealers can operate through physical,

online, or hybrid methods according to their own business strategies, resources, and advantages. This approach allows securities dealers to provide inclusive financial services across both physical and digital channels, offering customers a variety of user-friendly experiences. Customers can also experience the latest technological trends through digital interfaces. This approach helps reduce the digital divide, promotes digital value, and enables securities dealers to fulfill their corporate social responsibility, advancing towards sustainable operations.

## (2) Underwriting:

The capital market plays a crucial role in the financial system. Its main function is to assist entities in raising funds in public markets, supporting the development of the economy, and attracting domestic and foreign funds to participate, thereby enhancing efficiency and liquidity. In 2020, the regulatory authority put forward a capital market blueprint. With the core value of establishing an ecosystem for the mutual benefit and prosperity of capital market participants, it promoted five major strategies to achieve four main goals: sustainable development, inclusive finance, enhanced competitiveness, and investor protection.

Over the past three years, concrete achievements have been attained, including a continuous increase in the number of listed companies and their market capitalization. In 2023, the total number of listed companies increased from 1,779 in 2022 to 1,813, an increase of 34 companies compared to the previous year. The market capitalization of listed companies grew from NT\$48.69 trillion to NT\$62.63 trillion, representing an increase of NT\$13.93 trillion compared to the previous year. The establishment of the "Innovation Board" to assist startups in fundraising has strengthened the function of the issuance market. There are already 10 listed companies with a total market value of NT\$151 billion. The issuance amount of sustainable development bonds has been growing year by year, reaching 147.3 billion yuan in 2023, an increase of 30% compared to 2022. This has effectively helped companies raise the funds needed for sustainable transformation from the capital market.

Under the guidance of the government, the overall underwriting industry will continue to move forward in various directions such as diversifying fundraising channels, supporting the development of startups, deepening corporate governance, and implementing sustainable development, aiming to enhance the competitiveness of the country's capital market. Therefore, securities dealers will establish a more diverse talent pool and capabilities in underwriting and financial advisory services, and allocate resources to sustainable development initiatives to assist issuing companies in implementing sustainable development practices.

## (3) Derivatives:

The derivative products are primarily the issuance of warrants for subscription (sale). In 2023, the total number of warrants issued on the TWSE and TPEX markets reached 65,472, representing a 20% increase compared to 2022. The total issuance amount of warrants was NT\$510.7 billion, marking a 1% growth compared to 2022. In terms of trading volume, the total trading volume of warrants on the TWSE and TPEX markets amounted to NT\$665 billion, accounting for 0.82% of the total market trading volume, slightly down from 0.88% in 2022. Currently, the warrant market is dominated by the top three securities dealers: Yuanta Securities, KGI Securities, and Capital Securities. Whether in terms of the number of issuances or the amount of issuance, the combined total of the three largest securities firms accounts for over 55% of the market. The main reason is that the amount of warrant issuance is subjected to the net worth of the securities dealers, leading to a situation where larger firms tend to dominate.

A significant change in the warrant market in 2023 was the implementation of the tax reduction scheme for stocks in warrant hedging accounts, which finally took effect on November 10, 2023. The securities transaction tax on stock trades in warrant hedging accounts was reduced from 0.3% to 0.1%, marking a significant milestone for the warrant market. Such tax reduction not only reduces the hedging costs for warrant issuers but also helps narrow the bid-ask spread, thereby enhancing market-making quality. At the same time, it can increase investors' willingness to participate in the warrant market, thereby expanding the warrant market and promoting the healthy development of financial product markets.

Looking forward, with the positive cycle driven by the reduced tax on hedging stocks, the trading volume of warrants is expected to gradually increase, leading to a more vibrant warrant market.

(4) Wealth management:

Securities dealers mainly operate wealth management business through trust. There are a total of 10 securities dealers operate the business in the country, with the main focus on trusts of money and trusts of securities. In addition, there are 8 securities dealers provide services to high-net-worth clients through wealth management trust. By providing high-asset customers with customized financial services with diversified financial products, they assist customers in asset allocation and wealth inheritance, and meet customers' trust needs.

In 2023, the scale of trusts of money business for securities dealers amounted to NT\$219.1 billion, while the scale of trusts of securities was NT\$21.9 billion. With the continuous promotion of Wealth Management 2.0 by regulatory authorities, it is expected that regulatory relaxation and the introduction of relevant supervision measures will continue to encourage securities dealers to invest in wealth management talent and systems. This will enable them to provide customers with diversified and customized services, thereby enhancing the overall competitiveness of wealth management business. Therefore, securities dealers, in the future, will need to pay more attention to customer needs in wealth management business; provide customized advice and services tailored to different customer needs; and utilize technology and digital capabilities to enhance service efficiency.

(III) Technological research and development overview

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

Year	Amount (1,000s of NT\$)
2021	65,143
2022	62,965
2023	54,559
2024 (estimated)	95,074

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

Capital Securities has always been at the forefront of digital finance advancement. In 2023, we adopted "Speed, Simplicity, and Intelligence" as our core values, optimizing the digital service experience, improving the efficiency and accessibility of financial services, and integrating innovative technologies to create a secure and convenient trading environment. We are committed to promoting the deep integration of digital technology and finance, providing a smarter, more convenient, and safer trading experience, and assisting clients in achieving their financial goals. Our R&D achievements were as follows:

- (1) Innovation of customer ledgers of securities firm's settlement account service (One-Account). Continue to optimize the "One-Account" service:

Introduce the operation models of financial holding companies and banks; expand various digital service functions (such as trust, sub-brokerage, dollar-cost averaging investments, etc.); and provide a full range of trading products, account inquiry, and integrated services; to enhance the digital user experience, make it more easy-to-use to the customers.

As of the end of 2023, the number of accounts reached 227,000, with a cumulative balance of NT\$32.42 billion, accounting for 54.9% of the overall market balance, making Capital Securities the leading securities dealer in providing customer ledgers of securities firm's settlement account services.

- (2) Further advance the online services to accurately segment users:

We are dedicated to developing digital tools that better cater to users' needs and envisioning a "Digital New Service Circle" - from account opening to market analysis, stock selection, trading, and all other activities. We continuously improve and optimize various software and hardware functions, making our services more comprehensive. Investors can enjoy comprehensive services from Capital Securities immediately after completing the account opening process.

Approaching from the perspective of the "consumer", we offer various service-oriented apps, providing diversified domestic and foreign trading platforms. We also promote diversified businesses such as sub-brokerage, CFDs, and OTC options, allowing users to choose their preferred trading methods. The proportion of electronic orders in the Company continues to rise and reached 82% by 2023.

- (3) Build a Think Tank Platform Sharing Program, integrating resources for easy access:

By integrating resources from the Capital financial group and collaborating with research teams from Capital Investment Management and Capital Futures, we provide online research resources to customers in need (including video streaming services). We delve deep into data analytics research, building a high-quality digital financial service ecosystem that integrates financial services with customer consumption scenarios, effectively enhancing satisfaction.

- (4) Launch a brand-new smart push notification feature, providing real-time access to market information:

Provide users with the most timely and personalized information push notifications based on their inventory and selected stocks. This enables users to stay updated on the latest developments in their investment portfolios and make wiser investment decisions. The content includes 24-hour Taiwan stock news, 40 types of intraday price- or volume-related smart stock picks, and exclusive research reports from Capital Investment Management that are released from time to time. Combined with Capital Securities' strong information analysis capabilities and cutting-edge technology, we are able to keep abreast of the latest international and domestic market information, as well as provide the most up-to-the-minute news and announcements related to users' stock inventory and self-selected stocks. Users can subscribe to these features in push notification messages to receive the latest market, industry, and company-related news and research reports at any time. They can also track 40 types of price and volume information during trading hours, enabling them to comprehensively grasp investment information.

The R&D projects planned for 2024 are expected to enhance the Company's operational efficiency and service quality, providing customers with a better investment experience.

- (1) Optimize the Smart Order Center:

Create a centralized platform for managing smart orders to provide customized strategic services. The platform will integrate market trading experiences and provide strategy-related stock selection features, enabling customers to more easily formulate investment strategies. Meanwhile, the Smart Order Center will offer a user-friendly interface, allowing customers to manage their investment portfolios more easily.



(2) Smart ordering and strategic services:

This project aims to utilize cutting-edge artificial intelligence technology to provide smart order placement and strategic services. The system will reference market trading experience to provide users with customized strategic services and optimize the ordering interface to make it more user-friendly, which will help improve investment efficiency and transaction success.

(3) Optimize the post-market database:

This project aims to integrate and add value to post-market data for providing smart stock selection push notification services. Utilizing data integration and analysis techniques, we aim to establish a platform that aligns with customers' usage habits, enabling them to easily access valuable investment information, which will help improve customers' investment decision-making capabilities and enhance the yields of their investment portfolios.

(4) Smart trading strategy platform:

This project aims to provide investors and brokers with the ability to code desired trading strategies and smart services without the need for programming knowledge, thereby enhancing the convenience of smart trading and service automation.

(5) Introducing RPA applications:

This project aims to implement RPA in certain service applications to expand and deepen the use of automation throughout the organization. This will enhance operational efficiency and contribute to the overall strategic goals of the organization.

Overall speaking, we have achieved fruitful results in the development of fin-tech. We will continue to strive for technological innovation, providing better services to our customers, while also cultivating more digital talent to contribute to the sustainable development of the financial industry.

## (IV) Long-term and short-term business plans:

### 1. Short-term business development plan:

(1) In-depth integration:

- Utilize the sales support team to develop distribution channels and maximize the value of distribution channels.
- Utilize the supporting sales team to deeply cultivate distribution channels and fully leverage their value.
- Combine resources from various group units to provide one-stop comprehensive services and expand the scope of services.
- With Capital Investment Consulting at the center, provide professional investment advice to institutional and individual clients through digital and physical channels.
- Leverage the Hong Kong subsidiary as a platform to assemble a team and attract foreign clients.

(2) Organizational reform:

- Brokerage Department focuses on core businesses, the proprietary trading departments focus on diverse investment strategies, and the sales support team assists in profit generation.
- The back-office operations are concentrated in this department. The business departments can deepen the operation of core business and improve their market ranking.

(3) Seek mutual benefits:

- Establish a mutual benefit mechanism, promote cross-departmental referrals, encourage win-win cooperation, and achieve the overall success of the Group.
- Establish common goals, promote cross-departmental projects, and promote teamwork to create a win-win situation.



## (4) Let me serve you:

- Each department reviews its services and competitive advantages, and provides services proactively to create value that is needed.
- Integrate the Company's overall advantages and strengths, seek internal and external recognition, shape the Company's image, and enhance brand value.

## (5) Building an ESG ecosystem:

- Construction of ESG information platform: Proactive disclosure of the Company's sustainability actions and achievements through the website.
- ESG evaluation: Promote and participate in various evaluations to enhance the corporate image of the Capital Group.
- Implementation of corporate carbon review: In support of the 2050 net zero path, each department of the Group has implemented carbon review and has been certified by a fair unit.
- Deepen corporate sustainable governance culture: Strengthen the functions of the Board of Directors and functional committees, and formulate sustainable development goals and concrete plans.
- Diversification of ESG instruments: continue to promote small-denomination investments, and issue or list sustainable financial instruments in response to the financial inclusion policy.
- Stakeholder engagement: Implement responsible investment, due diligence and supplier management to disclose and work together on carbon reduction and transformation to net zero.
- Cultivation of ESG talents: promote sustainable development education and training to enhance professionalism and sustainable concepts; continue to implement industry-academia cooperation and internship programs to cultivate student talents.
- Sustainable development transformation: promote low-carbon and digital transformation, reduce resource consumption, improve digital capabilities, establish a secure and efficient information system, and strengthen operational resilience.

**2. Long-term business development plan:**

- (1) Becoming the best investment bank and wealth management institution in the Asia-Pacific region.
- (2) Focusing on market research and analysis, and R&D for new products and services to become the most innovative and professional financial institution.
- (3) Actively assessing the possibility of expanding the business territory by establishing overseas business premises based on the economic development in overseas regions.

## II. Market and sales overview

### (I) Market analysis

In 2023, Taiwan's economy gained steam, with the Taiwan Stock Exchange Index entering a bullish trend. At the end of the year, the Taiwan Stock Exchange Index closed at 17,930 points, marking a yearly increase of 3,793 points, or 26.8%. At the end of 2023, the total market capitalization of the TWSE market reached NT\$57 trillion, an increase of NT\$13 trillion compared to NT\$44 trillion at the end of 2022. The TPEX Index, on the other hand, closed at 234 points, and the annual index was up 54 points or 30%.

#### **The geopolitical situation is volatile**

In 2023, the global economy saw a shift with the West rising and the East declining, as the economy of the United States outperformed that of the Eurasian continent. The Ukraine-Russia war continued unabated, and in the fourth quarter, the clashes between Israel and Hamas erupted. Subsequently, the Houthi rebels in Yemen launched radical armed attacks on commercial ships transiting the Red Sea, reflecting heightened geopolitical risks and great power rivalry in the global political and economic environment.

In the Asian region, the economic outlook for Japan and Taiwan was better than that for China and Hong Kong. China's post-pandemic economic performance was weaker than before the pandemic. The issues surrounding the real estate bubble and the impact of the U.S.-China trade war escalated, leading to deteriorating exports, rising unemployment, and a contraction in domestic consumption. The issue of young generation unemployment represents an adjustment in the economic structure is required.

#### **Excellent financial markets in U.S., Japan and Taiwan**

For the U.S. stock market, the S&P 500 index rose 24.2% in 2023, the NASDAQ index surged 43.4%, the Dow Jones Industrial Average gained 13.7%. The technology stocks maintained their high growth momentum in 2023, while some large-cap stocks, banking stocks, and small and medium-sized enterprises were impacted by high interest rates.

Among the Asia-Pacific stock markets, the Japanese stock market performed the best, with a full-year increase of 28.24%. The main reasons include the return of investment to Japanese companies, depreciation of the yen, as well as the development and revival of the semiconductor and tourism industries. The Taiwan stock market experienced oscillations and resilience in the first half of the year, followed by a correction in the third quarter and a significant surge in the fourth quarter. The Taiwan stock index continued to outperform the Hong Kong Hang Seng Index, with the gap widening further.

Regarding the Chinese and Hong Kong stock markets, the Shanghai A-share index fell by 3.7% for the full year, while the Shenzhen stock market index dropped by 13.54%. The Hang Seng Index in Hong Kong also experienced a decline of 13.82%. The sectors most severely affected included real estate stocks, technology stocks, and the Growth Enterprise Market.

#### **Interest rate cut cycle may begin in 2024**

Global central banks have ceased their rapid interest rate hikes, which lasted for two years, to curb inflation. The Federal Reserve in the United States, the European Central Bank, and most other central banks stopped raising interest rates in the fourth quarter of 2023, signaling a shift in interest rate policy. The US Consumer Price Index (CPI) slipped at an annualized rate, and with inflation having a limited impact on the asset class, financial markets soared. However, the high rigidity of price levels has impacted the purchasing power of the middle and lower classes, as well as support for the ruling party, leading to a dual impact on the global economy and politics. As a result, many central banks must consider loosening policies to stimulate the economy.

The latest dot plot for March 2024 suggests that the Federal Reserve will cut interest rates three times in 2024, followed by three more cuts in 2025, and two additional cuts in 2026... The official thinking of the Federal Reserve Board is to first confirm that inflation is under full control before initiating a rate cut to avoid an impact on the prestige of the Fed. Financial markets expect the Federal Reserve to proceed cautiously, but once inflation is confirmed to be under control, they anticipate the Fed will start cutting interest rates. With the U.S. presidential election in November 2024, pre-election interest rate cuts by the Fed to stimulate the economy may be deemed necessary!

**Cautiously optimistic outlook of TAIEX**

Key changes in the Taiwan stock market in 2024 include:

1. The Taiwan stock market maintains a bullish trend: In the first quarter of 2024, stocks in the United States, Europe, and Japan reached new highs, while stocks in mainland China and Hong Kong experienced deep declines followed by rebounds. The AI growth theme drove semiconductor stocks to record highs. As the main focus of Taiwan's stock market is on technology stocks, foreign investors have increased their holdings of Taiwan stocks in line with the performance of US technology stocks, leading to a new high in the Taiwan stock index. Semiconductor supply chain inventories was fully de-stocked by 2023, therefore the outlook for tech stocks in 2024 is expected to be optimistic.
2. NVIDIA has declared the advent of a new industrial revolution in AI and semiconductors. NVIDIA has launched the GB200 AI chip and collaborated with partner manufacturers to introduce AI humanoid robots, causing a global sensation. NVIDIA is actively developing an AI platform with the goal of becoming the "TSMC of the AI industry." Taiwan's semiconductor and system assembly sectors are the focal points of the global AI industry supply chain, covering AI chip manufacturing, IP, ASIC, AI components, AI PCs, AI smartphones, software, and more.
3. TSMC's AI and HPC growth momentum is robust: In 2024 and 2025, TSMC's advanced processes will continue to grow, and it will become a member of the "AI 5" (including Microsoft, Nvidia, AMD, TSMC, and Broadcom). TSMC has transformed from the "king of wafer foundries" to the "god of AI chip supply," and the mass production at the Kumamoto plant at the end of the year has a significant impact on the Japanese economy, stock market, and semiconductor industry.
4. High-dividend ETFs are gaining popularity: Currently, the top 10 high-dividend ETFs all exceed billions NTD in size. This is mainly due to the massive excess savings accumulated during the pandemic. After the Taiwan Stock Exchange broke through 20,000 points, conservative funds flowed into high-dividend ETFs. The expansion of high-dividend ETFs provides crucial support for the Taiwan stock market's correction amid volatility.

## 1. Sales/service scope & regions

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

## 2. Market share

Market share of the primary business in 2023:

Ranking	Brokerage volume		Margin trading balance (2023)	
	Securities firm	Market share	Securities firm	Market share
1	Yuanta	12.84%	Yuanta	14.63%
2	KGI	11.19%	Fubon	8.58%
3	Fubon	7.08%	KGI	8.46%
4	Sinopac	4.84%	Sinopac	6.57%
5	UBS AG	4.83%	Mega	5.84%
6	Cathay	4.00%	Capital	5.15%
7	Merrill Lynch	3.50%	Masterlink	5.10%
8	Masterlink	3.46%	President	5.09%
9	JPMorgan Chase	3.46%	Hua Nan	4.93%
10	Capital	3.44%	IBF	4.82%

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

## 3. Market supply and demand in the future

### (1) Demand

By the end of January 2024, there was 12.62 million people with accounts in Taiwan stock markets; with a net increase of 493,000 people in 2023; and those aged 30 and below accounted for 31.9%. The growth in the number of account holders will increase the demand for trading and investment services, and there are advantages and disadvantages to short-term trading, swing holding, and medium- to long-term stock holding.

### (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.

## 4. Favorable and unfavorable factors for future development

Opportunities:

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

Threats:

- (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:

Utilizing fin-tech and AI to assist in developing new business opportunities and integrating various resources within the securities service system, in order to implement growth strategies and enhance profitability. In response to the internet era, improving the speed and quality of securities services, continuously diversifying and internationalizing to increase competitiveness and profitability.

- (II) Important uses and manufacturing processes of the main products: N/A.
- (III) Status of supply of the main raw materials: N/A.
- (IV) List of customers for sales and purchases during the most recent two years: N/A.
- (V) Production value of the most recent two years: N/A.
- (VI) Sales value of the most recent two years: N/A.

### III. Employee information

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

March 31, 2024

Year		2022	2023	Current year as of March 31, 2024 (Note)
Number of Employees		1,888	1,847	1,842
Average age		44.73	44.76	45.11
Average years of service		12.84	12.67	12.65
Academic Qualification	Doctoral Degree	0.05%	0.00%	0.00%
	Masters Degree	11.18%	12.07%	12.11%
	Bachelor Degree	71.98%	72.28%	72.04%
	Senior high school	16.74%	15.48%	15.69%
	Below senior high school	0.05%	0.16%	0.16%

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

### IV. Contribution to environmental protection:

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

### V. Labor-management relations:

- (I) Availability and execution of employee welfare, education, training and retirement policies, agreement between employer and employees, and protection of employees' rights:
  1. **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, maternity benefits, club activity subsidies, group trips, self-funded vaccination subsidy, emergency relief loan, natural disaster relief, and hospitalization and surgery relief, etc. Overall, the Employee Welfare Committee operates with adequate budget and has been able to carry out its plans. Moreover, the Employee Welfare Committee has also signed various discount agreements with multiple contracted vendors, and announced them on the Company's internal website. Providing real-time discount information allows employees to purchase goods or enjoy services at affordable prices, thereby enhancing convenience and satisfaction, and contributing to the establishment of a good working environment and corporate culture.
  2. **Employee training and education:** In an attempt to cultivate talents and to improve management performance, the Company has been organizing a wide 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. Employee training expenses amounted to NT\$7,251 thousand

in 2023. A total of 3,999 enrollments were registered with external training courses, which represented 216% of total employees. The Company held 131 internal training courses during the year, and trained its sales force intensively using nation-wide video conferencing to help them develop professional qualities and skills. A digital platform has been established and 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. The Company supports the Universal Declaration of Human Rights (UDHR) and is committed to adhering to the understanding of international human rights standards, including the principles and principles revealed in the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact (UNGC). It has established a human rights policy. We have also recorded e-learning training courses on human rights-related topics such as "Prevention of Sexual Harassment," "Prevention of Workplace Violence," and "Promotion of Human Rights Policy" to enhance employees' understanding of human rights protection concepts.

The Company also provides incentive payments for professional licenses and education and training subsidies, in the hope of employees achieving a win-win situation in terms of talent cultivation and personal career development through diversified learning methods. In establishing a succession planning and talent pipeline, Capital also implements various measures, as outlined below:

- 2-1. Capital Financial College:** Since 2007, the Company established the Capital Financial College, and a three-month training course is organized annually. The students of the training are targeted at the outstanding management trainees referred by each department. During the training period, the trainees can learn the cross-department organization, presentation skills, digital AI application capability, short video filming and editing skills, management and leadership skills, etc., thereby improving personal work management ability and team work spirit, such that the training program can serve as tools for cultivating intermediate management talents.
- 2-2. Functional training for branch office managers:** Hold regular training for branch managers, sales counter managers, and settlement counter managers. In recent years, we have adopted a more proactive internal training approach for branch managers (Eagle Project) and counter managers (Counter Management Trainee Training Program) to assist outstanding specialists who aspire to transition into managerial roles and employees who aim to progress from counter managers to branch managers and possess both professional knowledge and potential. We provide them with solid courses to enhance their business and management leadership abilities, so as to improve their overall competence. Aiming mainly to assist them in transitioning into counter managers and branch managers, we provide them with career development opportunities.
- 2-3. Senior manager training:** The Company organizes senior manager operational meetings annually, and during the meeting, competency courses are arranged. The course content includes: ESG and Sustainable Finance, Anti-Money Laundering and Counter-Terrorist Financing, and Corporate Risk Management and Integrity in Business Practices, etc.
- 2-4. Diverse industry-academia collaboration projects:** To assist students of colleges and universities in understanding and experiencing the financial industry early and to assist them in determining their future careers, thereby reducing the gap between school learning and job practice, the Company actively organizes diverse industry and academic collaboration programs in order to cultivate students to become financial talents with theoretical bases and practical skills. The content of the industry and academic collaboration program organized by the Company includes:
  - 2-4-1 Industrial lecturer:** Making the best of its financial expertise, the Company proactively promotes the combination of school courses with resources available in the industry where managers of various levels enter campuses to share their experience on respective financial issues and to help students know the latest financial knowledge while at the same time enabling them to absorb practical experience so that they may be one day practical talent for



the financial sector. It helps build a solid quality financial talent bank, putting the belief in giving back to society by promoting a sustainable youth workforce into practice.

**2-4-2 Industry and academic collaboration:** We promote talent development through collaboration with academia. The Company can teach students professional knowledge based on practical experience, and at the same time find and nurture outstanding talents to join the Company in advance. Schools, in turn, can assist students in aligning with their future careers by collaborating with the Company, enabling students to transition smoothly from graduation to employment. This mutually beneficial partnership achieves a win-win outcome for both parties. To cultivate key talents - "Wealth Management Brokers" and "Digital Technology Talents" for the Company, the Information Tech. Department and Brokerage Department have currently adopted an industry-academia internship program to nurture future key talents.

The Company was awarded the 17th Golden Goblet Awards "Talent Cultivation Award" for our effective implementation of various cultivation measures, which ensures that the Company has a sufficient pool of excellent talents to cope with future development and challenges.

3. **Retirement system:** To take care of the employees' life in retirement, the Company has established the Regulations Governing Retirement of Employees. Also, in order to build long-term and harmonious labor relations, the Company set up the Employee Pension Fund Management Committee in November 1994. 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.
4. **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.
5. **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. The Company regularly holds labor-management meetings to enhance communication and consensus between labor and management. Through constructive internal communication, we aim to safeguard and improve employee rights, promote labor-management cooperation, and enhance operational efficiency. The Capital Group supports diversity and inclusion, gender equality, prohibition of child labor, and human rights protection. We value employee diversity and are committed to creating a work environment that respects differences; maintaining gender equality to ensure equal opportunities and treatment for all genders; supporting women's development in the workplace and providing equal promotion opportunities; prohibiting child labor to safeguard children's rights and protect them from exploitation; adhering to the United Nations Universal Declaration of Human Rights and striving to safeguard the basic human rights of every employee. The Capital Group continues to strive to practice these values. We firmly believe that by embodying these values, we can establish a fairer, more inclusive work environment and have a positive impact on individual employees, customers, and society as a whole.

- (II) 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:

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.

There were no losses or penalties incurred due to labor disputes in the fiscal year of 2023.

## VI. Information Disclosure of Cyber Security Management

### (I) Cyber Security Management Strategy and Framework:

Capital Securities set up in 2018 the Strategic Development Division under the Information Department. The Strategic Development Section II (information security dedicated unit) 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 the effectiveness and future direction to the Management Review Committee every year.

1. The "Information Security Advisory Taskforce Team" serves as the secretariat unit of the Board of Directors, 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, the head of Planning Office, and related experts and scholars may attend the Team's meeting as non-voting delegates as needed. The Team meets on an as-needed basis which are mainly for providing information about the Board of Directors so that they can review and decide on information security and information protection strategies and policies for the effectiveness of information security management measures.
2. The "Information Security Implementation Taskforce Team" is also chaired by the President, with the Chief Information Security Officer serving as the Deputy Chair and the dedicated Information Security Manager as the Executive Secretary. Members of this team consist of heads from various departments within the group. The Board of Directors and the head of the Audit Office may attend taskforce team meetings as needed. If the taskforce team encounters significant new or adjusted cybersecurity protection operations, cross-departmental collaboration meetings must be convened.
3. The "Cybersecurity Incident Response Team" and the "Business Continuity Team" are also chaired by the President. Members of these teams include the heads of the Legal Compliance Department, the Corporate Planning Department, the General Affairs Office of the Management Department, the Public Relations Office of the Management Department, the Information Technology Department, the Brokerage Department, and the Spokesperson. The team convenes meetings based on the circumstances of abnormal or disaster incidents to conduct emergency notifications and handling.

### (II) Cyber Security Policy

1. Information Security Management Strategy 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

We have introduced and established the Information Security Management System (ISMS) and adopted 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.

### (III) 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. The Chief Information Security Officer reports the overall annual cybersecurity implementation status to the Board of Directors each year:

1. Monitor and analyze network traffic, system performance and abnormal events at any time.
2. A program change can go online only after the detection and repair or assessment of the vulnerability risk and compensatory measures.
3. Regular e-mail drills of social engineering are carried out to improve employee alertness.
4. 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 vendors.
5. Outsource the real-time detection and takedown of phishing websites and fake mobile applications.
6. Regularly hold core information system remote backup drills.
7. Regular outsource to perform information security clinics.
8. Regularly conduct cybersecurity governance maturity assessments.

### (IV) Resources Invested in Information and Communication Security Management

1. Certifications Achieved: The Company has continuously passed the certification of ISO/IEC 27001 Information security management system, ISO/IEC 22301 continuous operation management system and BS10012 personal data management system.
2. Dedicated manpower: Establish a dedicated information security unit responsible for the Company's cybersecurity strategy, planning, cybersecurity technology-related matters, internal cybersecurity audits, and the maintenance and enhancement of information security.
3. Educational training: 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 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 and will hold educational trainings for directors, supervisors, and senior managements periodically.
4. Budget: Set aside an information security budget to strengthen the Company's information security protection operations.
  - (1) Fully import anti-virus software and update the security function regularly.
  - (2) Introduce firewall control to protect network security.
  - (3) Introduce intrusion detection and warning system (IPS) for protection.
  - (4) Import the web page anti-tampering system for protection.
  - (5) Mail transmission security is controlled by DLP.
  - (6) Import the DDOS traffic cleaning mechanism to prevent DDOS attacks.

- (7) Import the program source code detection system, and the program change can be launched only after the vulnerability is detected, repaired and assessed.
- (8) Outsource to establish a SIEM monitoring mechanism for protection.
- (9) Regularly inspects and tests mobile apps to ensure app safety.
- (10) Conduct vulnerability scanning and penetration tests regularly to ensure the host system's security.
- (11) Regularly conduct IoT vulnerability scans to strengthen overall cyber security.
- (12) Additionally, in response to new protection mechanisms and regulations from regulatory authorities, as well as new attack methods in the market, we will enhance our protection operations as required.

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

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) In response to technological changes, we not only continue to assess the upgrade or new purchase of IT equipment, but also take into account the cybersecurity risks.
  - (3) Continuously update and develop new service software according to information security standards to provide for customer 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, introducing the real-time detection and inspection of phishing websites and fake mobile applications to ensure that the Company's name and trademark are not abused, regularly conduct vulnerability scans and penetration tests to ensure the security of host systems, mobile applications, IoT device vulnerability scans, and cybersecurity assessments, thereby ensuring the overall security of the host and network environment, 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.

## (VI) Damages due to information and communication security incidents in the recent year:

In 2023, there were two incidents: an erroneous delivery of e-statement notification emails and a report to the stock exchange about our Fortune God Mobile App containing five OWASP Mobile Top 10 security risks. Both incidents were promptly addressed with emergency response and related improvements, resulting in no losses.

## VII. Important contract: None (Table 20)

Contract nature	Parties to the Contract	Contract start and end dates	Major content	Restricted terms
N/A	N/A	N/A	N/A	N/A

## VIII. Protective measures for the workplace environment and employees' physical safety:

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) Measures mandated by law</p> <ol style="list-style-type: none"> <li>1. Labor and health insurance.</li> <li>2. The "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace" has been established.</li> <li>3. "Employee lactation rooms" have been set up at the Headquarters.</li> <li>4. Regular health examinations have been organized for employees.</li> <li>5. 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.</li> </ol> <p>(II) Measures provided above legal requirements</p> <ol style="list-style-type: none"> <li>1. The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard.</li> <li>2. Employees are invited to include their family members in group insurance at a discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members.</li> <li>3. Organize seminars of "Introduction to and Management Applications of Long-term Care 2.0 Resources" and "Introduction to Government Counseling Resources" to provide employees with practical information on maintaining mental health and utilizing government resources, helping to alleviate their economic and psychological burdens.</li> <li>4. Organize a "Science-based Physical Fitness Testing" event by collaborating with the Sports Administration, Ministry of Education, to assist employees in understanding their physical condition and mastering the key aspects of health management.</li> <li>5. 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.</li> <li>6. Held the "Jump Up, Capital! 2023 Happy Enterprise Sports Day" at the Taichung Chaoma Sports Center, with nearly 400 employees and their families from the central region participating. The event included badminton competitions, fun games, and more.</li> <li>7. Free massage services have been provided to the employees of the Head Office.</li> <li>8. Apply for the solution to offer thoughtful inoculation of free flu vaccines in the workplace and subsidize self-funded vaccinations.</li> </ol>
	Environment	(I) A set of "Tobacco Hazard Prevention Measures" was implemented.



Implemented measures	Item	Description
	al health	(II) The Company acquired "Badge of Accredited Healthy Workplace" from Health Promotion Administration, Ministry of Health and Welfare (III) The Company has been certified as an "iSports Corporation" by the Sports Administration, Ministry of Education.
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 obtains international certification for personal information management with respect to securities, futures, and insurance brokerage/agency services(BS10012:2017). 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 also regularly organizes various educational training sessions for general employees, such as "New Employee Training on Occupational Safety and Health for General Workers" and "On-the-job Training on Occupational Safety and Health for General Workers," to strengthen employees' concepts of occupational safety and health. The Company established and implemented an "Ergonomic Hazard Prevention Program" to prevent musculoskeletal injuries or illnesses caused by work activities. In addition, we formulate and promote 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	1. Organize "Fire Safety (Fire Prevention, Earthquake Awareness, First Aid Training) Workshops" and "Fire Evacuation Drill" regularly. 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	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. The Company conducts regular fire safety inspections and declarations. In 2023, there were zero fire incidents.

## IX. Establishment of code of conduct or ethic for employees:

The Company requires all employees to sign a commitment to "Capital Financial Group Employee Behavior Policy" and integrity principles when carrying out business activities. Below are the key points of this policy:

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 never: (1) 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) Illegally use non-public information (also known as "insider information"); (3) Take advantage of business opportunities to seek unlawful benefits for oneself or others.
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 Data 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 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.
13. 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.
14. 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

### I. Condensed balance sheet and comprehensive income statement for the last 5 years

#### (I) Condensed balance sheet (consolidated and parent-company-only)

##### 1. Consolidated financial statement

Unit: NTD thousands

Year		Financial information for the most recent 5 years (Note 1)					Current year financial info. as of March 31, 2024
		2019	2020	2021	2022	2023	
Item							
Current assets		116,002,501	146,258,737	185,983,038	171,397,616	223,526,822	(Note 3)
Property, plant and equipment		3,025,605	3,111,323	3,052,798	2,773,271	3,182,785	
Intangible assets		3,609,740	3,619,563	3,615,760	3,614,000	3,622,839	
Other assets		10,532,567	10,073,011	11,042,343	13,831,754	16,578,286	
Total assets		133,170,413	163,062,634	203,693,939	191,616,641	246,910,732	
Current liabilities	Before distribution	94,684,661	121,864,300	159,485,189	150,886,125	201,651,712	
	After distribution	96,421,387	124,252,299	163,067,187	152,008,724	(Note 2)	
Non-current liabilities		2,269,623	2,523,604	2,735,166	2,039,403	1,894,496	
Total liabilities	Before distribution	96,954,284	124,387,904	162,220,355	152,925,528	203,546,208	
	After distribution	98,691,010	126,775,903	165,802,353	154,048,127	(Note 2)	
Equity attributable to owners of parent		33,992,640	35,886,069	38,734,810	35,744,509	40,246,883	
Share capital		23,209,081	21,709,081	21,709,081	21,709,081	21,709,081	
Capital reserves		2,852,299	2,743,430	2,743,465	2,743,256	2,743,256	
Retained earnings	Before distribution	7,927,126	9,639,333	12,155,572	9,884,681	13,140,393	
	After distribution	6,190,400	7,251,334	8,573,574	8,762,082	(Note 2)	
Other equity items		1,578,134	1,794,225	2,126,692	1,407,491	2,654,153	
Treasury shares		(1,574,000)	-	-	-	-	
Non-controlling interests		2,223,489	2,788,661	2,738,774	2,946,604	3,117,641	
Total equity	Before distribution	36,216,129	38,674,730	41,473,584	38,691,113	43,364,524	
	After distribution	34,479,403	36,286,731	37,891,586	37,568,514	(Note 2)	

Note 1: Financial information for the most recent 3 years has been audited and attested by CPAs.

Note 2: The 2023 earnings distribution has yet been resolved by the Shareholders Meeting.

Note 3: The information has not yet been reviewed by the CPA as of the date of printing the annual report and is therefore exempt from disclosure, per Article 19, Paragraph 1 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies."

## 2. Parent-company-only financial statements

Unit: NTD thousands

Item \ Year		Financial information for the most recent 5 years (Note 1)					Current year financial info. as of March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		73,984,497	98,672,749	138,897,632	121,537,935	172,477,726	(Note 3)
Property, plant and equipment		2,339,571	2,417,207	2,388,771	2,118,780	2,443,875	
Intangible assets		3,527,506	3,538,857	3,544,599	3,552,359	3,562,867	
Other assets		15,567,056	16,308,559	17,085,942	20,202,033	22,988,183	
Total assets		95,418,630	120,937,372	161,916,944	147,411,107	201,472,651	
Current liabilities	Before distribution	59,239,075	82,594,785	120,526,984	109,725,935	159,420,056	
	After distribution	60,975,801	84,982,784	124,108,982	110,572,590	(Note 2)	
Non-current liabilities		2,186,915	2,456,518	2,655,150	1,940,663	1,805,712	
Total liabilities	Before distribution	61,425,990	85,051,303	123,182,134	111,666,598	161,225,768	
	After distribution	63,162,716	87,439,302	126,764,132	112,513,253	(Note 2)	
Equity attributable to owners of parent		-	-	-	-	-	
Share capital		23,209,081	21,709,081	21,709,081	21,709,081	21,709,081	
Capital reserves		2,852,299	2,743,430	2,743,465	2,743,256	2,743,256	
Retained earnings	Before distribution	7,927,126	9,639,333	12,155,572	9,884,681	13,140,393	
	After distribution	6,190,400	7,251,334	8,573,574	9,038,026	(Note 2)	
Other equity items		1,578,134	1,794,225	2,126,692	1,407,491	2,654,153	
Treasury shares		(1,574,000)	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	33,992,640	35,886,069	38,734,810	35,744,509	40,246,883	
	After distribution	32,255,914	33,498,070	35,152,812	34,897,854	(Note 2)	

Note 1: Financial information for the most recent 3 years has been audited and attested by CPAs.

Note 2: The 2023 earnings distribution has yet been resolved by the Shareholders Meeting.

Note 3: The information has not yet been reviewed by the CPA as of the date of printing the annual report and is therefore exempt from disclosure, per Article 19, Paragraph 1 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies."

## (II) Condensed comprehensive income statement (consolidated and parent-company-only)

### 1. Consolidated financial statement

Unit: NTD thousands

Item \ Year	Financial information for the most recent 5 years (Note 1)					Current year financial info. as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenues	7,796,951	9,724,095	13,281,753	8,219,057	12,746,224	(Note 2)
Operating margin	6,227,871	8,126,530	11,617,510	6,013,444	9,280,986	
Operating profit	1,993,246	3,252,195	5,320,327	537,523	2,875,561	
Non-operating income and expenses	1,234,851	1,130,505	907,182	1,308,528	2,233,215	
Pre-tax profit	3,228,097	4,382,700	6,227,509	1,846,051	5,108,776	
Net income from continuing operations	2,829,234	3,840,679	5,461,649	1,179,016	4,570,993	
Loss from discontinued operations	-	-	-	-	-	
Net income (loss)	2,829,234	3,840,679	5,461,649	1,179,016	4,570,993	
Other comprehensive income (after tax)	947,213	75,975	(12,622)	(211,771)	1,225,017	
Total comprehensive income	3,776,447	3,916,654	5,449,027	967,245	5,796,010	
Net income attributable to owners of parent	2,566,823	3,569,529	5,249,590	840,040	4,131,510	
Net income attributable to non-controlling interests	262,411	271,150	212,059	338,976	439,483	
Comprehensive income attributable to owners of parent	3,523,011	3,665,024	5,236,705	590,701	5,349,029	
Comprehensive income attributable to non-controlling interests	253,436	251,630	212,322	376,544	446,981	
Earnings per-share	1.11	1.64	2.42	0.39	1.90	

Note 1: Financial information for the most recent 3 years has been audited and attested by CPAs.

Note 2: The information has not yet been reviewed by the CPA as of the date of printing the annual report and is therefore exempt from disclosure, per Article 19, Paragraph 1 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies."

## 2. Parent-company-only financial statements

Unit: NTD thousands

Item \ Year	Financial information for the most recent 5 years (Note 1)					Current year financial info. as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenues	5,885,962	7,367,734	10,939,298	5,643,212	10,605,109	(Note 2)
Operating margin	5,094,599	6,709,143	10,148,596	4,391,199	8,004,496	
Operating profit	1,780,192	2,846,280	4,875,974	63,735	2,763,757	
Non-operating income and expenses	1,038,556	1,103,108	1,027,609	1,265,355	1,639,418	
Pre-tax profit	2,818,748	3,949,388	5,903,583	1,329,090	4,403,175	
Net income from continuing operations	2,566,823	3,569,529	5,249,590	840,040	4,131,510	
Loss from discontinued business	-	-	-	-	-	
Net income (loss)	2,566,823	3,569,529	5,249,590	840,040	4,131,510	
Other comprehensive income (after tax)	956,188	95,495	(12,885)	(249,339)	1,217,519	
Total comprehensive income	3,523,011	3,665,024	5,236,705	590,701	5,349,029	
Earnings per-share	1.11	1.64	2.42	0.39	1.90	

Note 1: Financial information for the most recent 3 years has been audited and attested by CPAs.

Note 2: The information has not yet been reviewed by the CPA as of the date of printing the annual report and is therefore exempt from disclosure, per Article 19, Paragraph 1 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies."

## (III) Name and opinion of the attesting CPAs for the last five years

Year	Name of attesting CPAs	Audit opinion
2019	Lee, Feng Hui; Chung, Tan Tan	Unqualified opinion
2020	Lee, Feng Hui; Chung, Tan Tan	Unqualified opinion
2021	Wu, Cheng Yen, Chung, Tan Tan	Unqualified opinion
2022	Wu, Cheng Yen, Chung, Tan Tan	Unqualified opinion
2023	Wu, Cheng Yen; Chen, Yi Jen	Unqualified opinion

## II. Financial analysis for the last 5 years

### 1. Consolidated financial statement

Analysis item			Year	Financial analysis for the last 5 years (Note 1)					Current year financial info. as of March 31, 2024
			2019	2020	2021	2022	2023		
Financial structure (%)	Debt to asset ratio		72.80	76.28	79.64	79.81	82.44	(Note 3)	
	Long-term capital to property, plant and equipment ratio		1,272.00	1,324.14	1,448.14	1,468.68	1,421.99		
Solvency (%)	Current ratio		122.51	120.02	116.61	113.59	110.85		
	Quick ratio		122.48	119.99	116.59	113.54	110.77		
Profitability	Return on assets ratio (%)		2.26	2.59	2.98	0.60	2.08		
	Return on equity ratio (%)		7.92	10.26	13.63	2.94	11.14		
	As a percentage of paid-in capital (%)	Operating profit	8.59	14.98	24.51	2.48	13.25		
		Net profit before tax	13.91	20.19	28.69	8.50	23.53		
	Net profit margin (%)		36.29	39.50	41.12	14.34	35.86		
	Earnings per share (NT\$)		1.11	1.64	2.42	0.39	1.90		
Cash flow (%)	Cash flow ratio		1.04	2.20	-	9.18	-		
	Cash flow adequacy ratio		233.88	184.51	149.12	228.30	151.03		
	Cash reinvestment ratio		-	1.84	-	24.20	-		
Special purpose ratio (%)	Total liabilities to net worth ratio		267.71	321.63	391.14	395.25	469.38		
	Fixed assets to total assets ratio		3.00	2.57	1.98	2.03	1.78		
	Underwritten securities to quick assets ratio		0.76	1.00	0.35	0.58	0.18		
	Margin trading balance to net worth ratio		33.60	38.83	50.91	30.84	40.12		
	Short-sell balance to net worth ratio		14.21	14.62	14.70	20.25	9.91		
Reasons for variations in the last 2 years (for variations exceeding 20% only):									
(1) The return on assets, return on equity, operating profit, net profit before tax as a percentage of paid-in capital, and earnings per share have increased compared to the previous period, primarily due to an increase in operating profit, net income before tax, and net income after tax in the current period.									
(2) The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio decreased compared to the previous period, primarily due to an increase in investments in bonds, stocks, and funds, resulting in a net cash outflow from operating activities in the current period.									
(3) The underwritten securities to quick asset ratio decreased compared to the previous period due to a reduction in underwritten securities and an increase in working capital in the current period.									
(4) Margin trading balance to net worth ratio increased compared to the previous period due to an increase in margin trading amount in the current period.									
(5) Short-sell balance to net worth ratio decreased compared to the previous period due to a decrease in the short-selling amount in the current period.									



## 2. Parent-company-only financial statements

Analysis item			Year	Financial analysis for the last 5 years (Note 1)					Current year financial info. as of March 31, 2024
			2019	2020	2021	2022	2023		
Financial structure (%)	Debt to asset ratio		64.38	70.33	76.08	75.75	80.02	(Note 3)	
	Long-term capital to property, plant and equipment ratio		1,546.42	1,586.24	1,732.69	1,778.63	1,720.73		
Solvency (%)	Current ratio		124.89	119.47	115.24	110.77	108.19		
	Quick ratio		124.85	119.43	115.22	110.73	108.11		
Profitability	Return on assets ratio (%)		2.90	3.30	3.71	0.54	2.37		
	Return on equity ratio (%)		7.67	10.22	14.07	2.26	10.87		
	As a percentage of paid-in capital (%)	Operating profit	7.67	13.11	22.46	0.29	12.73		
		Net profit before tax	12.15	18.19	27.19	6.12	20.28		
	Net profit margin (%)		43.61	48.45	47.99	14.89	38.96		
Earnings per share (NT\$)		1.11	1.64	2.42	0.39	1.90			
Cash flow (%)	Cash flow ratio		0.45	3.18	-	12.67	-		
	Cash flow adequacy ratio		198.78	132.40	127.37	218.95	149.38		
	Cash reinvestment ratio		-	2.28	-	26.73	-		
Special purpose ratio (%)	Total liabilities to net worth ratio		180.70	237.00	318.01	312.40	400.59		
	Fixed assets to total assets ratio		3.21	2.66	1.97	2.05	1.70		
	Underwritten securities to quick assets ratio		1.09	1.52	0.51	1.00	0.31		
	Margin trading balance to net worth ratio		35.12	40.52	53.99	32.95	41.55		
	Short-sell balance to net worth ratio		15.14	15.75	15.74	21.91	10.68		
Reasons for variations in the last 2 years (for variations exceeding 20% only):									
(1) The return on assets, return on equity, operating profit, net profit before tax as a percentage of paid-in capital, and earnings per share have increased compared to the previous period, primarily due to an increase in operating profit, net income before tax, and net income after tax in the current period.									
(2) The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio decreased compared to the previous period, primarily due to an increase in investments in bonds, stocks, and funds, resulting in a net cash outflow from operating activities in the current period.									
(3) The underwritten securities to quick asset ratio decreased compared to the previous period due to a reduction in underwritten securities and an increase in working capital in the current period.									
(4) Margin trading balance to net worth ratio increased compared to the previous period due to an increase in margin trading amount in the current period.									
(5) Short-sell balance to net worth ratio decreased compared to the previous period due to a decrease in the short-selling amount in the current period.									

Note 1: Financial statements of each year have all been audited and attested by CPAs.

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) Quick 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 ratio:
  - (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

Note 3: The information has not yet been reviewed by the CPA as of the date of printing the annual report and is therefore exempt from disclosure, per Article 19, Paragraph 1 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies."

**III. Supervisor or Audit Committee's review report on the latest financial report: See p.135**

**IV. Financial report for the most recent year: See p.136~253**

**V. Parent company only financial statement for the most recent year, audited and attested by CPAs: See p.254~349**

**VI. The Company and affiliates have had no financial insolvency incidents for the most recent years, up till the publication date of this annual report.**

**Supervisor or Audit Committee's review report on the latest financial report****Capital Securities Corporation  
Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements (including Consolidated Financial Statements) and Earnings Distribution Proposal. The Financial Statements have been audited and certified by Wu, Cheng-Yen and Chen, Yi-Jen of KPMG Certified Public Accountants, who issued an auditors' report of 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

2024 General Shareholders' Meeting of Capital Securities Corporation

Capital Securities Corporation  
Convener of the Audit Committee  
Shea, Jia-Dong

March 11, 2024

## 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, 2023 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, "Consolidated Financial Statements," endorsed by the Financial Supervisory Commission of the Republic of China. 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: Chou, Hsiu-Chen  
Date: March 13, 2024.

## 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, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of material 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, 2023 and 2022, and its consolidated financial performance, and its consolidated cash flows for the years ended December 31, 2023 and 2022 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"), interpretations 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

## 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(n) financial liabilities at fair value through profit or loss and Note 6(x)(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(q) 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(k)(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., associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose reports has 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 another auditor. The recognized investment amount of Capital Investment Trust Corporation and Enno Cap Venture Inc under equity method constituted 0.58%, 0.72% of consolidated total assets as of December 31, 2023 and 2022, respectively, and the recognized profit of loss under using equity method constituted 3.66% and 8.33% of consolidated net income before income tax for the years ended December 31, 2023 and 2022, respectively.

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion with other matters paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wu, Cheng-Yen and Chen, Yi-Jen.

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2024

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

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

		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>Assets</b>					
110000	<b>Current assets:</b>				
111100	Cash and cash equivalents (note 6(a))	\$ 8,598,180	4	11,259,550	6
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	64,089,612	26	42,404,385	22
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))	24,025,136	10	13,716,679	7
114010	Bonds purchased under resale agreements (note 6(c))	60,208	-	-	-
114030	Receivable for securities provided as collateral	17,397,754	7	11,934,071	6
114040	Refinancing margin	16,619	-	18,859	-
114050	Refinancing collateral receivable	13,847	-	15,418	-
114060	Receivable of securities business money lending	5,886,504	2	4,426,333	3
114070	Customers' margin account (note 6(e))	38,874,681	16	39,049,741	20
114080	Receivable - futures margin	-	-	7	-
114090	Collateral for securities borrowed	214,766	-	1,764,422	1
114100	Security borrowing margin	12,583,951	5	13,729,016	7
114110	Notes receivable	6,608	-	12,550	-
114130	Accounts receivable (note 6(d))	16,268,453	7	6,011,995	3
114150	Prepayments	147,349	-	78,329	-
114170	Other receivables	199,048	-	277,511	-
114300	Leverage contract trading - customers' margin account	712,455	-	856,021	1
114600	Current income tax assets	677	-	233	-
119095	Amounts held for each customer in the account (note 6(p))	32,426,834	13	25,111,376	13
119990	Other current assets-others	2,004,140	1	731,120	-
		<u>223,526,822</u>	<u>91</u>	<u>171,397,616</u>	<u>89</u>
120000	<b>Non-current assets:</b>				
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,438	-	179,171	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,731,891	2	2,690,775	1
123300	Financial assets at amortized cost - non-current (note 6(b))	5,310,086	2	3,268,785	2
124100	Investments accounted for under equity method (note 6(g))	1,473,075	1	1,485,977	1
125000	Property and equipment (notes 6(h) and 8)	3,182,785	1	2,773,271	2
125800	Right-of-use assets (note 6(i))	671,689	-	769,897	-
126000	Investment property (notes 6(j) and 8)	3,444,763	1	3,811,971	2
127000	Intangible assets (note 6(k))	3,622,839	1	3,614,000	2
128000	Deferred income tax assets (note 6(t))	15,894	-	18,684	-
129000	Other non-current assets	1,751,450	1	1,606,494	1
		<u>23,383,910</u>	<u>9</u>	<u>20,219,025</u>	<u>11</u>
<b>Total assets</b>		<u>\$ 246,910,732</u>	<u>100</u>	<u>191,616,641</u>	<u>100</u>

		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>Liabilities and Equity</b>					
210000	<b>Current liabilities:</b>				
211100	Short-term borrowings (note 6(l))	\$ 5,874,434	2	2,870,799	1
211200	Commercial paper payable (note 6(m))	13,090,169	5	3,198,722	2
212000	Financial liabilities at fair value through profit or loss - current (note 6(n))	21,090,404	9	11,644,599	6
214010	Bonds sold under repurchase agreements (note 6(o))	51,425,166	21	36,035,969	19
214040	Guarantee deposited for short sales	2,003,761	1	4,118,440	2
214050	Proceeds payable from short sales	2,294,644	1	3,714,941	2
214070	Securities lending refundable deposits	15,481,166	6	14,681,018	7
214080	Futures traders' equity (note 6(e))	38,762,176	16	38,884,241	20
214090	Equity for each customer in the account (note 6(p))	32,426,834	13	25,111,376	13
214100	Leverage contract trading - customers' equity	733,533	-	849,887	1
214110	Notes payable	166	-	152	-
214130	Accounts payable (note 6(q))	11,146,460	5	4,680,994	3
214150	Advance receipts	22,636	-	33,649	-
214160	Receipts under custody	327,934	-	547,244	-
214170	Other payables	1,733,199	1	839,187	1
214200	Other financial liabilities - current (note 6(y))	4,223,503	2	3,028,050	2
214600	Current income tax liabilities	715,565	-	385,145	-
215100	Provisions - current (note 6(s))	54,787	-	51,577	-
216000	Current lease liabilities (note 6(r))	201,566	-	191,688	-
219000	Other current liabilities	43,609	-	18,447	-
		<b>201,651,712</b>	<b>82</b>	<b>150,886,125</b>	<b>79</b>
220000	<b>Non-Current liabilities:</b>				
224200	Other financial liabilities - non-current (note 6(y))	677,162	-	494,542	-
226000	Non-current lease liabilities (note 6(r))	522,851	-	635,604	-
228000	Deferred income tax liabilities (note 6(t))	513,134	-	776,337	1
229000	Other non-current liabilities (note 6(s))	181,349	-	132,920	-
		<b>1,894,496</b>	<b>-</b>	<b>2,039,403</b>	<b>1</b>
	<b>Total liabilities</b>	<b>203,546,208</b>	<b>82</b>	<b>152,925,528</b>	<b>80</b>
<b>Equity attributable to shareholders of the parent:</b>					
301010	Common stock (note 6(u))	21,709,081	9	21,709,081	11
302000	Capital surplus (note 6(u))	2,743,256	1	2,743,256	1
304000	Retained earnings:				
304010	Legal reserve	2,889,367	1	2,758,257	1
304020	Special reserve	6,049,211	3	5,786,990	3
304040	Unappropriated earnings (note 6(u))	4,201,815	2	1,339,434	1
305120	Exchange differences on translation of foreign operations	(67,856)	-	(55,863)	-
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,722,009	1	1,463,354	1
	<b>Total equity attributable to the parent company</b>	<b>40,246,883</b>	<b>17</b>	<b>35,744,509</b>	<b>18</b>
306000	<b>Non-controlling interests</b>	<b>3,117,641</b>	<b>1</b>	<b>2,946,604</b>	<b>2</b>
	<b>Total equity</b>	<b>43,364,524</b>	<b>18</b>	<b>38,691,113</b>	<b>20</b>
	<b>Total liabilities and equity</b>	<b>\$ 246,910,732</b>	<b>100</b>	<b>191,616,641</b>	<b>100</b>

(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, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
<b>Income:</b>					
401000	Brokerage commissions (note 6(w))	\$ 5,337,531	42	5,449,536	66
402000	Revenues from securities business money lending	1,295	-	227	-
403000	Revenue from securities lending	420,414	3	374,139	5
404000	Underwriting commissions (note 6(w))	90,923	1	97,262	1
406000	Commissions on wealth management business	59,001	-	65,446	1
410000	Net gains (losses) on sale of trading securities (note 6(w))	2,344,375	18	(799,702)	(10)
421100	Securities management, distribution, and management fees	158,329	1	157,356	2
421200	Interest revenue (note 6(w))	2,419,910	19	1,499,194	18
421300	Dividend revenue	2,887,473	23	651,772	8
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(w))	1,798,804	14	(2,440,813)	(29)
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(y))	(264,517)	(2)	565,920	7
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(687,421)	(5)	673,419	8
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	6,128	-	(381,784)	(5)
422000	Net gains (losses) from exchange traded notes (note 6(y))	-	-	188	-
422100	Management and commissions revenue from exchange traded notes (note 6(y))	-	-	3	-
422200	Net gains (losses) on stock warrants issued (notes 6(w) and (y))	(170,425)	(1)	1,378,349	17
424100	Futures commission revenues (note 6(w))	301,191	2	310,640	4
424400	Net gains (losses) on derivative instruments - futures (note 6(y))	(699,650)	(5)	(644,422)	(8)
424500	Net gains (losses) on derivative instruments - OTC (note 6(y))	(1,415,111)	(11)	1,507,051	18
424800	Management fee revenues	3,377	-	685	-
424900	Consultancy fee revenue	9,452	-	20,852	-
425100	Net gains (losses) arising from derecognition of financial assets measured at amortized cost (note (b))	38	-	-	-
425300	Impairment losses and reversal gains (note 6(x))	(7,214)	-	(4,973)	-
428000	Other operating revenues	152,321	1	(261,288)	(3)
		12,746,224	100	8,219,057	100
<b>Expenses:</b>					
501000	Brokerage fees	659,671	5	636,304	8
502000	Brokerage and clearing fees - proprietary trading	43,272	-	36,024	-
503000	Clearing and exchange fees - refinancing	2,613	-	3,374	-
504000	Clearing and exchange fees - underwriting	992	-	1,466	-
507000	Issuance and management fees on exchange traded notes (note 6(y))	-	-	377	-
521200	Financial costs	1,913,207	15	581,079	7
521640	Loss from securities borrowing transactions	324,033	3	337,523	4
524100	Futures commission expense (note 6(w))	303,734	2	373,966	5
524300	Cleaning and settlement expenses	167,457	1	207,540	3
528000	Other operating expenditure	50,259	-	27,960	-
531000	Employee benefits expenses (note 6(w))	3,419,309	27	2,775,475	34
532000	Depreciation and amortization expense (note 6(w))	463,477	4	463,513	6
533000	Other operating expenses (note 6(w))	2,522,639	20	2,236,933	27
		9,870,663	77	7,681,534	94
<b>Other income (expenses):</b>					
601000	Share of profits of associates and joint ventures accounted for using equity method (note 6(g))	205,376	1	201,060	2
602000	Other gains and losses (note 6(w))	2,027,839	16	1,107,468	14
		2,233,215	17	1,308,528	16
902001	<b>Net income before income tax</b>	5,108,776	40	1,846,051	22
701000	<b>Less: Income tax expenses (note 6(t))</b>	537,783	4	667,035	8
	<b>Net income</b>	4,570,993	36	1,179,016	14
805000	<b>Other comprehensive income:</b>				
805500	<b>Components that may not be reclassified to profit or loss in subsequent periods:</b>				
805510	Gains (losses) on remeasurements of defined benefit plans (note 6(s))	(77,468)	(1)	425,862	5
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	1,144,918	9	(697,493)	(8)
805550	Share of other comprehensive income of associates and joint ventures accounted for using equity method	(1,137)	-	6,041	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-
	<b>Subtotal of components that may not be subsequently reclassified into profit or loss</b>	1,066,313	8	(265,590)	(3)
805600	<b>Components that may be reclassified to profit or loss in subsequent periods:</b>				
805610	Exchange differences on translation of foreign operations	(13,644)	-	420,315	5
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	172,066	1	(334,683)	(4)
805699	Less: Income tax related to components of other comprehensive income (note 6(t))	(282)	-	31,813	-
	<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	158,704	1	53,819	1
805000	<b>Other comprehensive income, net</b>	1,225,017	9	(211,771)	(2)
902006	<b>Total comprehensive income</b>	<b>\$ 5,796,010</b>	<b>45</b>	<b>967,245</b>	<b>12</b>
<b>Net income attributable to:</b>					
913100	Shareholders of the parent	\$ 4,131,510	33	840,040	10
913200	Non-controlling interests	439,483	3	338,976	4
		<b>\$ 4,570,993</b>	<b>36</b>	<b>1,179,016</b>	<b>14</b>
<b>Total comprehensive income attributable to:</b>					
914100	Shareholders of the parent	\$ 5,349,029	42	590,701	7
914200	Non-controlling interests	446,981	3	376,544	5
		<b>\$ 5,796,010</b>	<b>45</b>	<b>967,245</b>	<b>12</b>
975000	<b>Basic earnings per share (note 6(v))</b>	<b>\$ 1.90</b>		<b>0.39</b>	
985000	<b>Diluted earnings per share (note 6(v))</b>	<b>\$ 1.90</b>		<b>0.39</b>	

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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to the parent company											
	Stock	Retained earnings				Total other equity interest						
		Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Total equity attributable to the parent company	Non-controlling interests	Total Equity
Balance at January 1, 2022	\$	21,709,081	2,743,465	2,267,833	4,806,142	5,081,597	(403,037)	2,530,934	(1,205)	38,734,810	2,738,774	41,473,584
Net income for the year ended December 31, 2022		-	-	-	-	840,040	-	-	-	840,040	338,976	1,179,016
Other comprehensive income		-	-	-	-	425,608	347,174	(1,022,121)	-	(249,339)	37,568	(211,771)
Total comprehensive income		-	-	-	-	1,265,648	347,174	(1,022,121)	-	590,701	376,544	967,245
Appropriation and distribution of retained earnings: (note 6(u))												
Legal reserve		-	-	490,424	-	(490,424)	-	-	-	-	-	-
Special reserve		-	-	-	980,848	(980,848)	-	-	-	-	-	-
Cash dividends of common stocks		-	-	-	-	(3,581,998)	-	-	-	(3,581,998)	-	(3,581,998)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	45,459	-	(45,459)	-	-	-	-
Disposal of subsidiaries or investments accounted for using equity method		-	-	-	-	-	-	-	1,205	1,205	-	1,205
Difference between consideration and carrying amount of subsidiaries acquired		-	(209)	-	-	-	-	-	-	(209)	-	(209)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(168,714)	(168,714)
Balance at December 31, 2022		21,709,081	2,743,256	2,758,257	5,786,990	1,339,434	(55,863)	1,463,354	-	35,744,509	2,946,604	38,691,113
Net income for the year ended December 31, 2023		-	-	-	-	4,131,510	-	-	-	4,131,510	439,483	4,570,993
Other comprehensive income		-	-	-	-	(76,969)	(11,993)	1,306,481	-	1,217,519	7,498	1,225,017
Total comprehensive income		-	-	-	-	4,054,541	(11,993)	1,306,481	-	5,349,029	446,981	5,796,010
Appropriation and distribution of retained earnings: (note 6(u))												
Legal reserve		-	-	131,110	-	(131,110)	-	-	-	-	-	-
Special reserve		-	-	-	262,221	(262,221)	-	-	-	-	-	-
Cash dividends of common stocks		-	-	-	-	(846,655)	-	-	-	(846,655)	-	(846,655)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	47,826	-	(47,826)	-	-	-	-
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(275,944)	(275,944)
Balance at December 31, 2023	\$	21,709,081	2,743,256	2,889,367	6,049,211	4,201,815	(67,856)	2,722,009	-	40,246,883	3,117,641	43,364,524



(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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 5,108,776	1,846,051
Adjustments:		
Income and expenses items:		
Depreciation expense	417,667	426,975
Amortization expense	45,810	36,538
Expected credit impairment losses	7,214	4,973
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(1,111,383)	1,767,394
Financial cost	1,913,207	581,079
Net gains arising from derecognition of financial assets measured at amortized cost	(38)	-
Interest revenue (including financial revenue)	(3,809,471)	(1,990,751)
Dividend revenue	(3,223,620)	(752,513)
Shares of profit of associates and joint ventures accounted for using equity method	(205,376)	(201,060)
(Gains) losses on disposal and retirement of property and equipment	(17)	8
Losses on disposal of investments accounted for using equity method	-	1,210
Net (gains) losses on non-operating financial instruments at fair value through profit or loss	(47,051)	9,019
Impairment loss on non-financial assets	4,627	4,802
Net (gains) losses on lease modifications	(66)	626
<b>Subtotal of income of non-cash activities</b>	<b>(6,008,497)</b>	<b>(111,700)</b>
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in financial assets at fair value through profit or loss	(20,508,396)	1,226,819
Increase in bonds purchased under resale agreements	(60,208)	-
(Increase) decrease in receivable for securities provided as collateral	(5,463,778)	9,182,153
Decrease in refinancing margin	2,240	24,968
Decrease in receivable on refinancing collateral	1,571	21,101
Increase in receivable of securities business money lending	(1,460,171)	(2,076,664)
Decrease (increase) in customers' margin account	175,060	(1,997,548)
Decrease in margin receivable of futures trading	306	257
Decrease (increase) in collateral for securities borrowed	1,549,656	(1,655,082)
Decrease (increase) in security borrowing margin	1,145,065	(8,200,606)
Decrease in notes receivable	5,942	3,419
(Increase) decrease in accounts receivable	(10,113,867)	5,420,477
Increase in prepayments	(69,033)	(45,826)
Decrease in other receivables	132,095	278,922
(Increase) decrease in financial assets at fair value through other comprehensive income	(9,962,120)	1,004,100
Decrease (increase) in leverage contract trading - customer's margin account	143,566	(231,789)
(Increase) decrease in other current assets	(1,273,020)	8,592,537
Increase in other non-current assets	(145,780)	(17,292)
Increase (decrease) in bonds sold under repurchase agreements	15,389,197	(1,309,966)
Increase in financial liabilities at fair value through profit or loss	9,427,072	6,664,887
(Decrease) increase in guarantee deposited for short sales	(2,114,679)	1,269,606
(Decrease) increase in proceeds payable from short sales	(1,420,297)	468,149
Increase in securities lending refundable deposits	800,148	6,531,232
(Decrease) increase in futures traders' equity	(122,116)	1,881,108
(Decrease) increase in leverage contract trading - customers' equity	(116,354)	219,057
Increase in notes payable	14	-
Increase (decrease) in accounts payable	6,200,363	(6,117,212)
Decrease in advance receipts	(11,013)	(494)
Decrease in receipts under custody	(219,310)	(8,260,906)
Increase (decrease) in other payable	885,985	(522,771)
Increase in provision - current	3,210	1,973
Increase (decrease) in other financial liabilities	1,378,073	(1,523,288)
Increase in other current liabilities	25,162	9,570
Decrease in other non-current liabilities	(28,099)	(426,915)
<b>Total changes in assets and liabilities from operating activities</b>	<b>(15,823,516)</b>	<b>10,413,976</b>
<b>Total adjustments</b>	<b>(21,832,013)</b>	<b>10,302,276</b>

## Financial Summary

Cash generated from operating activities	\$ (16,723,237)	12,148,327
Interest received	3,612,799	1,937,287
Dividends received	3,388,466	941,871
Interest paid	(1,641,884)	(539,611)
Income taxes paid	(467,981)	(631,973)
<b>Net Cash flows (used in) provided by operating activities</b>	<b>(11,831,837)</b>	<b>13,855,901</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(124,382)	(106,275)
Proceeds from disposal of financial assets at fair value through other comprehensive income	48,786	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	571	16,532
Acquisition of financial assets at amortized cost	(2,145,097)	(3,269,926)
Proceeds from disposal of financial assets at amortized cost	121,662	-
Proceeds from capital reduction of investments accounted for under equity method	32,107	-
Proceeds from disposal of non-current assets classified as held for sale	-	51,031
Acquisition of property and equipment	(263,034)	(110,599)
Proceeds from disposal of property and equipment	860	48
Acquisition of intangible assets	(57,185)	(38,854)
Increase in deferred debits	(562)	(489)
<b>Net cash flows used in investing activities</b>	<b>(2,386,274)</b>	<b>(3,458,532)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	3,003,635	(217,021)
Increase (decrease) in commercial papers payable	9,891,447	(5,199,084)
Payment of lease liabilities	(202,251)	(191,731)
Cash dividends paid	(1,122,599)	(3,728,193)
Acquisition of ownership interests in subsidiaries	-	(23,653)
<b>Net cash flows provided by (used in) financing activities</b>	<b>11,570,232</b>	<b>(9,359,682)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(13,491)</b>	<b>414,740</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(2,661,370)</b>	<b>1,452,427</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>11,259,550</b>	<b>9,807,123</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 8,598,180</b>	<b>11,259,550</b>

(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, 2023 and 2022

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

#### (1) Overview:

Capital Securities Corporation (the "Company") was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company's registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2023, the composition of the consolidated financial statements includes the Company and the subsidiaries (the "Group"). As of December 31, 2023, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2024.

(Continued)

### (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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

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

- (b) The impact of IFRS 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, 2024, would not have a significant impact on its consolidated financial statements:

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

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

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

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

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (4) Summary of material accounting policies:

The material 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 International Financial Reporting Standards, International Accounting Standards, 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.

###### (ii) Functional and presentation currency

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

##### (c) Basis of consolidation

###### (i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

(Continued)

## (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, 2023	December 31, 2022
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	100.00%	100.00%
"	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%	100.00%

## (iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			December 31, 2023	December 31, 2022	
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, 2023 and 2022, the total assets constituted 0.00% and 0.02% of the Group's total assets, respectively. For the year ended December 31, 2023 and 2022, the operation revenue constituted 0.00% and 0.32% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00%	100.00%	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of December 31, 2023 and 2022, the total assets constituted 0.03% and 0.05% of the Group's total assets, respectively. For the year ended December 31, 2023 and 2022, the operation revenue constituted 1.13% and 2.23% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.



## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (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.

##### (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;

(Continued)

- (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.

(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.

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 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 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.

(Continued)

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 (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis), 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.

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.

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (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) 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.

##### 4) 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.

##### 5) 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.

(Continued)

6) Interest rate benchmark

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.

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.



## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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.

(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) 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.

(Continued)

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.

### (m) 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.

## 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.

#### (n) 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

#### (o) 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.

(Continued)

(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.

(p) 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;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

(Continued)

(q) 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.

(r) 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.



## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

(s) 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.

(Continued)

- (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.

(t) 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.

(u) 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.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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 reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences.
- (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.

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

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.

(v) 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.

(w) 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.

(x) 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

(Continued)

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.

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.

The Group's may face economic uncertainty, such as COVID-19, natural disasters, geopolitical conflicts, and inflation, among others. These events may significantly impact the following accounting estimates, as such estimates involve forecasting for the future.

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(y).

**(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.

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts:****(a) Cash and cash equivalents**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash	\$ 2,912	2,818
Bank deposits		
Checking accounts	112,656	44,323
Demand deposits	1,734,028	3,205,314
Subtotal	1,846,684	3,249,637
Cash equivalents		
Time deposits	4,501,621	5,532,913
Futures margin - excess margin	1,997,886	2,474,182
Commercial papers	249,077	-
Subtotal	6,748,584	8,007,095
Total	<b>\$ 8,598,180</b>	<b>11,259,550</b>

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Open-ended funds and money-market instruments</b>		
Open-ended funds and money-market instruments	\$ 671,856	299,075
Valuation adjustment	37,751	(8,892)
Subtotal	709,607	290,183
<b>Securities invested by securities broker</b>		
Securities invested by securities broker	6,314	15,996
Valuation adjustment	7	(453)
Subtotal	6,321	15,543

(Continued)

**Trading securities - proprietary trading**

Listed stocks	\$	2,363,216	2,172,320
Listed funds		6,391,682	4,309,153
OTC stocks		642,609	518,212
OTC funds		7,842,384	1,175,314
Emerging market stocks		481,795	358,332
Convertible bonds		3,026,744	415,008
Government bonds		3,370,684	2,314,993
Corporate bonds		8,004,798	6,837,714
International bonds		5,195,937	5,532,559
Financial debentures		550,000	801,985
Foreign stocks		128,613	375,698
Foreign funds		158,539	499,347
Foreign bonds		741,649	230,783
Others		113,151	43,970
		39,011,801	25,585,388
Valuation adjustment		(262,549)	(793,237)
Subtotal		38,749,252	24,792,151

**Trading securities - underwriting**

Listed stocks		15,642	50,999
OTC stocks		11,902	-
Convertible bonds		12,620	67,283
		40,164	118,282
Valuation adjustment		2,526	(7,248)
Subtotal		42,690	111,034

**Trading securities - hedging**

Listed stocks		4,997,262	2,437,167
OTC stocks		1,583,011	527,514
Convertible bonds		15,837,002	12,834,051
Others		172,279	722,856
		22,589,554	16,521,588
Valuation adjustment		255,499	(1,002,923)
Subtotal		22,845,053	15,518,665



**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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	December 31, 2023	December 31, 2022
<b>Derivatives</b>		
Buy options	\$ 194,501	89,537
Futures margin - proprietary fund	1,014,514	1,133,174
IRS asset swaps	43,403	17,807
Asset swap options - long position	315,076	205,121
Leverage derivatives - non-hedging	150,671	202,915
Structured notes	2,284	2,056
Exchange rate derivatives	-	9,345
Equity derivatives	15,890	16,854
Interest rate swaps	350	-
Subtotal	1,736,689	1,676,809
Total	<b>\$ 64,089,612</b>	<b>42,404,385</b>

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

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

	December 31, 2023	December 31, 2022
Debt instruments at fair value through other comprehensive income		
Government bonds	\$ 3,499,233	2,807,868
Corporate bonds	6,490,004	3,263,958
International bonds	1,105,380	491,360
Foreign bonds	12,588,989	6,795,491
	23,683,606	13,358,677
Valuation adjustment	(82,559)	(240,037)
Subtotal	23,601,047	13,118,640
Equity instrument at fair value through other comprehensive income		
Listed stocks	\$ 170,950	351,885
OTC stocks	17,288	136,544
Emerging market stocks	276,809	184,089
	465,047	672,518
Valuation adjustment	(40,958)	(74,479)
Subtotal	424,089	598,039
Total	<b>\$ 24,025,136</b>	<b>13,716,679</b>

(Continued)

- 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 years ended December 31, 2023 and 2022, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$20,981 and \$26,141, respectively. For the years ended December 31, 2023 and 2022, the dividends were recognized from the disposing equity instrument investments amounted to \$10,572 and \$274, 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 \$1,102,868 and \$704,953, respectively, cumulative dispose gains (losses) for the year ended December 31, 2023 and 2022, amounted to \$103,237 and \$45,459, respectively, were transferred from other equity items to retained earnings.

- 3) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(x).
- 4) For the years ended December 31, 2023 and 2022, impairment test has been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(x).
- 5) As of December 31, 2023 and 2022, financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

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

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Government bonds	\$ 180,887	181,467
Valuation adjustment	(1,449)	(2,296)
Total	<u>\$ 179,438</u>	<u>179,171</u>

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	December 31, 2023	December 31, 2022
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	\$ 1,022,272	1,056,265
Valuation adjustment	2,709,619	1,634,510
Total	<u><u>\$ 3,731,891</u></u>	<u><u>2,690,775</u></u>

For the years ended December 31, 2023 and 2022, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to \$79,045 and \$100,386, respectively.

For the years ended December 31, 2023 and 2022 under the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equities recognized in FVOCI non current for a fair value \$106,500 and \$0, generated cumulative dispose (losses) gains \$(67,305) and \$0 and the gains were transferred from other equity items to retained earnings. Furthermore, for the years ended December 31, 2023 and 2022, the investee company distribution of residual property liquidation amounted to \$12,175 and \$0, refunded the proceeds of capital reduction amounted to \$571 and \$16,532.

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

	December 31, 2023	December 31, 2022	For the years ended December 31,					
			2023			2022		
Type of market risk			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	2,682,078	1,474,730	1,922,291	2,682,078	1,403,626	1,573,176	1,811,101	1,430,388

(vi) Financial assets at amortized cost – non current

	December 31, 2023	December 31, 2022
1) Debt Securities at amortized cost :		
Financial debentures	\$ 500,000	500,000
Foreign currency debentures	4,811,807	2,769,926
	5,311,807	3,269,926
Less: loss allowance	(1,721)	(1,141)
Total	<u><u>\$ 5,310,086</u></u>	<u><u>3,268,785</u></u>

(Continued)

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

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

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

	For the years ended December 31,	
	2023	2022
Carrying amount on the date of derecognition	<u>\$ 121,624</u>	<u>-</u>
Current profit and loss	<u>\$ 38</u>	<u>-</u>

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

- (c) Bonds purchased under resale agreements

	December 31, 2023	December 31, 2022
Bonds purchased under resell agreements	<u>\$ 60,208</u>	<u>-</u>
Agreed-upon resale amounts	<u>\$ 60,220</u>	<u>-</u>
Interest rate	<u>0.95%</u>	<u>-</u>
Date of resale	<u>2024.1.2~2024.1.3</u>	<u>-</u>

- (d) Accounts Receivable

	December 31, 2023	December 31, 2022
Receivable on securities purchased by customers	\$ 79,263	64,921
Settlement	667,035	598,397
Interests receivable	701,062	576,237
Receivables on securities sold	14,673,330	4,626,242
Others	147,763	146,198
Total	<u>\$ 16,268,453</u>	<u>6,011,995</u>

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Customers' margin account		
Cash in banks	\$ 26,514,502	29,259,271
Customers' margin account - futures clearing house	7,039,533	5,428,820
Customers' margin account - other futures commission merchants	5,319,585	4,338,662
Marketable securities	1,061	22,988
Total customers' margin account	<u>38,874,681</u>	<u>39,049,741</u>
Add:		
Commission expense	3,335	4,214
Less:		
Brokerage fee revenue	(11,190)	(15,952)
Futures transaction tax	(1,544)	(1,617)
Interest revenues	(3,202)	(5,668)
Temporary receipts	(812)	(29,355)
Remittance amount of the customers after the market closed	(37,268)	(11,610)
Other receivable	(61,788)	(104,766)
Other	(36)	(746)
Futures traders' equity	<u><b>\$ 38,762,176</b></u>	<u><b>38,884,241</b></u>

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

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

(Continued)

(g) Investments accounted for under equity method

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

	December 31, 2023	December 31, 2022
Subsidiaries		
Capital Insurance Advisory Corp.	\$ 44,481	72,021
Capital Insurance Agency Corp.	7,400	39,501
Subtotal	51,881	111,522
Associates		
Capital Investment Trust Corp.	1,421,092	1,374,245
EnnoCap Venture Inc.	102	210
Subtotal	1,421,194	1,374,455
Total	<u>\$ 1,473,075</u>	<u>1,485,977</u>

(i) Subsidiaries:

For the years ended December 31, 2023 and 2022, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

	For the years ended December 31,	
	2023	2022
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 18,616</u>	<u>47,292</u>
	December 31, 2023	December 31, 2022
Total assets	<u>\$ 82,537</u>	<u>142,532</u>
Total liabilities	<u>\$ 30,656</u>	<u>31,010</u>
	For the years ended December 31,	
	2023	2022
Revenue	<u>\$ 143,623</u>	<u>209,351</u>
Net income	<u>\$ 18,616</u>	<u>47,292</u>



## 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, 2023	December 31, 2022
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%	40.00%

On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group; thus, the investments accounted for using equity method were reclassified as assets to held-for-sale. All shares had been transferred on February 15, 2022. Please refer to note 6.

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

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

	December 31, 2023	December 31, 2022
Total carrying amount of interests in associates that were individually immaterial	<u>\$ 1,421,194</u>	<u>1,374,455</u>
	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
The Group's share of gains based on the associates' financial statements:		
Net gains from continuing operations	\$ 186,760	153,768
Other comprehensive income (losses)	(1,137)	6,041
Total comprehensive income (losses)	<u>\$ 185,623</u>	<u>159,809</u>

#### (iii) Collateral

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

(Continued)

## (h) Property and equipment

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

	Land	Buildings	Equipment	Leasehold improvement s	Total
Cost or deemed cost					
Balance at January 1, 2023	\$ 1,805,285	1,131,369	689,869	266,959	3,893,482
Additions	-	-	212,524	50,510	263,034
Transferred from investment property	240,289	134,658	-	-	374,947
Disposals and retirements	-	-	(107,127)	(37,739)	(144,866)
Effect of exchange rate changes	-	(13)	(280)	(25)	(318)
Balance at December 31, 2023	<u>\$ 2,045,574</u>	<u>1,266,014</u>	<u>794,986</u>	<u>279,705</u>	<u>4,386,279</u>
Balance at January 1, 2022	\$ 1,933,030	1,199,242	644,459	264,723	4,041,454
Additions	-	-	70,123	40,476	110,599
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(129,774)	(76,855)	-	-	(206,629)
Disposals and retirements	-	-	(31,017)	(39,440)	(70,457)
Effect of exchange rate changes	-	7,568	6,304	1,200	15,072
Balance at December 31, 2022	<u>\$ 1,805,285</u>	<u>1,131,369</u>	<u>689,869</u>	<u>266,959</u>	<u>3,893,482</u>
Depreciation and impairment loss					
Balance at January 1, 2023	\$ -	501,935	448,304	169,972	1,120,211
Depreciation	-	24,174	124,102	46,926	195,202
Transferred from investment property	-	32,390	-	-	32,390
Disposals and retirements	-	-	(106,317)	(37,706)	(144,023)
Effect of exchange rate changes	-	(9)	(260)	(17)	(286)
Balance at December 31, 2023	<u>\$ -</u>	<u>558,490</u>	<u>465,829</u>	<u>179,175</u>	<u>1,203,494</u>
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	22,852	133,058	55,498	211,408
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(19,633)	-	-	(19,633)
Disposals and retirements	-	-	(30,961)	(39,440)	(70,401)
Effect of exchange rate changes	-	3,739	5,130	297	9,166
Balance at December 31, 2022	<u>\$ -</u>	<u>501,935</u>	<u>448,304</u>	<u>169,972</u>	<u>1,120,211</u>
Carrying amount:					
At December 31, 2023	<u>\$ 2,045,574</u>	<u>707,524</u>	<u>329,157</u>	<u>100,530</u>	<u>3,182,785</u>
At December 31, 2022	<u>\$ 1,805,285</u>	<u>629,434</u>	<u>241,565</u>	<u>96,987</u>	<u>2,773,271</u>

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Right-of-use assets

	<b>Buildings</b>	<b>Others</b>	<b>Total</b>
Cost:			
Balance at January 1, 2023	\$ 1,260,702	26,948	1,287,650
Additions	92,853	9,532	102,385
Reductions	(29,626)	(7,569)	(37,195)
Effect of exchange rate changes	343	-	343
Balance at December 31, 2023	<b>\$ 1,324,272</b>	<b>28,911</b>	<b>1,353,183</b>
Balance at January 1, 2022	\$ 1,170,660	25,420	1,196,080
Additions	163,617	7,377	170,994
Reductions	(78,572)	(5,849)	(84,421)
Effect of exchange rate changes	4,997	-	4,997
Balance at December 31, 2022	<b>\$ 1,260,702</b>	<b>26,948</b>	<b>1,287,650</b>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 505,473	12,280	517,753
Depreciation	190,095	7,720	197,815
Reductions	(27,785)	(6,732)	(34,517)
Effect of exchange rate changes	443	-	443
Balance at December 31, 2023	<b>\$ 668,226</b>	<b>13,268</b>	<b>681,494</b>
Balance at January 1, 2022	\$ 393,715	10,735	404,450
Depreciation	182,331	7,373	189,704
Reductions	(72,201)	(5,828)	(78,029)
Effect of exchange rate changes	1,628	-	1,628
Balance at December 31, 2022	<b>\$ 505,473</b>	<b>12,280</b>	<b>517,753</b>
Carrying amount:			
At December 31, 2023	<b>\$ 656,046</b>	<b>15,643</b>	<b>671,689</b>
At December 31, 2022	<b>\$ 755,229</b>	<b>14,668</b>	<b>769,897</b>

(Continued)

## (j) Investment property

Movements in investment property of the Group are as follows:

	Land	Buildings	Total
<b><u>Cost or deemed cost</u></b>			
Balance at January 1, 2023	\$ 3,150,422	1,290,406	4,440,828
Reclassified to Property and equipment	(240,289)	(134,658)	(374,947)
Effect of exchange rate changes	-	(5)	(5)
Balance at December 31, 2023	<b><u>\$ 2,910,133</u></b>	<b><u>1,155,743</u></b>	<b><u>4,065,876</u></b>
Balance at January 1, 2022	\$ 3,022,677	1,213,106	4,235,783
Transferred from property and equipment	129,774	76,855	206,629
Reclassified to Property and equipment	(2,029)	(1,414)	(3,443)
Disposals and retirements	-	(1,213)	(1,213)
Effect of exchange rate changes	-	3,072	3,072
Balance at December 31, 2022	<b><u>\$ 3,150,422</u></b>	<b><u>1,290,406</u></b>	<b><u>4,440,828</u></b>
<b><u>Depreciation and impairment loss</u></b>			
Balance at January 1, 2023	\$ -	628,857	628,857
Depreciation	-	24,650	24,650
Reclassified to Property and equipment	-	(32,390)	(32,390)
Effect of exchange rate changes	-	(4)	(4)
Balance at December 31, 2023	<b><u>\$ -</u></b>	<b><u>621,113</u></b>	<b><u>621,113</u></b>
Balance at January 1, 2022	\$ -	584,063	584,063
Depreciation	-	25,863	25,863
Transferred from property and equipment	-	19,633	19,633
Reclassified to Property and equipment	-	(1,015)	(1,015)
Disposals and retirements	-	(1,213)	(1,213)
Effect of exchange rate changes	-	1,526	1,526
Balance at December 31, 2022	<b><u>\$ -</u></b>	<b><u>628,857</u></b>	<b><u>628,857</u></b>
<b><u>Carrying Amount:</u></b>			
At December 31, 2023	<b><u>\$ 2,910,133</u></b>	<b><u>534,630</u></b>	<b><u>3,444,763</u></b>
At December 31, 2022	<b><u>\$ 3,150,422</u></b>	<b><u>661,549</u></b>	<b><u>3,811,971</u></b>
<b><u>Fair Value:</u></b>			
At December 31, 2023			<b><u>7,302,757</u></b>
At December 31, 2022			<b><u>7,761,103</u></b>

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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, 2023 and 2022, 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(w).

#### 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, 2023	December 31, 2022
Within 1 year	\$ 136,676	160,299
1-5 years	449,949	461,109
Over 5 years	2,409	110,170
	<u><b>\$ 589,034</b></u>	<u><b>731,578</b></u>

The rental revenue from investment property for the year ended December 31, 2023 and 2022 amounted to \$182,897 and \$167,907, respectively.

#### (k) Intangible assets

##### (i) Goodwill

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

Goodwill is allocated to the operating segments as follows:

	December 31, 2023	December 31, 2022
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	1,557,096	1,557,096
Total	<u><b>\$ 3,126,698</b></u>	<u><b>3,126,698</b></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.

(Continued)

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 4.64% and 7.16% in year 2023 and 2022 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 2023 and 2022 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, 2023 and 2022, the carrying amounts of goodwill were \$6,504 and \$11,131, respectively. Furthermore, the Group recognized an impairment loss of \$4,627 and \$4,802 for the years ended December 31, 2023 and 2022 respectively, by using discount rate of 4.20% and 4.30% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

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

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

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 "Intangible Assets" endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of December 31, 2023 and 2022, the carrying amounts of intangible assets were \$46,274 and \$46,278, 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, 2023 and 2022, the amortized book value were \$53,364 and \$39,894, respectively.

(I) Short-term borrowings

Nature of borrowings	December 31, 2023	December 31, 2022
Collateralized loan	\$ 767,625	1,792,235
Credit loan	5,106,809	1,078,564
Total	<u>\$ 5,874,434</u>	<u>2,870,799</u>
Interest rate range	<u>0.95%~6.522%</u>	<u>2.39%~5.29%</u>
	<u>%</u>	



## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(m) Commercial paper payable

	December 31, 2023	December 31, 2022
Commercial paper payable	\$ 13,100,000	3,200,000
Less: Unamortized discount	(9,831)	(1,278)
Net amount	<b><u>\$ 13,090,169</u></b>	<b><u>3,198,722</u></b>
Interest rate range	<b><u>1.568%~1.668%</u></b>	<b><u>1.378%~1.598%</u></b>

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

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

	December 31, 2023	December 31, 2022
Liabilities on sale of borrowed securities	\$ 17,001,985	10,395,729
Redeem liabilities on sale of borrowed securities	(243,755)	(73,941)
Valuation adjustment	32,752	(654,679)
Subtotal	16,790,982	9,667,109
Stock warrants issued	19,542,173	11,073,530
Stock warrants repurchased	(18,199,928)	(10,572,072)
Subtotal	1,342,245	501,458
Sale options	82,162	128,999
IRS asset swaps	56,167	51,106
Asset swap options - short position	2,663,494	1,140,992
Structured notes	41,296	103,125
Leverage derivatives - non-hedging	15,402	28,918
Exchange rate derivatives	98,566	21,123
Interest rate swaps	-	59
Equity derivatives	90	1,710
Subtotal	2,957,177	1,476,032
Total	<b><u>\$ 21,090,404</u></b>	<b><u>11,644,599</u></b>

(o) Bonds sold under repurchase agreements

	December 31, 2023	December 31, 2022
Bonds sold under repurchase agreements	<b><u>\$ 51,425,166</u></b>	<b><u>36,035,969</u></b>
Agreed-upon repurchase amounts	<b><u>52,334,161</u></b>	<b><u>36,440,943</u></b>
Interest rates	<b><u>0.80%~5.85%</u></b>	<b><u>0.55%~5.2%</u></b>
Date of repurchase	<b><u>2024.1.2~2024.12.17</u></b>	<b><u>2023.1.3~2023.12.27</u></b>

(Continued)

(p) Equity for each customer in the account

	December 31, 2023	December 31, 2022
Equity for each customer in the account	<u>\$ 32,426,834</u>	<u>25,111,376</u>
Amount of separate account ledger in NTD		
Demand deposit amount	7,426,830	25,111,371
Time deposit amount	17,500,000	-
Time deposit amount in other banks(market values)	7,500,000	-
Total	<u>\$ 32,426,830</u>	<u>25,111,371</u>

(q) Accounts payable

	December 31, 2023	December 31, 2022
Payable of securities sold by customers	\$ 50,980	31,239
Payable of settlements	10,587,751	4,435,412
Others	507,729	214,343
Total	<u>\$ 11,146,460</u>	<u>4,680,994</u>

(r) Lease liabilities

The Group's lease liabilities are as follow:

	December 31, 2023	December 31, 2022
Current	<u>\$ 201,566</u>	<u>191,688</u>
Non-current	<u>\$ 522,851</u>	<u>635,604</u>

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest on lease liabilities	<u>\$ 9,714</u>	<u>10,690</u>
Expenses relating to short-term leases	<u>\$ 12,561</u>	<u>7,961</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 4,839</u>	<u>7,929</u>
Covid-19-related rent concessions	<u>\$ -</u>	<u>432</u>

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

	For the years ended December 31,	
	2023	2022
Total cash outflow for leases	<u>\$ 229,365</u>	<u>218,311</u>

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) 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, 2023	December 31, 2022
Present value of defined benefit obligations	\$ (793,800)	(745,735)
Fair value of plan assets	707,616	721,680
Recognized liabilities for defined benefit obligations	<u>\$ (86,184)</u>	<u>(24,055)</u>

The Group's employee benefits liabilities are as follows:

	December 31, 2023	December 31, 2022
Compensated absences	<u>\$ 54,787</u>	<u>51,577</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 \$707,426 and \$720,153 as of December 31, 2023 and 2022, 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 \$190 and \$1,527 as of December 31, 2023 and 2022, respectively.

(Continued)

## 2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Defined benefit obligation on January 1	\$ 745,735	1,212,469
Current service costs and interest	9,330	6,132
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in financial assumptions	6,780	(54,125)
-Experience adjustments	75,180	(335,487)
Past service cost	-	8,707
Benefits paid by the plan	(43,225)	(91,961)
Defined benefit obligation on December 31	<u>\$ 793,800</u>	<u>745,735</u>

## 3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Fair value of plan assets on January 1	\$ 721,680	334,271
Interest revenue	9,878	1,532
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	4,492	36,250
Contributions from the employer	14,796	438,619
Benefits paid from plan assets	(43,230)	(88,992)
Fair value of plan assets on December 31	<u>\$ 707,616</u>	<u>721,680</u>

## 4) Expense recognized in profit or loss

The expenses recognized by the Group in 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Current service cost	\$ (847)	556
Past service cost	-	5,938
Net interest of net defined benefit liabilities (assets)	299	4,044
Current pension cost	<u>\$ (548)</u>	<u>10,538</u>

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

For the years ended December 31, 2023 and 2022, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ (283,748)	(709,610)
Recognized amount during the period	(77,468)	425,862
Balance at December 31	<u>\$ (361,216)</u>	<u>(283,748)</u>

- 6) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.22%~1.625%	1.38%~1.52%
Future salary growth rate	2.20%~3.00%	2.50%~3.00%

The expected contribution to the defined benefit plan for the next year is \$924. The weighted average duration of the defined benefit obligation is 1~12.38 years.

- 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, 2023 and 2022, 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, 2023		
Discount rate	(18,507)	19,230
Future salary growth rate	15,069	(14,685)
	Effects to Defined Benefit Obligations	
	Increase 0.5%	Decrease 0.5%
December 31, 2022		
Discount rate	(17,462)	18,141
Future salary growth rate	14,203	(13,848)

(Continued)

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 \$94,723 and \$99,728 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2023 and 2022, respectively.

(iii) For the years ended December 31, 2023 and 2022, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$4,981 and \$4,296, respectively.

(t) Income tax

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

The Company and its consolidated subsidiaries including Capital Investment Management Corp., Capital Futures Corp., CSC Venture Capital Corp., CSC Capital Management Co. and CSC Private Equity Fund I Co. are founded in Taiwan. The corporate income tax rates are both 20% for the years ended December 31, 2023 and 2022.

The subsidiaries CSC International Holdings Ltd. and Taiwan International Securities (B.V.I) Corp is founded in British Virgin Islands, and it has a tax exemption for the years ended December 31, 2023 and 2022.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the years ended December 31, 2023 and 2022.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the years ended December 31, 2023 and 2022.

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Income tax expense (benefit)

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

	For the years ended December 31,	
	2023	2022
Current tax expense		
Current year	\$ 797,859	477,583
Adjustment to the prior years' income tax	55	(73,602)
	<u>797,914</u>	<u>403,981</u>
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	(262,921)	278,197
Unrealized gains (losses) on foreign investments under Equity Method	2,790	(12,349)
Unrealized gains (losses) on non-current assets held-for-sale	-	(2,794)
	<u>(260,131)</u>	<u>263,054</u>
Income tax expense from continuing operations	<u><u>\$ 537,783</u></u>	<u><u>667,035</u></u>

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

	For the years ended December 31,	
	2023	2022
Foreign exchange difference from translating financial statements of foreign operations	<u><u>\$ (282)</u></u>	<u><u>31,813</u></u>

Reconciliation of income tax expense (benefit) and income before tax were as follows:

	For the years ended December 31,	
	2023	2022
Net income before tax	\$ 5,108,776	1,846,051
Income tax using the domestic tax rate of each Group entity	\$ 1,142,073	454,539
Tax exempt income	(579,500)	282,425
Alternative minimum tax	-	1,599
Unrecognized deferred tax assets for current-year losses	(262)	(2,508)
Changes in unrecognized temporary differences	(15,024)	(1,575)
Additional surtax on undistributed retained earnings	3,556	-
Adjustments to prior years' income tax	55	(73,602)
Others	<u>(13,115)</u>	<u>6,157</u>
Total	<u><u>\$ 537,783</u></u>	<u><u>667,035</u></u>

(Continued)



## (iii) Deferred income tax assets and liabilities

## 1) Recognized deferred income tax assets

	December 31, 2023	December 31, 2022
Unrealized losses on foreign investments under Equity Method	<u>\$ 15,894</u>	<u>18,684</u>

## 2) Unrecognized deferred tax assets

	December 31, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 3,272	2,242
Tax loss carried forward	6,343	7,483
Total	<u>\$ 9,615</u>	<u>9,725</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.

As of December 31, 2023, the subsidiaries Capital Investment Management Corp., CSC Venture Capital Corp. and second level subsidiary CSC Private Equity Fund I Co. estimated tax losses recognized under deferred income tax asset were as follows:

Year or loss	Amount	Expiry date
2016 (Declared)	\$ 1,223	2026
2017 (Declared)	2,480	2027
2020 (Declared)	1,307	2030
2021 (Declared)	26,707	2031
Total	<u>\$ 31,717</u>	

## 3) Recognized deferred income tax liabilities

	December 31, 2023	December 31, 2022
Unrealized gains on derivative financial instruments	\$ 96,521	359,442
Gains 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	-	-
Exchange differences on translation of foreign financial statement	4,298	4,580
Total	<u>\$ 513,134</u>	<u>776,337</u>

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

## 4) Unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, the Group's temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 29,380</u>	<u>13,933</u>

The dividend policies of the Group's second level subsidiaries, CSC Futures (HK) Ltd. and Capital True Partner Technology Co., Ltd, was prescribed not to appropriate the retained earnings until December 31, 2023. 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.

## (iv) Income tax assessment status

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

## (v) Income tax administrative relief

Since the stock warrants in year 2021 and 2020 were assessed differently from those reported by the Company, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

## (u) Capital and other equity

## (i) Capital stock

As of December 31, 2023 and 2022, the Company had authorized capital of

(Continued)

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

(iii) Retained earnings

1) Legal reserve

If the company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders' meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

2) Special reserve

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

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

## 3) Undistributed earnings

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

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

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

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

## (v) Earnings per share

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

(Continued)

	For the years ended December 31,	
	2023	2022
Net income attributable to common shareholders of the Company	<u>\$ 4,131,510</u>	<u>840,040</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	<u>\$ 1.90</u>	<u>0.39</u>
Effect of potentially dilutive common stock	<u>5,655</u>	<u>1,542</u>
- Employee remuneration (thousands of shares) (Note)		
Weighted-average number of outstanding shares for calculating dilutive	<u>2,176,563</u>	<u>2,172,450</u>
EPS (thousands of shares)		
Dilutive earnings per share (dollar)	<u>\$ 1.90</u>	<u>0.39</u>

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

(w) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the years ended December 31,	
	2023	2022
Brokerage commission from TSE market	\$ 2,642,618	2,464,798
Brokerage commission from OTC market	886,185	811,952
Handling fee from security financing	28,216	39,869
Futures commission income - brokerage	1,597,418	1,967,301
Overseas subsidiaries	32,287	29,700
Others	150,807	135,916
	<u>\$ 5,337,531</u>	<u>5,449,536</u>

(ii) Underwriting commissions

	For the years ended December 31,	
	2023	2022
Revenue from underwriting securities on a firm commitment basis	\$ 55,587	63,560
Handling fee revenues from underwriting securities on consignment	405	550
Processing fee revenues from underwriting operations	27,551	25,607
Revenue from underwriting consultation	5,190	3,660
Others	2,190	3,885
	<u>\$ 90,923</u>	<u>97,262</u>

## 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,	
	2023	2022
Gains (losses) on securities sold - proprietary trading	\$ 803,792	(39,704)
Gains (losses) on securities sold - underwriting	7,993	61,650
Gains (losses) on securities sold - hedging	1,532,590	(821,648)
	<u>\$ 2,344,375</u>	<u>(799,702)</u>

## (iv) Interest revenue

	For the years ended December 31,	
	2023	2022
Interest revenue - margin loans	\$ 753,323	822,751
Interest revenue - bonds	1,302,936	487,778
Overseas subsidiaries	19,423	17,061
Others	344,228	171,604
	<u>\$ 2,419,910</u>	<u>1,499,194</u>

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

	For the years ended December 31,	
	2023	2022
Trading securities - proprietary	\$ 530,608	(956,460)
Trading securities - underwriting	9,774	(12,423)
Trading securities - hedging	1,258,422	(1,471,930)
	<u>\$ 1,798,804</u>	<u>(2,440,813)</u>

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

	For the years ended December 31,	
	2023	2022
Gains on changes in fair value of stock warrants	\$ 10,770,274	42,870,899
Gains on exercise of stock warrants before maturity	71,408,116	33,668,212
Losses on changes in fair value of stock warrants repurchased	(81,954,743)	(74,942,647)
Gains on expiration of stock warrants	34,727	37,523
Stock warrants issuance expenses	(428,799)	(255,638)
	<u>\$ (170,425)</u>	<u>1,378,349</u>

(Continued)

(vii) Futures commission revenues

	For the years ended December 31,	
	2023	2022
Futures commission revenues - CSC Futures (HK) Ltd.	<u>\$ 301,191</u>	<u>310,640</u>

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

(viii) Commission expenses - future

	For the years ended December 31,	
	2023	2022
Future trading - reconsignment	\$ 225,574	278,395
Future trading - introducing brokers	3,042	2,358
Commission expenses - CSC Futures (HK) Ltd.	<u>75,118</u>	<u>93,213</u>
	<u>\$ 303,734</u>	<u>373,966</u>

(ix) Employee benefits, depreciation, and amortization expenses

	For the years ended December 31,	
	2023	2022
Employee benefit expenses		
Salary expense	\$ 3,058,209	2,396,021
Health and labor insurance expense	193,374	198,842
Pension expense	99,156	114,562
Others	68,570	66,050
Depreciation expense	417,667	426,975
Amortization expense	<u>45,810</u>	<u>36,538</u>
	<u>\$ 3,882,786</u>	<u>3,238,988</u>



## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

## (x) Other operating expenses

	For the years ended December 31,	
	2023	2022
Rental expense	\$ 17,450	15,959
Taxes	725,653	664,290
Information technology expense	284,601	316,919
Postage expense	249,535	232,914
Professional service fee	22,332	22,945
Expense from securities lending	436,222	346,312
Other expenses	786,846	637,594
	<u>\$ 2,522,639</u>	<u>2,236,933</u>

## (xi) Other gains and losses

	For the years ended December 31,	
	2023	2022
Financial revenue	\$ 1,389,561	491,557
Currency exchange gains (losses)	(516)	23,873
Net gains (losses) on disposal of investment	(274,634)	(11,508)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	47,051	(9,019)
Revenue from bank's allocation fee	279,899	258,653
Net gains (losses) on disposal of property and equipment	17	(8)
Dividend revenue	336,147	100,741
Gains on reversal of prior year's liabilities	18,539	31,946
Rental income	182,897	167,907
Others	48,878	53,326
	<u>\$ 2,027,839</u>	<u>1,107,468</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

(Continued)

appropriate the remainder in the aforementioned percentage as remuneration to employees and directors.

For the years ended December 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$92,459 and \$16,731, respectively, and to directors were \$138,689 and \$20,404, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2022 and 2021, the estimated amounts of remuneration to employees were \$16,731 and \$82,129, and to directors were \$20,404 and \$100,380 by the Company. The difference between actual employee remuneration of \$8,197 and \$74,649 and actual remuneration to directors of \$10,930 and \$91,238 were \$18,008 and \$16,622 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2023 and 2022. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the years ended December 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$14,761 and \$11,623 and to directors were \$14,767 and \$11,644 by the domestic subsidiaries of the Group, respectively.

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2023 and 2022, the maximum credit exposure amounted to \$201,681,173 and \$144,399,399, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Group is as the list below. The region of exposure is mostly in Taiwan (accounted for 84.65%); secondly, is in Asia (accounted for 6.41%, exclusion of Taiwan); then, is in America (accounted for 5.00%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Region	December 31, 2023	December 31, 2022
Taiwan	\$ 170,713,461	122,669,163
Asia (Taiwan is excluded)	12,924,755	11,862,797
Europe	7,961,492	2,797,074
America	10,081,465	7,001,295
Other	-	69,070
Total	<b>\$ 201,681,173</b>	<b>144,399,399</b>

## 2) Impairment loss

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

	December 31, 2023		December 31, 2022	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 39,786,382	34,623	22,685,084	35,167
Past due 0~30 days	-	-	-	-
Past due 31~120 days	-	-	-	-
Past due 121~360 days	2,223	2,223	4,519	4,519
Past due more than 360 days	260,900	260,900	256,623	256,623
	<b>\$ 40,049,505</b>	<b>297,746</b>	<b>22,946,226</b>	<b>296,309</b>

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, 2023 and 2022, the impairment losses of receivables were \$297,746 and \$296,309, respectively.

## 3) Credit risk of receivables and debt securities

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

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

The loss allowance provision for the years ended December 31, 2023 and 2022 was as follows:

(Continued)

	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			Total
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2023	\$ -	5,127	1,141	-	-	-	296,309	-	-	302,577
Provision or reversal of Impairment loss	-	4,555	590	-	-	-	2,069	-	-	7,214
Amounts written off	-	-	(35)	-	-	-	(582)	-	-	(617)
Effect of exchange rate	-	-	25	-	-	-	(50)	-	-	(25)
Balance on December 31, 2023	\$ -	9,682	1,721	-	-	-	297,746	-	-	309,149

	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			Total
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2022	\$ -	6,779	-	-	-	-	290,174	-	-	296,953
Provision or reversal of Impairment loss	-	(1,652)	1,151	-	-	-	5,474	-	-	4,973
Amounts written off	-	-	-	-	-	-	(1,722)	-	-	(1,722)
Effect of exchange rate	-	-	(10)	-	-	-	2,383	-	-	2,373
Balance on December 31, 2022	\$ -	5,127	1,141	-	-	-	296,309	-	-	302,577

## (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.

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2023							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 16,790,982	16,790,982	16,790,982	-	-	-	-
Stock warrants issued	1,342,245	1,342,245	1,092,252	244,992	5,001	-	-
Put options	82,162	82,162	82,162	-	-	-	-
Equity derivatives	90	90	90	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	154,733	154,733	99,996	8,977	15,429	30,331	-
Asset swap option - short position	2,663,494	2,663,494	211,937	346,676	991,141	1,113,740	-
Leverage derivatives - non-hedging	15,402	15,402	15,402	-	-	-	-
Structured notes	41,296	41,296	18,425	16,344	3,664	2,863	-
Short-term borrowings	5,874,434	5,874,434	5,874,434	-	-	-	-
Commercial paper payable	13,090,169	13,100,000	13,100,000	-	-	-	-
Bonds sold under repurchase agreements	51,425,166	52,334,160	36,411,873	15,922,287	-	-	-
Guarantee deposited for short sales	2,003,761	2,003,761	2,003,761	-	-	-	-
Proceeds payable from short sales	2,294,644	2,294,644	2,294,644	-	-	-	-
Securities lending refundable deposits	15,481,166	15,481,166	15,481,166	-	-	-	-
Futures traders' equity	38,762,176	38,762,176	38,762,176	-	-	-	-
Equity for each customer in the account	32,426,834	32,426,834	32,426,834	-	-	-	-
Leverage contract trading customers' equity	733,533	733,533	733,533	-	-	-	-
Notes payable and accounts payable	507,895	507,895	507,895	-	-	-	-

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	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Receipts under custody	327,934	327,934	327,934	-	-	-	-
Other payables	1,733,199	1,733,199	1,732,128	1,071	-	-	-
Other financial liabilities	4,900,665	4,900,665	3,974,452	249,051	426,210	250,952	-
Lease liabilities	724,417	744,145	111,098	98,610	187,830	344,591	2,016
	<u>\$ 191,376,397</u>	<u>192,314,950</u>	<u>172,053,174</u>	<u>16,888,008</u>	<u>1,629,275</u>	<u>1,742,477</u>	<u>2,016</u>

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

(Continued)

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

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

(Continued)



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

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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, 2023 and 2022, the realized and unrealized currency exchange gains (losses) amounted to \$19,819 and \$(431,740), respectively.

(Continued)

## 2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, amortized cost of a financial asset, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2023 and 2022, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the years ended December 31, 2023		For the years ended December 31, 2022	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
Net income	(659,568)	659,568	(360,016)	360,016
Other comprehensive income	544,090	(544,090)	282,950	(282,950)

## (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, 2023	December 31, 2022	For the years ended December 31,					
			2023			2022		
			Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	2,620,698	1,728,619	2,153,680	2,620,698	1,781,528	1,616,202	1,728,610	1,453,750

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (v) Fair value information and hierarchy

##### 1) Fair value information

##### a) General description

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

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

##### b) Definition of fair value hierarchy

##### i) Level 1

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

##### ii) Level 2

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

##### iii) Level 3

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

(Continued)

## 2) Not measured at fair value

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

## a) Fair value information

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
Financial assets:				
Cash and cash equivalents	\$ 8,598,180	8,598,180	11,259,550	11,259,550
Bonds purchased under resale agreements	60,208	60,208	-	-
Accrued receivable	85,015,061	85,015,061	63,301,791	63,301,791
Customers' margin account	38,874,681	38,874,681	39,049,741	39,049,741
Leverage contract trading - customers' margin account	712,455	712,455	856,021	856,021
Restricted assets - current	1,591,156	1,591,156	219,234	219,234
Other non-current assets	1,697,550	1,697,550	1,537,038	1,537,038
Financial liabilities:				
Short-term borrowings	5,874,434	5,874,434	2,870,799	2,870,799
Commercial paper payable	13,090,169	13,090,169	3,198,722	3,198,722
Bonds sold under repurchase agreements	51,425,166	51,425,166	36,035,969	36,035,969
Accrued payable	66,129,729	66,129,729	54,078,497	54,078,497
Futures traders' equity	38,762,176	38,762,176	38,884,241	38,884,241
Leverage contract trading - customers' equity	733,533	733,533	849,887	849,887
Other financial liabilities - current	4,223,503	4,223,503	3,028,050	3,028,050
Other financial liabilities - non-current	677,162	677,162	494,542	494,542
Other non-current liabilities	84,640	84,640	99,969	99,969

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>December 31, 2023</b>				
Investment property	\$ -	-	7,302,757	7,302,757
Debt securities at amortized cost	-	5,361,000	-	5,361,000
	<b>\$ -</b>	<b>5,361,000</b>	<b>7,302,757</b>	<b>12,663,757</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>December 31, 2022</b>				
Investment Property	\$ -	-	7,761,103	7,761,103
Debt securities at amortized cost	-	3,283,116	-	3,283,116
	<b>\$ -</b>	<b>3,283,116</b>	<b>7,761,103</b>	<b>11,044,219</b>

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, bonds purchased under resale agreements, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading-customers' equity, other financial liabilities- current, other financial liabilities-non-current, and other non-current liabilities.
  - ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.
  - iii) The quoted market price is used as the fair value when the debt instrument investments measured at amortized cost have an active market, if there is no market price as reference, the fair values are determined based on evaluation approach. Estimation and assumption in which the Group applies on evaluation approach will be as same as informations market participators use to estimate and assume when pricing financial instruments, and the informations can be acquired by the Group.
- 3) Measured at fair value
- a) Hierarchy information of fair value

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

	Level 1	Level 2	Level 3	Total
<b>December 31, 2023</b>				
Financial assets at fair value through profit or loss	\$ 30,233,689	32,196,042	102,630	62,532,361
Financial assets at fair value through other comprehensive income	4,048,127	20,106,338	3,602,562	27,757,027
Derivative financial assets	<u>1,209,015</u>	<u>527,674</u>	<u>-</u>	<u>1,736,689</u>
	<b><u>\$ 35,490,831</u></b>	<b><u>52,830,054</u></b>	<b><u>3,705,192</u></b>	<b><u>92,026,077</u></b>
Financial liabilities at fair value through profit or loss	\$ 18,133,227	-	-	18,133,227
Derivative financial liabilities	<u>114,262</u>	<u>2,842,915</u>	<u>-</u>	<u>2,957,177</u>
	<b><u>\$ 18,247,489</u></b>	<b><u>2,842,915</u></b>	<b><u>-</u></b>	<b><u>21,090,404</u></b>

(Continued)

	Level 1	Level 2	Level 3	Total
<b>December 31, 2022</b>				
Financial assets at fair value through profit or loss	\$ 15,543,900	25,320,365	42,482	40,906,747
Financial assets at fair value through other comprehensive income	3,384,936	10,331,743	2,690,775	16,407,454
Derivative financial assets	1,222,711	454,098	-	1,676,809
	<u>\$ 20,151,547</u>	<u>36,106,206</u>	<u>2,733,257</u>	<u>58,991,010</u>
Financial liabilities at fair value through profit or loss	\$ 10,168,567	-	-	10,168,567
Derivative financial liabilities	228,290	1,247,742	-	1,476,032
	<u>\$ 10,396,857</u>	<u>1,247,742</u>	<u>-</u>	<u>11,644,599</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).



## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

## 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, 2023 and 2022, there is no transfer of financial instruments between Level 1 and Level 2.

## 5) Fair value adjustments

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

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

(In Thousands Dollars)

For the year ended December 31, 2023									
Item	Beginning Balance	Gains and losses on valuation		Addition		Reduction		Transferred from Level 3	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		
Financial assets at fair value through profit or loss	\$ 42,482	(1,870)	-	106,300	-	37,800	-	6,482	102,630
Financial assets at fair value through other comprehensive income	2,690,775	-	1,048,158	40,000	-	161,800	571	14,000	3,602,562
Total	<u>\$ 2,733,257</u>	<u>(1,870)</u>	<u>1,048,158</u>	<u>146,300</u>	<u>-</u>	<u>199,600</u>	<u>571</u>	<u>20,482</u>	<u>3,705,192</u>

For the year ended December 31, 2022									
Item	Beginning Balance	Gains and losses on valuation		Addition		Reduction		Transferred from Level 3	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		
Financial assets at fair value through profit or loss	\$ -	-	482	42,000	-	-	-	-	42,482
Financial assets at fair value through other comprehensive income	3,319,193	-	(632,858)	83,566	-	-	16,532	62,594	2,690,775
Total	<u>\$ 3,319,193</u>	<u>-</u>	<u>(632,376)</u>	<u>125,566</u>	<u>-</u>	<u>-</u>	<u>16,532</u>	<u>62,594</u>	<u>2,733,257</u>

(Continued)

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

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

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

Item	Valuation technique	Significant unobservable inputs	Correlation between inputs and fair value
Financial assets at fair value through profit or loss - equity instruments without an active market - private equity fund I corporation	Market approach	<ul style="list-style-type: none"> <li>Price-to-Book Ratio</li> <li>Discount for lack of marketability</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiple, the higher fair value.</li> <li>The higher the discount for lack of marketability, the lower the fair value.</li> </ul>
Financial assets at fair value through other comprehensive income - equity instruments without an active market	Market approach	<ul style="list-style-type: none"> <li>Price-to-Book Ratio</li> <li>Discount for lack of marketability</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiple, the higher fair value.</li> <li>The higher the discount for lack of marketability, the lower the fair value.</li> </ul>
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

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
<b>December 31, 2023</b>		
Financial assets at fair value through profit or loss	\$ 1,026	(1,026)
Financial assets at fair value through other comprehensive income	\$ 36,026	(36,026)
<b>December 31, 2022</b>		
Financial assets at fair value through profit or loss	\$ 425	(425)
Financial assets at fair value through other comprehensive income	\$ 26,908	(26,908)

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

- (vi) Transfer of financial assets

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

(Continued)

December 31, 2023					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 53,843,190	51,425,166	-	-	-

December 31, 2022					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 37,067,224	36,035,969	-	-	-

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, 2023					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		
			Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	\$ 527,674	527,674	-	-	527,674

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## Notes to the Consolidated Financial Statements

December 31, 2023					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	
				Financial instruments (Note)	Net amount (e)=(c)-(d)
				Cash received as collaterals	
Derivative financial liabilities	\$ 2,875,015	-	2,875,015	-	2,875,015
Under repurchase agreements	51,425,166	-	51,425,166	51,425,166	-
Total	<u>\$ 54,300,181</u>	<u>-</u>	<u>54,300,181</u>	<u>51,425,166</u>	<u>2,875,015</u>

December 31, 2022					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	
				Financial instruments (Note)	Net amount (e)=(c)-(d)
				Cash received as collaterals	
Derivative financial assets	\$ 454,098	-	454,098	-	454,098

December 31, 2022					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	
				Financial instruments (Note)	Net amount (e)=(c)-(d)
				Cash received as collaterals	
Derivative financial liabilities	\$ 1,347,033	-	1,347,033	-	1,347,033
Under repurchase agreements	36,035,969	-	36,035,969	36,035,969	-
Total	<u>\$ 37,383,002</u>	<u>-</u>	<u>37,383,002</u>	<u>36,035,969</u>	<u>1,347,033</u>

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

## (y) 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.

## (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.

(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

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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

##### 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,

(Continued)



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

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

Stock warrants

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

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Stock warrants issued	\$ 93,530,484	-	26,259,600	-

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

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is no significant funding demand. Furthermore, since the underlying security are restricted by certain market prices and diversification requirements, the risk of being unable to sell securities at reasonable prices is rather low; likewise for liquidity risk as well. The only risk is capital demands resulting from hedged positions adjusted for changes in securities prices. However, under the assumption of good market liquidity, cash flow risk is assessed to be low.

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

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

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

(v) Presentation of financial derivatives

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

1) For the years ended December 31, 2023 and 2022:

a) Gains (losses) on valuation

	For the years ended December 31,		Account
	2023	2022	
Stock warrants issued	\$ 41,057,103	20,852,051	Gains (losses) on stock warrants issued
Stock warrants repurchased	(40,854,770)	(20,641,600)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the years ended December 31,		Account
	2023	2022	
Security borrowing	\$ (110,877)	5,866	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	641,503	(956,919)	Gains (losses) on sale of trading securities
Futures transaction	(325,737)	98,313	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the years ended December 31,		Account
	2023	2022	
Stock warrants issued	\$ 41,156,014	55,724,583	Gains (losses) on stock warrants issued
Stock warrants repurchased	(41,099,973)	(54,301,047)	Gains (losses) on stock warrants issued

### Exchange traded notes

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

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

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

(ii) Market risk:

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

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

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

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

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

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

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

	For the years ended December 31,		Account
	2023	2022	
Gains (losses) on exchange traded notes	-	188	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	-	3	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	-	(377)	Management and commissions expense on exchange traded notes

**Futures**

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

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

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

(ii) Market risk:

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

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

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

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

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

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

(Continued)

## (iv) Presentation of financial derivatives:

	December 31, 2023	December 31, 2022	Account
Futures margin - proprietary fund	\$ 1,014,514	1,133,174	Financial assets at fair value through profit or loss - current
Excess futures margin	1,997,886	2,474,182	Cash and cash equivalent
Buy options	194,501	89,537	Financial assets at fair value through profit or loss - current
Sale options	82,162	128,999	Financial liabilities at fair value through profit or loss - current
	<b>For the years ended December 31,</b>	<b>2022</b>	<b>Account</b>
	<b>2023</b>	<b>2022</b>	
Gains (losses) on futures transactions	\$ (699,650)	(644,422)	Gains (losses) on derivatives - futures

Derivative instruments - OTC

## (i) Interest rate financial derivatives

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

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 8,000,000	-	7,000,000	-

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:

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## Notes to the Consolidated Financial Statements

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

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

## (ii) Structured notes

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

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 266,000	-	336,000	-
Principal guaranteed notes	3,470,817	-	2,469,656	-
Credit-linked notes	1,138,700	-	952,300	-
Principal guaranteed notes (in USD thousands)	USD 2,487	-	USD 90	-

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:

(Continued)

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset swaps	\$ 2,744,800	-	2,976,300	-
Convertible bond options	15,354,000	-	13,364,000	-

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

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

2) Market risk:

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

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

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

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

(iv) Options

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

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Equity options	\$ 475,427	-	705,123	-

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

2) Market risk:

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



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

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

(v) Leverage derivatives

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

	December 31, 2023		December 31, 2022	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
<b>Financial Instruments</b>				
For trading purpose:				
Leverage derivatives-long position	\$ 4,606,396	-	4,078,689	-
Leverage derivatives-short position	4,592,219	-	4,059,360	-

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.

(vi) Presentation of derivative instruments in financial statement

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

(Continued)

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 43,403	17,807
Asset swap options-long position	315,076	205,121
Leverage derivatives - non-hedging	150,671	202,915
Structured notes	2,284	2,056
Exchange rate derivatives	-	9,345
Interest rate swaps	350	-
Equity derivatives	15,890	16,854
Total	<u>\$ 527,674</u>	<u>454,098</u>
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	\$ 56,167	51,106
Asset swap options-short position	2,663,494	1,140,992
Leverage derivatives - non-hedging	15,402	28,918
Structured notes	41,296	103,125
Exchange rate derivatives	98,566	21,123
Interest rate swaps	-	59
Equity derivatives	90	1,710
Total	<u>\$ 2,875,015</u>	<u>1,347,033</u>
Other financial liabilities - current		
Structured notes principal value	<u>\$ 4,223,503</u>	<u>3,028,050</u>
	December 31, 2023	December 31, 2022
Other financial liabilities - non-current		
Structured notes principal value	<u>\$ 677,162</u>	<u>494,542</u>

For the year ended December 31, 2023 and 2022, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps are presented on statements of income as follows:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	\$ 222	350	255	(59)
Equity derivatives	5,132	15,956	22,987	15,144
Structured notes	(106,641)	10,862	70,040	136,497
IRS asset swaps	(860)	(819)	(682)	(719)
Asset swap options	(1,516,870)	462,833	1,019,361	1,439,979
Exchange rate derivatives	108,395	(98,566)	247,310	(11,778)
Leverage derivatives- non-hedging	95,511	135,269	147,780	173,997
Total	<u>\$ (1,415,111)</u>	<u>525,885</u>	<u>1,507,051</u>	<u>1,753,061</u>

(vii) Interest rate benchmark reform

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

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#### (z) Capital management

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

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

	December 31, 2023	December 31, 2022
Capital adequacy ratio	276%	337%

#### (aa) 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, 2023 and 2022, were as follows:

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

	January 1, 2023	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2023
Lease liabilities	\$ 827,292	(211,965)	109,208	(118)	-	724,417

	January 1, 2022	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2022
Lease liabilities	\$ 850,171	(202,421)	175,792	3,750	-	827,292

#### (7) Related-party transactions:

##### (a) Parent company and ultimate controlling party

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

##### (b) Names of related parties and relationships

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

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

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

(c) Key management personnel transactions

(i) Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 349,763	253,164
Post-employment benefits	2,793	2,612
Total	<u>\$ 352,556</u>	<u>255,776</u>

(ii) Bonds sold under repurchase agreements

	December 31, 2023		December 31, 2022	
	Par value	Purchase price	Par value	Purchase price
Other related parties	<u>\$ 4,000</u>	<u>4,051</u>	<u>13,142</u>	<u>13,161</u>

	For the years ended December 31,	
	2023	2022
<b>Total financial expenses</b>		
Other related parties	<u>\$ 103</u>	<u>313</u>

Transactions terms are the same as the general clients.

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## (iii) Structured notes transactions - remaining balance

	December 31, 2023	December 31, 2022
Other related parties	<u>\$ 86,800</u>	<u>98,200</u>

## (iv) Futures transactions

	December 31, 2023	December 31, 2022
<b><u>Future Traders' equity</u></b>		
Other related parties	<u>\$ 270</u>	<u>270</u>

## (v) Brokerage and sub-brokerage

	For the years ended December 31,	
	2023	2022
<b>Brokerage commissions</b>		
Other related parties	<u>\$ 48,173</u>	<u>2,527</u>

	For the years ended December 31,	
	2023	2022
<b>Re-consigned handling commissions</b>		
Other related parties	<u>\$ 1,084</u>	<u>120</u>

## (vi) Consultancy Fee

	For the years ended December 31,	
	2023	2022
<b>Consultancy Fee</b>		
Other related parties	<u>\$ 39</u>	<u>-</u>

## (vii) Other revenue

	For the years ended December 31,	
	2023	2022
<b>Other revenue</b>		
Other related parties	<u>\$ 4</u>	<u>34</u>

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

## (viii) Property Transactions - Dispose Equipment

	For the years ended December 31,			
	2023		2022	
	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal
Other related parties	<u>\$ 860</u>	<u>50</u>	<u>-</u>	<u>-</u>

## (d) Significant transactions with related parties

(Continued)

## (i) Bonds sold under repurchase agreements

	December 31, 2023		December 31, 2022	
	Par value	Purchase price	Par value	Purchase price
Funds issued by associate	<u>\$ 1,056,720</u>	<u>1,056,720</u>	<u>705,000</u>	<u>705,000</u>
<b>For the years ended December 31,</b>				
<b>Total financial expenses</b>	<b>2023</b>		<b>2022</b>	
Subsidiaries	\$	35		133
Funds issued by associate		12,277		961
Total	<u>\$</u>	<u>12,312</u>		<u>1,094</u>

Transaction terms are the same as the general clients.

## (ii) Financial assets transactions

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

Relationship	Account	December 31, 2023		December 31, 2022	
		Ending shares (Note)	Ending amount	Ending shares (Note)	Ending amount
Funds issued by associate	Financial assets at fair value through profit or loss - current	111,489	\$ 2,073,630	89,472	825,936

Notes: Expressed in thousand shares.

	For the years ended December 31,			
	2023		2022	
	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend
Funds issued by associate	<u>\$ 82,397</u>	<u>70,212</u>	<u>(20,522)</u>	<u>35,254</u>
<b>Prepayments</b>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Associates	<u>\$ 55,202</u>		<u>2,214</u>	

Transaction terms are the same as the general clients.

## (iii) Futures transactions

	December 31, 2023	December 31, 2022
<b>Futures traders' equity</b>		
Funds issued by associate	<u>\$ 671,147</u>	<u>270,227</u>
<b>For the years ended December 31,</b>		
<b>Total financial expenses</b>	<b>2023</b>	<b>2022</b>
Funds issued by associate	<u>\$ 573</u>	<u>278</u>

Transaction terms are the same as the general clients.

## (iv) Lease agreements

Lessor

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	For the years ended December 31,	
	2023	2022
<b>Lease revenue</b>		
Associates	<u>\$ 17,263</u>	<u>17,237</u>
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Guarantee deposits received</b>		
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.

Lessee

- 1) The Group leases office places from related party in substance for operation, and lease period is seven to nine years. The aggregate contractual value of the lease is \$917,026 and rent is paid monthly. As of December 31, 2023 and 2022, the refundable deposits were \$28,014 and \$23,915.

- 2) Acquisition of right-of-use assets

There new acquisition of right-of-use assets of the Company in the periods for the year ended December 31, 2023 was \$65,920.

- 3) Lease liabilities

	December 31, 2023	December 31, 2022
Related party in substance	<u>\$ 493,661</u>	<u>521,082</u>
4) Financial expenses		

	For the years ended December 31,	
	2023	2022
Related party in substance	<u>\$ 6,959</u>	<u>3,015</u>

- (v) Custody account business

	For the years ended December 31,	
	2023	2022
<b>Custody account business revenue(Account to rental income)</b>		
Related party in substance	<u>\$ 120,252</u>	<u>42,342</u>
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Other accounts receivable</b>		
Related party in substance	<u>\$ 8,379</u>	<u>8,379</u>

- (vi) Insurance commission revenues

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

(Continued)



	For the years ended December 31,	
	2023	2022
<b>Commission revenues</b>		
Subsidiaries	<u>\$ 6,294</u>	<u>12,936</u>
<b>Accounts receivable</b>		
Subsidiaries	<u>\$ 1,453</u>	<u>444</u>

## (vii) Brokerage and sub-brokerage

Due to the involvement of related parties in securities and futures transactions, for the years ended December 31, 2023 and 2022, commission revenues charged by the Group were as follows:

	For the years ended December 31,	
	2023	2022
<b>Brokerage commissions</b>		
Funds issued by associate	\$ 52,032	46,645
Related party in substance	264	113
Total	<u>\$ 52,296</u>	<u>46,758</u>

	For the years ended December 31,	
	2023	2022
<b>Re-consigned handling commissions</b>		
Funds issued by associate	<u>\$ 13,366</u>	<u>12,413</u>

## (viii) Fund services business

	For the years ended December 31,	
	2023	2022
<b>Fund services revenue</b>		
Associates	<u>\$ 1,228</u>	<u>1,894</u>

	For the years ended December 31,	
	2023	2022
<b>Channel services revenue</b>		
Associates	<u>\$ 1,228</u>	<u>1,894</u>

	December 31, 2023	December 31, 2022
<b>Account receivable</b>		
Associates	<u>\$ 65</u>	<u>277</u>

## (ix) Wealth management business

	For the years ended December 31,	
	2023	2022
<b>Trust account commissions revenue</b>		
Associates	<u>\$ 4,588</u>	<u>4,463</u>

	For the years ended December 31,	
	2023	2022
<b>Trust account management fee revenue</b>		
Associates	<u>\$ 2,007</u>	<u>1,355</u>

## (x) Underwriting business

	For the years ended December 31,	
	2023	2022
<b>Stock service income</b>		
Associates	<u>\$ 122</u>	<u>123</u>

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

## Handling fee revenues from underwriting securities on consignment

Funds issued by associate	\$	13	116
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		December 31, 2023	December 31, 2022
<b>Accounts receivable</b>			
Associates	\$	10	10

## (xi) Other revenue and expense

		For the years ended December 31,	
		2023	2022
<b>Other revenue</b>			
Associates	\$	3	2

		For the years ended December 31,	
		2023	2022
<b>Other expense</b>			
Related party in substance	\$	780	-

## (xii) Custody account business

		For the years ended December 31,	
		2023	2022
<b>Custody account business revenue</b>			
Second-level subsidiaries (note)	\$	6,218	6,045

		December 31, 2023	December 31, 2022
<b>Accounts receivable</b>			
Second-level subsidiaries (note)	\$	607	577

## (xiii) Accrued receivable

		December 31, 2023	December 31, 2022
<b>Accounts receivable/ Other receivable</b>			
Subsidiaries	\$	132	80

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

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

(Continued)

**(8) Pledged assets:**

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

	December 31, 2023	December 31, 2022	The collateral use
Restricted assets - current	\$ 1,591,156	219,234	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	49,875	Guarantee deposit for provisional seizure
Trading securities	34,337,950	27,120,122	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	14,206,648	7,347,280	Repurchase agreement
Property (net amount)	1,869,210	1,882,060	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,438	179,171	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Financial assets at amortized cost - non - current(par value)	5,397,887	3,306,400	Repurchase agreement
Investment property (net amount)	3,307,288	3,334,212	Bank borrowings
<b>Total</b>	<b>\$ 60,939,452</b>	<b>43,438,354</b>	

**(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, 2023		December 31, 2022	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	496,265	\$ 4,962,650	481,268	4,812,680
Collateral for margin purchase	2,218	22,184	15,745	157,450
Lending securities to customers through short sales	35,482	354,820	53,847	538,470
Collateral for short sales	6,283	62,830	5,394	53,940

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

	December 31, 2023		December 31, 2022	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	111	\$ 1,110	203	2,030

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

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

- (d) As of December 31, 2023 and 2022, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$13,859,923 and \$9,015,293, respectively.

- (e) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$2,798. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.

- (f) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

against the Company alleged for taking joint responsibility of compensation of \$16,375. The first instance ruled that the company should jointly and severally compensate the plaintiff \$41 and interest. The plaintiff refused to accept and filed an appeal, and the Company also filed a side appeal. The second instance claimed the case in favor of the Company, and it is not liable for compensation, thus the Company unrecognized this amount.

- (g) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$36,142 as of December 31, 2023.
- (h) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

(Continued)

- (i) 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, 2023 and 2022

Trust Assets	December 31, 2023	December 31, 2022	Trust Liabilities	December 31, 2023	December 31, 2022
Bank deposits	\$ 1,030,926	956,522	Accounts payable	\$ 311	67
Short-term investment			Trust capital	13,890,658	12,449,858
Funds	9,395,839	8,756,216	Net income	1,927,340	(1,385,219)
Stocks	1,985,253	153,242	Accumulated earnings or deficit	(1,459,316)	(40,291)
Bonds	1,583,186	1,032,735			
Structured notes	286,314	102,619			
Accounts receivable	77,475	23,081			
<b>Total Assets</b>	<b>\$ 14,358,993</b>	<b>11,024,415</b>	<b>Total Liabilities</b>	<b>\$ 14,358,993</b>	<b>11,024,415</b>

- (ii) Income statement of trust accounts

### Income Statement of Trust Accounts

For the years ended December 31, 2023 and 2022

	For the years ended December 31,	
	2023	2022
Trust revenue		
Interest revenue	\$ 102,161	42,667
Cash dividends revenue	248,018	283,631
Rental revenue	9,843	8,461
Investment gains - unrealized	1,763,628	-
Subtotal	2,123,650	334,759
Trust expense		
Management fee	606	483
Service fee	16,238	23,186
Investment losses - realized	178,428	469,851
Investment losses - unrealized	-	1,226,132
Other fees	130	62
Subtotal	195,402	1,719,714
Gain (loss) before income tax	1,928,248	(1,384,955)
Less: Income tax expense	908	264
Net gain (loss)	<b>\$ 1,927,340</b>	<b>(1,385,219)</b>

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

## (iii) Property list of trust accounts

## Property list of trust accounts

December 31, 2023 and 2022

Investment items	December 31, 2023	December 31, 2022
Bank deposits	\$ 1,030,926	956,522
Short-term investment		
Funds	9,395,839	8,756,216
Stocks	1,985,253	153,242
Bonds	1,583,186	1,032,735
Structured Notes	286,314	102,619
Other assets	77,475	23,081
Total	<u>\$ 14,358,993</u>	<u>11,024,415</u>

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

(Continued)

## (12) Other:

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

## (i) December 31, 2023

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



## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

(Continued)

(ii) December 31, 2022

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

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## Notes to the Consolidated Financial Statements

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

(Continued)

- (b) Restrictions and enforcement of the Group's various financial ratios under futures trading law
- Subsidiary - Capital Futures Corp.'s financial ratio in the table below is prepared according to "Regulations Governing Futures Commission Merchants":

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{7,173,449}{1,614,588}$	4.44	$\frac{6,781,388}{2,147,858}$	3.16	$\geq 1$	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{44,754,505}{39,269,119}$	1.14	$\frac{45,996,498}{40,595,760}$	1.13	$\geq 1$	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{7,173,449}{1,115,000}$	643.36%	$\frac{6,781,388}{1,115,000}$	608.20%	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{5,191,652}{9,654,651}$	53.77%	$\frac{3,701,351}{8,344,985}$	44.35%	$\geq 20\%$ $\geq 15\%$	"

- (c) Unique risk for futures trading

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

## 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	\$ 898,859	837,549	837,549	- %	2	-	Working capital	-		-	1,587,643	1,587,643
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	103,614	103,614	103,614	- %	2	-	Working capital & repayment of financing	-		-	103,614	103,614
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,704	5,704	5,704	- %	2	-	Repayment of financing	-		-	5,704	5,704
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	60,934	60,934	-	10.27%	1	3,487		-		-	207,062	1,035,312
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	426,535	426,535	31,990	6.52%~7.77%	1	173,801		-		-	426,535	1,035,312
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	91,400	91,400	-	9.27%	1	14,455		-		-	207,062	1,035,312
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,233	15,233	-	8.27%	1	-		-		-	207,062	1,035,312
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	8.27%	1	56		-		-	207,062	1,035,312
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	60,934	60,934	-	8.27%	1	1,259		-		-	207,062	1,035,312
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	45,700	45,700	-	8.27%	1	9,507		-		-	207,062	1,035,312
11	CSC Futures (HK) Ltd.	F190416	Account receivables - Customer	No	213,268	213,268	-	6.77%	1	3,488		-		-	213,268	1,035,312

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

(Continued)

(vi) Accounts receivables from related parties exceeding NT\$100 million or 20% of paid-in capital: None

## 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, 2023:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	1,133		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	8,956		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	295		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	31,426		0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,634		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,620		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	131,141	General transaction	1.03%
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	18,219	General transaction	0.14%
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	659	General transaction	0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	869	General transaction	0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	372	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	12,761	General transaction	0.10%
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	38	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	34,161	General transaction	0.27%
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	53,740	General transaction	0.42%
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	504	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	154		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	69,000	General transaction	0.54%
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	2		- %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	47		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	23		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	88		- %

(Continued)



0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	24	General transaction	-	%
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	11,817		-	%
0	Capital Securities Corp.	Capital International Technology Corp.	1	Financial costs	2	General transaction	-	%

## 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 International Technology Corp.	1	Guarantee deposits received	13		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	450	General transaction	- %
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	75	General transaction	- %
1	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp.	1	Advance receipts	27		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	1,760,408		0.71%
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,760,408		0.71%
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	16,598	General transaction	0.13%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	1,194,610		0.48%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	4,643,380		1.88%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	5,463		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	12,555	General transaction	0.10%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	103,034	General transaction	0.81%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	20,667	General transaction	0.16%
2	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	1,792	General transaction	0.01%
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,204,761		1.70%
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	755,991		0.31%
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Other payable	4,302		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Information technology expense	16,860	General transaction	0.13%
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Other receivables	HKD 145		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Other operating revenue	HKD 893	General transaction	0.03%
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Brokerage commissions	HKD 366	General transaction	0.01%

(Continued)

				expense			
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	555	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	4,866	General transaction	0.04%

Note 1: The numbers in the Ref No. column represent as follows:  
(1) 0 stands for the parent company.  
(2) Subsidiaries are coded from No. 1 per respective companies.

Note 2: Transaction relationship with the counterparties are as follows:  
(1) Parent company to subsidiaries.  
(2) Subsidiaries to parent company.  
(3) Subsidiaries to subsidiaries.

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		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, 2023	Balance on December 31, 2022		Shares	Ratio	Book value					
0	Capital-Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990	Note 6	Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	100.00%	7,000,000	100.00%	77,899	72,034	572	572	10,660	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei ,Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	56.58%	119,066,014	56.58%	4,058,928	2,003,325	1,010,196	571,630	359,579	"
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business.	1,339,555	1,339,555	100.00%	45,000,000	100.00%	1,587,643	29,750	14,188	14,188	-	"
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	November 9, 2000	Note 6	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	100.00%	500,000	100.00%	44,481	143,623	18,610	18,610	46,150	Subsidiary
0	Capital Insurance Agency Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	November 8, 2000	Note 6	Liquidation is completed.	7,400	7,400	100.00%	740,000	100.00%	7,400	-	6	6	-	"
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	100.00%	300	100.00%	13	(234)	(234)	(234)	-	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%	841,425	6,249	1,837	1,837	14,173	"
0	CSC Capital Management Co.	Taipei ,Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Investment and management consulting, venture capital and general investing.	330,000	330,000	100.00%	33,000,000	100.00%	308,660	22,414	19,039	19,039	-	"
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 16, 1995	Note 6	Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	20.00%	33,067,507	20.00%	1,421,092	2,278,177	934,342	186,868	138,884	Associates
1	CSC Securities(HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931 dated January 5,1998	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK 128,000 thousands	HK 128,000 thousands	100.00%	128,000,000	100.00%	673,832	80,948	29,750	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4,1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	100.00%	265,000,000	100.00%	(102,379)	-	(234)	-	-	"
3	Taiwan International Capital (HK)Ltd.(Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	100.00%	2	100.00%	(257,862)	-	(132)	-	-	"
4	CSC Futures(HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Future brokerage and other businesses permitted by local law of Hong Kong.	886,284	886,284	100.00%	220,000,000	100.00%	1,035,312	325,140	79,386	-	-	"
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	100.00%	5,000,000	100.00%	18,301	1,792	(8,048)	-	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC-90931 dated January5,1998	Agency services.	HK 2	HK 2	100.00%	HK 2	100.00%	-	-	-	-	-	"
6	Capital Private Equity Fund I Co.	Taipei ,Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business.	300,000	300,000	100.00%	30,000,000	100.00%	275,624	22,895	17,548	-	-	"
7	EnnoCap Venture Inc.	Taipei ,Taiwan, R.O.C.	July 30, 2021	No. FSC-1040034071 dated September 8, 2015	Investment and management consulting, venture capital and general investing.	400	400	40.00%	40,000	40.00%	102	-	(270)	-	-	Associates

(Continued)

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

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

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

Note 4: The Board of Directors of the Company resolved to dissolve the investee company on March 1, 2022. The liquidation completed on November 30, 2023 (Letter No. 403 of the Taipei High Administrative Court, Kang, in the 2022 of Kangxi); and the distribution of the remaining assets was completed on January 16, 2024.

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

Note 6: According to the regulations of reinvesting domestic business issued by Financial Supervisory Commission, securities firms may invest securities finance enterprises and should file for recordation within 15 days after the investment. Therefore, this case only needs to be filed for recordation afterwards.

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

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

(d) Information on investments in the Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2023	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2023	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, 2023
					Remittance amount	Recoverable amount							
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	Note 1 (C)	24,372	-	-	24,372	1,747	28.86%	28.86%	504 Note 2 B(2)	5,405	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(5,157)	56.58%	56.58%	(2,918) Note 2 B(2)	1,415	-

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.

## 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)

- (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, 2023 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet

Unit: US \$ thousands

<b>Nature</b>	<b>Company</b>  <b>CSC International Holdings Ltd. December 31, 2023</b>	<b>Taiwan International Securities (B.V.I) Corp. December 31, 2023</b>
Current assets	8,675	1
Long-term investments	22,120	-
Property and premises	1,706	-
Other assets	19,394	3,380
Total assets	51,895	3,381
Current liabilities	72	20
Other liabilities	32	3,361
Total liabilities	104	3,381
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	6,983	(9,458)
Cumulative translation adjustments	(192)	(58)
Total stockholders' equity	51,791	-
Total liabilities and stockholders' equity	51,895	3,381



## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

## 2) Income statement

Unit: US \$ thousands

<b>Company</b>	<b>CSC International Holdings Ltd.</b>	<b>Taiwan International Securities (B.V.I) Corp.</b>
<b>Nature</b>	<b>For the years ended December 31, 2023</b>	<b>For the years ended December 31, 2023</b>
Operating revenue	969	(8)
Operating expense	(684)	-
Non-operating revenue	180	-
Non-operating expense	(3)	-
Income (loss) before tax	462	(8)
Net income (loss)	462	(8)

## (ii) Securities held as of December 31, 2023

Unit: shares / US\$ thousands

<b>Name of holding company</b>	<b>Securities types and name</b>	<b>Account classification</b>	<b>December 31, 2023</b>	
			<b>Shares</b>	<b>Book value</b>
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	<u>\$ 22,120</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)

**(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, 2023

	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 5,523,902	309,887	3,558,426	1,208,550	191,341	2,212,825	(258,707)	12,746,224
Segment profit or loss	\$ 2,645,264	155,197	1,190,646	852,316	(386,986)	1,276,858	(624,519)	5,108,776

## For the year ended December 31, 2022

	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 5,100,616	346,286	244,093	(47,781)	106,957	2,779,997	(311,111)	8,219,057
Segment profit or loss	\$ 2,537,348	194,614	(959,525)	(365,650)	(146,080)	957,283	(371,939)	1,846,051

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.

## 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, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the financial statements, including a summary of material 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, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. 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 being 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 0.71% and 0.93% of total assets as of December 31, 2023 and 2022, respectively, and the recognized profit of loss under using equity method constituted 4.24% and 11.58% of net income before income tax for the years ended December 31, 2023 and 2022, 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Chen, Yi-Jen.

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2024

#### **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.



## Financial Summary

		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>Assets</b>					
110000	<b>Current assets:</b>				
111100	Cash and cash equivalents (note 6(a))	\$ 1,347,649	1	4,483,970	3
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	63,141,628	31	41,545,387	28
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))	23,727,201	12	13,473,473	9
114030	Receivable for securities provided as collateral	16,723,040	8	11,778,626	8
114040	Refinancing margin	16,619	-	18,859	-
114050	Refinancing collateral receivable	13,847	-	15,418	-
114060	Receivable of securities business money lending	5,886,504	3	4,426,333	3
114090	Collateral for securities borrowed	97,374	-	1,290,877	1
114100	Security borrowing margin	12,495,271	6	12,860,579	9
114110	Notes receivable	6,608	-	12,550	-
114130	Accounts receivable (note 6(c))	15,549,517	8	5,769,709	4
114150	Prepayments	123,963	-	34,849	-
114170	Other receivables	65,653	-	56,548	-
119095	Amounts held for each customer in the account (note 6(m))	32,426,834	16	25,111,376	17
119990	Other current assets-others	856,018	-	659,381	-
		<b>172,477,726</b>	<b>85</b>	<b>121,537,935</b>	<b>82</b>
120000	<b>Non-current assets:</b>				
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,438	-	179,171	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,406,044	2	2,418,318	2
123300	Financial assets at amortized cost - non-current (note 6(b))	5,310,086	3	3,268,785	2
124100	Investments accounted for under equity method (note 6(d))	8,347,541	4	8,106,282	6
125000	Property and equipment (notes 6(e) and 8)	2,443,875	1	2,118,780	2
125800	Right-of-use assets (notes 6(f))	589,672	-	691,896	-
126000	Investment property (notes 6(g) and 8)	3,986,299	2	4,356,992	3
127000	Intangible assets (note 6(h))	3,562,867	2	3,552,359	2
128000	Deferred income tax assets (note 6(q))	15,894	-	18,684	-
129000	Other non-current assets	1,153,209	1	1,161,905	1
		<b>28,994,925</b>	<b>15</b>	<b>25,873,172</b>	<b>18</b>
<b>Total assets</b>		<b>\$ 201,472,651</b>	<b>100</b>	<b>147,411,107</b>	<b>100</b>

(English Translation of Financial Statements Originally Issued in Chinese)

## CAPITAL SECURITIES CORPORATION

## Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
210000	<b>Liabilities and Equity</b>				
211000	<b>Current liabilities:</b>				
211100	Short-term borrowings (note 6(i))	\$ 5,291,851	3	2,870,799	2
211200	Commercial paper payable (note 6(j))	13,090,169	6	3,198,722	2
212000	Financial liabilities at fair value through profit or loss - current (note 6(k))	20,863,623	10	10,799,714	7
214010	Bonds sold under repurchase agreements (note 6(l))	51,456,592	26	35,989,853	25
214040	Guarantee deposited for short sales	2,003,761	1	4,118,440	3
214050	Proceeds payable from short sales	2,294,644	1	3,714,941	3
214070	Securities lending refundable deposits	15,481,166	8	14,681,018	10
214090	Equity for each customer in the account (note 6(m))	32,426,834	16	25,111,376	17
214110	Notes payable	166	-	152	-
214130	Accounts payable (note 6(n))	9,681,013	5	4,526,709	3
214150	Advance receipts	20,221	-	31,024	-
214160	Receipts under custody	322,449	-	541,614	-
214170	Other payables	1,490,258	1	596,951	-
214200	Other financial liabilities - current (note 6(v))	4,223,503	2	3,028,050	2
214600	Current income tax liabilities	552,483	-	300,233	-
215100	Provisions - current (note 6(p))	45,412	-	44,020	-
216000	Current lease liabilities (note 6(o))	171,292	-	167,622	-
219000	Other current liabilities	4,619	-	4,697	-
		<u>159,420,056</u>	<u>79</u>	<u>109,725,935</u>	<u>74</u>
220000	<b>Non-Current liabilities:</b>				
224200	Other financial liabilities - non-current (note 6(v))	677,162	1	494,542	-
226000	Non-current lease liabilities (note 6(o))	468,531	-	579,078	-
228000	Deferred income tax liabilities (note 6(q))	482,903	-	738,509	1
229000	Other non-current liabilities (note 6(p))	177,116	-	128,534	-
		<u>1,805,712</u>	<u>1</u>	<u>1,940,663</u>	<u>1</u>
	<b>Total liabilities</b>	<u>161,225,768</u>	<u>80</u>	<u>111,666,598</u>	<u>75</u>
301010	Common stock (note 6(r))	21,709,081	11	21,709,081	15
302000	Capital surplus (note 6(r))	2,743,256	1	2,743,256	2
304000	Retained earnings:				
304010	Legal reserve	2,889,367	2	2,758,257	2
304020	Special reserve	6,049,211	3	5,786,990	4
304040	Unappropriated earnings (note 6(r))	4,201,815	2	1,339,434	1
305120	Exchange differences on translation of foreign operations	(67,856)	-	(55,863)	-
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,722,009	1	1,463,354	1
	<b>Total equity</b>	<u>40,246,883</u>	<u>20</u>	<u>35,744,509</u>	<u>25</u>
	<b>Total liabilities and equity</b>	<u>\$ 201,472,651</u>	<u>100</u>	<u>147,411,107</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, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
<b>Income:</b>					
401000	Brokerage commissions (note 6(t))	\$ 3,708,430	35	3,454,262	61
402000	Revenues from securities business money lending	1,295	-	227	-
403000	Revenue from securities lending	420,528	4	374,139	7
404000	Underwriting commissions (note 6(t))	90,923	1	97,262	2
406000	Commissions on wealth management business	59,001	1	65,446	1
410000	Net gains (losses) on sale of trading securities (note 6(t))	2,478,649	23	(773,807)	(14)
421100	Securities management, distribution, and management fees	159,028	1	158,024	3
421200	Interest revenue (note 6(t))	2,400,525	23	1,482,200	26
421300	Dividend revenue	2,744,746	26	639,308	11
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(t))	1,743,848	17	(2,412,565)	(43)
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements(note 6(v))	(185,992)	(2)	554,710	10
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(668,688)	(6)	654,104	12
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	6,128	-	(381,784)	(7)
422000	Net gains (losses) from exchange traded notes (note 6(v))	-	-	188	-
422100	Management and commissions revenue from exchange traded notes (note 6(v))	-	-	3	-
422200	Net gains (losses) on stock warrants issued (note 6(t) and (v))	(170,425)	(2)	1,378,349	24
424100	Futures commission revenues	131,141	1	186,991	3
424400	Net gains (losses) on derivative instruments - futures (note 6(v))	(909,127)	(9)	(868,361)	(15)
424500	Net gains (losses) on derivative instruments - OTC (note 6(v))	(1,517,470)	(14)	1,337,102	24
425100	Net gains (losses) arising from derecognition of financial assets measured at amortized cost (note 6(b))	38	-	-	-
425300	Impairment losses and reversal gains (note 6(u))	(7,368)	-	(4,746)	-
428000	Other operating revenues	119,899	1	(297,840)	(5)
		10,605,109	100	5,643,212	100
<b>Expenses:</b>					
501000	Brokerage fees	315,301	3	290,446	5
502000	Brokerage and clearing fees - proprietary trading	36,373	-	22,991	-
503000	Clearing and exchange fees - refinancing	2,613	-	3,374	-
504000	Clearing and exchange fees - underwriting	992	-	1,466	-
507000	Issuance and management fees on exchange traded notes (note 6(v))	-	-	377	-
521200	Financial costs	1,864,059	18	561,548	10
521640	Loss from securities borrowing transactions	324,025	3	337,333	6
524200	Total securities commission expense	12,761	-	14,122	-
528000	Other operating expenditures	44,489	-	20,356	-
531000	Employee benefits expenses (note 6(t))	2,666,228	25	2,071,830	37
532000	Depreciation and amortization expense (note 6(t))	396,732	4	398,744	7
533000	Other operating expenses (note 6(t))	2,177,779	21	1,856,890	33
		7,841,352	74	5,579,477	98
<b>Other income (expenses):</b>					
601100	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method (note 6(d))	812,516	8	583,622	10
602000	Other gains and losses (note 6(t))	826,902	8	681,733	12
		1,639,418	16	1,265,355	22
902001	<b>Net income before income tax</b>	4,403,175	42	1,329,090	24
701000	<b>Less: Income tax expenses (note 6(q))</b>	271,665	3	489,050	9
	<b>Net income</b>	4,131,510	39	840,040	15
805000	<b>Other comprehensive income:</b>				
805500	<b>Components that may not be reclassified to profit or loss in subsequent periods:</b>				
805510	Gains (losses) on remeasurements of defined benefit plans(note 6(p))	(76,442)	(1)	422,748	7
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	1,100,467	11	(683,201)	(12)
805560	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	33,421	-	(1,377)	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-
	<b>Subtotal of components that may not be subsequently reclassified into profit or loss</b>	1,057,446	10	(261,830)	(5)
805600	<b>Components that may be reclassified to profit or loss in subsequent periods:</b>				
805610	Exchange differences on translation of foreign operations	(10,558)	-	325,369	6
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	172,066	2	(334,683)	(6)
805660	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(1,717)	-	53,618	1
805699	Less: Income tax related to components of other comprehensive income (note 6(q))	(282)	-	31,813	1
	<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	160,073	2	12,491	-
805000	<b>Other comprehensive income, net</b>	1,217,519	12	(249,339)	(5)
902006	<b>Total comprehensive income</b>	<b>\$ 5,349,029</b>	<b>51</b>	<b>590,701</b>	<b>10</b>
975000	<b>Basic earnings per share (note 6(s))</b>	<b>\$ 1.90</b>		<b>0.39</b>	
985000	<b>Diluted earnings per share (note 6(s))</b>	<b>\$ 1.90</b>		<b>0.39</b>	

(English Translation of Financial Statements Originally Issued in Chinese)

**CAPITAL SECURITIES CORPORATION****Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(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	
<b>Balance at January 1, 2022</b>	\$ 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
Net income for the year ended December 31, 2022	-	-	-	-	840,040	-	-	-	840,040
Other comprehensive income	-	-	-	-	425,608	347,174	(1,022,121)	-	(249,339)
Total comprehensive income	-	-	-	-	1,265,648	347,174	(1,022,121)	-	590,701
Appropriation and distribution of retained earnings: (note 6(r))									
Legal reserve	-	-	490,424	-	(490,424)	-	-	-	-
Special reserve	-	-	-	980,848	(980,848)	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(3,581,998)	-	-	-	(3,581,998)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	45,459	-	(45,459)	-	-
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)
Balance at December 31, 2022	21,709,081	2,743,256	2,758,257	5,786,990	1,339,434	(55,863)	1,463,354	-	35,744,509
Net income for the year ended December 31, 2023	-	-	-	-	4,131,510	-	-	-	4,131,510
Other comprehensive income	-	-	-	-	(76,969)	(11,993)	1,306,481	-	1,217,519
Total comprehensive income	-	-	-	-	4,054,541	(11,993)	1,306,481	-	5,349,029
Appropriation and distribution of retained earnings: (note 6(r))									
Legal reserve	-	-	131,110	-	(131,110)	-	-	-	-
Special reserve	-	-	-	262,221	(262,221)	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(846,655)	-	-	-	(846,655)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	47,826	-	(47,826)	-	-
<b>Balance at December 31, 2023</b>	<b>\$ 21,709,081</b>	<b>2,743,256</b>	<b>2,889,367</b>	<b>6,049,211</b>	<b>4,201,815</b>	<b>(67,856)</b>	<b>2,722,009</b>	<b>-</b>	<b>40,246,883</b>

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 4,403,175	1,329,090
<b>Adjustments:</b>		
Income and expenses items:		
Depreciation expense	356,535	369,422
Amortization expense	40,197	29,322
Expected credit impairment losses	7,368	4,746
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(1,075,160)	1,758,461
Financial cost	1,864,059	561,548
Net gains arising from derecognition of financial assets measured at amortised cost	(38)	-
Interest revenue (including financial revenue)	(2,519,448)	(1,529,549)
Dividend revenue	(2,819,850)	(739,522)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(812,516)	(583,622)
Gains on disposal and retirement of property and equipment	(50)	-
Net (gains) losses on non-operating financial instruments at fair value through profit or loss	(46,111)	9,701
Net (gains) losses on lease modifications	-	(49)
<b>Subtotal of income of non-cash activities</b>	<b>(5,005,014)</b>	<b>(119,542)</b>
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in financial assets at fair value through profit or loss	(20,475,237)	1,492,010
(Increase) decrease in financial assets at fair value through other comprehensive income	(9,976,223)	1,074,867
(Increase) decrease in receivable for securities provided as collateral	(4,944,414)	9,132,760
Decrease in refinancing margin	2,240	24,968
Decrease in receivable on refinancing collateral	1,571	21,101
Increase in receivable of securities business money lending	(1,460,171)	(2,076,664)
Decrease (increase) in collateral for securities borrowed	1,193,503	(1,181,537)
Decrease (increase) in security borrowing margin	365,308	(7,332,169)
Decrease in notes receivable	5,942	3,419
(Increase) decrease in accounts receivable	(9,637,218)	5,450,054
Increase in prepayments	(89,114)	(14,290)
Decrease in other receivables	6,013	44,136
(Increase) decrease in other current assets	(196,637)	8,599,961
Decrease in other non-current assets	8,814	46,676
Increase in financial liabilities at fair value through profit or loss	10,063,909	5,868,493
Increase (decrease) in bonds sold under repurchase agreements	15,466,739	(1,417,719)
(Decrease) increase in guarantee deposited for short sales	(2,114,679)	1,269,606
(Decrease) increase in proceeds payable from short sales	(1,420,297)	468,149
Increase in securities lending refundable deposits	800,148	6,531,232
Increase in notes payable	14	-
Increase (decrease) in accounts payable	4,889,201	(6,108,940)
(Decrease) increase in advance receipts	(10,803)	548
Decrease in receipts under custody	(219,165)	(8,261,222)
Increase (decrease) in other payable	884,629	(598,225)
Increase in provision - current	1,392	1,368
Increase (decrease) in other financial liabilities	1,378,073	(1,523,288)
Decrease in other current liabilities	(78)	(324)
Decrease in other non-current liabilities	(27,860)	(427,288)
<b>Total changes in assets and liabilities from operating activities</b>	<b>(15,504,400)</b>	<b>11,087,682</b>
<b>Total adjustments</b>	<b>(20,509,414)</b>	<b>10,968,140</b>

(English Translation of Financial Statements Originally Issued in Chinese)

**CAPITAL SECURITIES CORPORATION****Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
Cash generated from operating activities	\$ (16,106,239)	12,297,230
Interest received	2,358,864	1,513,932
Dividends received	3,371,531	1,129,358
Interest paid	(1,591,928)	(520,777)
Income taxes paid	(271,949)	(521,485)
<b>Net Cash flows (used in) provided by operating activities</b>	<b>(12,239,721)</b>	<b>13,898,258</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(10,000)	(80,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	12,175	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	571	16,150
Acquisition of financial assets at amortized cost	(2,145,097)	(3,269,926)
Proceeds from disposal of financial assets at amortised cost	121,662	-
Proceeds from capital reduction of investments accounted for under equity method	32,107	-
Increase in deferred debits	(571)	(100)
Acquisition of property and equipment	(141,047)	(88,415)
Proceeds from disposal of property and equipment	860	-
Acquisition of intangible assets	(48,602)	(36,563)
<b>Net cash flows used in investing activities</b>	<b>(2,177,942)</b>	<b>(3,458,854)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	2,421,052	(107,237)
Increase (decrease) in commercial papers payable	9,891,447	(5,199,084)
Payment of lease liabilities	(175,353)	(167,183)
Cash dividends paid	(846,655)	(3,581,998)
<b>Net cash flows provided by (used in) financing activities</b>	<b>11,290,491</b>	<b>(9,055,502)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(9,149)</b>	<b>166,296</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(3,136,321)</b>	<b>1,550,198</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,483,970</b>	<b>2,933,772</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,347,649</b>	<b>4,483,970</b>

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, 2023 and 2022**

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

**(1) Overview:**

Capital Securities Corporation (the "Company") was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company's registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2023, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The financial statements were authorized for issuance by the Board of Directors on March 13, 2024.



## 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 financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

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

- (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, 2024, would not have a significant impact on its financial statements:

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

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

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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

**(4) Summary of material accounting policies:**

The material 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.

**(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.

## CAPITAL SECURITIES CORPORATION

### Notes to the 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.

#### (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.

(Continued)

### (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 equivalents 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 an 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.

#### (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 (SPPI) 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.

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

#### 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.

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 (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis), 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

(Continued)

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.

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.

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

#### 3) 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.

#### 4) 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.

#### 5) 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.

#### 6) Interest rate benchmark

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

(Continued)



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.

(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.

## 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

(Continued)

gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis.

(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. |

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

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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)

(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

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.

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment

(Continued)



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.

(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



## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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)

The Company has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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) Initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences.
- (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

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

Accounting Research and Development Foundation.

(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:**

In preparing these financial statements, management has made 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 estimate are revised and in any future periods affected.

The Company's may face economic uncertainty, such as COVID-19, natural disasters, geopolitical conflicts, and inflation, among others. These events may significantly impact the following accounting estimate values, as such estimates involve forecasting for the future.

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:

(Continued)

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.

### (6) Explanation of significant accounts:

#### (a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 2,590	2,590
Bank deposits		
Checking accounts	47,861	30,717
Demand deposits	420,499	2,375,769
Subtotal	468,360	2,406,486
Cash equivalents		
Time deposits	-	771,651
Futures margin - excess margin	876,699	1,303,243
Subtotal	876,699	2,074,894
Total	<u>\$ 1,347,649</u>	<u>4,483,970</u>

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

## (b) Financial assets

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

	December 31, 2023	December 31, 2022
<b>Open-ended funds and money-market instruments</b>		
Open-ended funds and money-market instruments	\$ 641,856	279,075
Valuation adjustment	37,488	(8,623)
Subtotal	679,344	270,452
<b>Trading securities - proprietary trading</b>		
Listed stocks	2,111,128	2,144,912
Listed funds	6,391,682	4,309,153
OTC stocks	599,985	507,832
OTC funds	7,842,384	1,175,314
Emerging market stocks	465,877	328,836
Convertible bonds	3,026,744	415,008
Government bonds	3,370,684	2,314,993
Corporate bonds	8,004,798	6,837,714
International bonds	5,195,937	5,532,559
Financial debentures	550,000	801,985
Foreign stocks	98,132	375,432
Foreign funds	158,539	499,347
Foreign bonds	741,649	-
Others	8,651	1,970
	38,566,190	25,245,055
Valuation adjustment	(279,818)	(755,762)
Subtotal	38,286,372	24,489,293
<b>Trading securities - underwriting</b>		
Listed stocks	15,642	50,999
OTC stocks	11,902	-
Convertible bonds	12,620	67,283
	40,164	118,282
Valuation adjustment	2,526	(7,248)
Subtotal	42,690	111,034

(Continued)

**Trading securities - hedging**

Listed stocks	\$ 4,997,262	2,437,167
OTC stocks	1,583,011	527,514
Convertible bonds	15,837,002	12,834,051
Others	<u>172,279</u>	<u>722,856</u>
	22,589,554	16,521,588
Valuation adjustment	<u>255,499</u>	<u>(1,002,923)</u>
Subtotal	<u>22,845,053</u>	<u>15,518,665</u>

**Derivatives**

Buy options	305	305
Futures margin - proprietary fund	926,751	921,309
IRS asset swaps	43,403	17,807
Asset swap options - long position	315,076	205,121
Structured notes	2,284	2,056
Exchange rate derivatives	-	9,345
Interest rate swaps	<u>350</u>	<u>-</u>
Subtotal	<u>1,288,169</u>	<u>1,155,943</u>
Total	<u><b>\$ 63,141,628</b></u>	<u><b>41,545,387</b></u>

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Debt instruments at fair value through other comprehensive income		
Government bonds	\$ 3,499,233	2,807,868
Corporate bonds	6,490,004	3,263,958
International bonds	1,105,380	491,360
Foreign bonds	<u>12,588,989</u>	<u>6,795,491</u>
	23,683,606	13,358,677
Valuation adjustment	<u>(82,559)</u>	<u>(240,037)</u>
Subtotal	<u>23,601,047</u>	<u>13,118,640</u>

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

	December 31, 2023	December 31, 2022
Equity instrument at fair value through other comprehensive income		
Listed stocks	\$ 117,987	254,635
OTC stocks	1,406	117,014
	119,393	371,649
Valuation adjustment	6,761	(16,816)
Subtotal	126,154	354,833
Total	<b>\$ 23,727,201</b>	<b>13,473,473</b>

- 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, 2023 and 2022, 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 \$13,013 and \$18,594, respectively. For the years ended December 31, 2023 and 2022, the dividends were recognized from the disposing equity instrument investments amounted to \$10,080 and \$0, 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 \$956,134 and \$658,825, respectively, cumulative dispose gains (losses) for the years ended December 31, 2023 and 2022, amounted to \$86,419 and \$29,057, 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).
- 4) For the years ended December 31, 2023 and 2022, 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).
- 5) As of December 31, 2023 and 2022, financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Company, please refer to note 8 for details.

(Continued)



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

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Government bonds	\$ 180,887	181,467
Valuation adjustment	(1,449)	(2,296)
Total	<u>\$ 179,438</u>	<u>179,171</u>

As of December 31, 2023 and 2022, 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, 2023	December 31, 2022
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	\$ 605,605	620,356
Valuation adjustment	2,800,439	1,797,962
Total	<u>\$ 3,406,044</u>	<u>2,418,318</u>

For the years ended December 31, 2023 and 2022, 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 \$75,104 and \$100,214, respectively.

For the years ended December 31, 2023 and 2022, the Company did not sell equities recognized in FVOCI-non-current. Furthermore, for the years ended December 31, 2023, due to the determination of contractual rights related to asset cash flow, the FVOCI-non-current were derecognized as they had no fair value upon disposal amounted to \$24,180. the Company acquired the distribution of residual property from liquidation amounted to \$12,175 and \$0 and proceeds from capital reduction of the investees amounted to \$571 and \$16,150 for the years ended December 31, 2023 and 2022.

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

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

Type of market risk	December 31, 2023	December 31, 2022	For the years ended December 31,					
			2023			2022		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	2,682,078	1,474,730	1,922,291	2,682,078	1,403,626	1,573,176	1,811,101	1,430,388

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

	December 31, 2023	December 31, 2022
1) Debt Securities at amortized cost :		
Financial debentures	\$ 500,000	500,000
Foreign currency debentures	4,811,807	2,769,926
	5,311,807	3,269,926
Less: loss allowance	(1,721)	(1,141)
	<u>\$ 5,310,086</u>	<u>3,268,785</u>

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

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

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

	For the years ended December 31,	
	2023	2022
	\$ 121,624	-
Carrying amount on the date of derecognition		

	For the years ended December 31,	
	2023	2022
	\$ 38	-
Current profit and loss		

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

(Continued)

## (c) Accounts Receivable

	December 31, 2023	December 31, 2022
Receivable on securities purchased by customers	\$ 79,263	64,921
Settlement	667,035	598,397
Interests receivable	701,062	576,237
Receivables on securities sold	13,948,931	4,372,913
Others	153,226	157,241
Total	<u>\$ 15,549,517</u>	<u>5,769,709</u>

For credit risk and 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, 2023	December 31, 2022
Subsidiaries		
Capital Investment Management Corp.	\$ 77,899	88,079
CSC International Holdings Ltd.	1,587,643	1,575,072
Capital Futures Corp.	4,058,928	3,837,039
Capital Insurance Advisory Corp.	44,481	72,021
Capital Insurance Agency Corp.	7,400	39,501
CSC Venture Capital Corp.	841,425	833,287
Taiwan International Securities (B.V.I) Corp.	13	39
CSC Capital Management Co.	308,660	286,999
Subtotal	<u>6,926,449</u>	<u>6,732,037</u>
Associates		
Capital Investment Trust Corp.	1,421,092	1,374,245
Total	<u>\$ 8,347,541</u>	<u>8,106,282</u>

## (i) Subsidiaries:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2023 for further information.

For the years ended December 31, 2023 and 2022, the Company's share of gains or losses of the subsidiaries were as follows:

	For the years ended December 31,	
	2023	2022
Based on the audited financial statements	<u>\$ 625,648</u>	<u>429,740</u>

## CAPITAL SECURITIES CORPORATION

## Notes to the 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, 2023	December 31, 2022
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, 2023	December 31, 2022
Total carrying amount of the associates	<u>\$ 1,421,092</u>	<u>1,374,245</u>
	For the years ended December 31,	
	2023	2022
Based on the financial statement attributed to the company:		
Net gains from continuing operations	\$ 186,868	153,882
Other comprehensive income (losses)	(1,137)	6,041
Total comprehensive income (losses)	<u>\$ 185,731</u>	<u>159,923</u>

## (iii) Collateral

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

(Continued)

## (e) Property and equipment

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

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost or deemed cost					
Balance at January 1, 2023	\$ 1,409,683	841,234	530,990	239,767	3,021,674
Additions	-	-	97,243	43,804	141,047
Transferred from investment property	240,289	134,658	-	-	374,947
Disposals and retirements	-	-	(72,320)	(36,407)	(108,727)
Balance at December 31, 2023	<u>\$ 1,649,972</u>	<u>975,892</u>	<u>555,913</u>	<u>247,164</u>	<u>3,428,941</u>
Balance at January 1, 2022	\$ 1,537,428	916,675	506,247	232,821	3,193,171
Additions	-	-	48,663	39,752	88,415
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(129,774)	(76,855)	-	-	(206,629)
Disposals and retirements	-	-	(23,920)	(32,806)	(56,726)
Balance at December 31, 2022	<u>\$ 1,409,683</u>	<u>841,234</u>	<u>530,990</u>	<u>239,767</u>	<u>3,021,674</u>
Depreciation and impairment loss					
Balance at January 1, 2023	\$ -	414,476	331,745	156,673	902,894
Depreciation	-	18,484	97,440	41,775	157,699
Transferred from investment property	-	32,390	-	-	32,390
Disposals and retirements	-	-	(71,510)	(36,407)	(107,917)
Balance at December 31, 2023	<u>\$ -</u>	<u>465,350</u>	<u>357,675</u>	<u>162,041</u>	<u>985,066</u>
Balance at January 1, 2022	\$ -	415,857	249,361	139,182	804,400
Depreciation	-	17,237	106,304	50,297	173,838
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(19,633)	-	-	(19,633)
Disposals and retirements	-	-	(23,920)	(32,806)	(56,726)
Balance at December 31, 2022	<u>\$ -</u>	<u>414,476</u>	<u>331,745</u>	<u>156,673</u>	<u>902,894</u>
Carrying amount:					
December 31, 2023	<u>\$ 1,649,972</u>	<u>510,542</u>	<u>198,238</u>	<u>85,123</u>	<u>2,443,875</u>
December 31, 2022	<u>\$ 1,409,683</u>	<u>426,758</u>	<u>199,245</u>	<u>83,094</u>	<u>2,118,780</u>

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

## 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:

	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
Cost:			
Balance at January 1, 2023	\$ 1,136,149	17,053	1,153,202
Additions	63,633	4,843	68,476
Reductions	(20,958)	(2,258)	(23,216)
Balance at December 31, 2023	<b>\$ 1,178,824</b>	<b>19,638</b>	<b>1,198,462</b>
Balance at January 1, 2022	\$ 1,067,263	19,389	1,086,652
Additions	146,973	4,865	151,838
Reductions	(78,087)	(7,201)	(85,288)
Balance at December 31, 2022	<b>\$ 1,136,149</b>	<b>17,053</b>	<b>1,153,202</b>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 454,763	6,543	461,306
Depreciation	165,586	5,114	170,700
Reductions	(20,958)	(2,258)	(23,216)
Balance at December 31, 2023	<b>\$ 599,391</b>	<b>9,399</b>	<b>608,790</b>
Balance at January 1, 2022	\$ 368,476	8,736	377,212
Depreciation	161,213	4,987	166,200
Reductions	(74,926)	(7,180)	(82,106)
Balance at December 31, 2022	<b>\$ 454,763</b>	<b>6,543</b>	<b>461,306</b>
Carrying amount:			
At December 31, 2023	<b>\$ 579,433</b>	<b>10,239</b>	<b>589,672</b>
At December 31, 2022	<b>\$ 681,386</b>	<b>10,510</b>	<b>691,896</b>

(Continued)

## (g) Investment property

Movements in investment property of the Company are as follows:

	Land	Buildings	Total
<u>Cost or deemed cost</u>			
Balance at January 1, 2023	\$ 3,546,024	1,472,872	5,018,896
Reclassified to property and equipment	(240,289)	(134,658)	(374,947)
Balance at December 31, 2023	<b>\$ 3,305,735</b>	<b>1,338,214</b>	<b>4,643,949</b>
Balance at January 1, 2022	\$ 3,418,279	1,398,644	4,816,923
Transferred from property and equipment	129,774	76,855	206,629
Reclassified to property and equipment	(2,029)	(1,414)	(3,443)
Disposals and retirements	-	(1,213)	(1,213)
Balance at December 31, 2022	<b>\$ 3,546,024</b>	<b>1,472,872</b>	<b>5,018,896</b>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2023	\$ -	661,904	661,904
Depreciation	-	28,136	28,136
Reclassified to property and equipment	-	(32,390)	(32,390)
Balance at December 31, 2023	<b>\$ -</b>	<b>657,650</b>	<b>657,650</b>
Balance at January 1, 2022	\$ -	615,115	615,115
Depreciation	-	29,384	29,384
Transferred from property and equipment	-	19,633	19,633
Reclassified to property and equipment	-	(1,015)	(1,015)
Disposals and retirements	-	(1,213)	(1,213)
Balance at December 31, 2022	<b>\$ -</b>	<b>661,904</b>	<b>661,904</b>
<u>Carrying Amount:</u>			
December 31, 2023	<b>\$ 3,305,735</b>	<b>680,564</b>	<b>3,986,299</b>
December 31, 2022	<b>\$ 3,546,024</b>	<b>810,968</b>	<b>4,356,992</b>
<u>Fair Value:</u>			
December 31, 2023			<b>7,998,576</b>
December 31, 2022			<b>8,449,496</b>

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, 2023 and 2022, 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



## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

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

	December 31, 2023	December 31, 2022
Within 1 year	\$ 151,896	167,912
1-5 years	475,208	461,109
Over 5 years	2,409	110,170
	<b>\$ 629,513</b>	<b>739,191</b>

The rental revenue from investment property for the years ended December 31, 2023 and 2022 amounted to \$198,607 and \$183,894, 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, 2023 and 2022, the book value was both \$3,126,698.

Goodwill is allocated to the operating segments as follows:

	December 31, 2023	December 31, 2022
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	1,557,096	1,557,096
Total	<b>\$ 3,126,698</b>	<b>3,126,698</b>

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 4.64% and 7.16% in year 2023 and 2022 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 2023 and 2022 exceeded the carrying amount, no impairment occurred for both years.

(Continued)

(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, 2023 and 2022, 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, 2023 and 2022, the amortized book value were \$46,170 and \$35,662, respectively.

(i) Short-term borrowings

Nature of borrowings	December 31, 2023	December 31, 2022
Collateralized loan	\$ 767,625	1,792,235
Credit loan	4,524,226	1,078,564
Total	<b>\$ 5,291,851</b>	<b>2,870,799</b>
Interest rate range	<b>1.520%~6.522%</b>	<b>2.39%~5.29%</b>

As of December 31, 2023 and 2022, the Company had provided the land and buildings as collateral, for details please refer to note 8.

(j) Commercial paper payable

	December 31, 2023	December 31, 2022
Commercial paper payable	\$ 13,100,000	3,200,000
Less: Unamortized discount	(9,831)	(1,278)
Net amount	<b>\$ 13,090,169</b>	<b>3,198,722</b>
Interest rate range	<b>1.568%~1.668%</b>	<b>1.378%~1.598%</b>

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

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

## (k) Financial liabilities at fair value through profit or loss

	December 31, 2023	December 31, 2022
Liabilities on sale of borrowed securities	\$ 16,872,212	9,691,043
Redeem liabilities on sale of borrowed securities	(243,755)	(73,941)
Valuation adjustment	33,314	(635,364)
Subtotal	16,661,771	8,981,738
Stock warrants issued	19,542,173	11,073,530
Stock warrants repurchased	(18,199,928)	(10,572,072)
Subtotal	1,342,245	501,458
Sale options	-	113
IRS asset swaps	56,167	51,106
Asset swap options - short position	2,663,494	1,140,992
Structured notes	41,296	103,125
Exchange rate derivatives	98,566	21,123
Interest rate swaps	-	59
Equity derivatives	84	-
Subtotal	2,859,607	1,316,518
Total	<u>\$ 20,863,623</u>	<u>10,799,714</u>

## (l) Bonds sold under repurchase agreements

	December 31, 2023	December 31, 2022
Bonds sold under repurchase agreements	<u>\$ 51,456,592</u>	<u>35,989,853</u>
Agreed-upon repurchase amounts	<u>\$ 52,365,609</u>	<u>36,394,848</u>
Interest rates	<u>0.80%~5.85%</u>	<u>0.55%~5.2%</u>
Date of repurchase	<u>2024.1.2~2024.12.17</u>	<u>2023.1.3~2023.12.27</u>

(Continued)

(m) Equity for each customer in the account

	December 31, 2023	December 31, 2022
Equity for each customer in the account	<u>\$ 32,426,834</u>	<u>25,111,376</u>
Amount of separate account ledger in NTD		
Demand deposit amount	7,426,830	25,111,371
Time deposit amount	17,500,000	-
Time deposit amount in other banks(market values)	7,500,000	-
Total	<u>\$ 32,426,830</u>	<u>25,111,371</u>

(n) Accounts payable

	December 31, 2023	December 31, 2022
Payable of securities sold by customers	\$ 50,980	30,951
Payable of settlements	9,159,539	4,325,142
Others	470,494	170,616
Total	<u>\$ 9,681,013</u>	<u>4,526,709</u>

(o) Lease liabilities

The Company' s lease liabilities are as follow:

	December 31, 2023	December 31, 2022
Current	<u>\$ 171,292</u>	<u>167,622</u>
Non-current	<u>\$ 468,531</u>	<u>579,078</u>

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest on lease liabilities	<u>\$ 8,182</u>	<u>9,157</u>
Expenses relating to short-term leases	<u>\$ 4,453</u>	<u>3,907</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 4,193</u>	<u>7,175</u>
Covid-19-related rent concessions	<u>\$ -</u>	<u>432</u>

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

	For the years ended December 31,	
	2023	2022
Total cash outflow for leases	<u>\$ 192,181</u>	<u>187,422</u>

(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:

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ (775,912)	(726,825)
Fair value of plan assets	685,143	699,684
Recognized liabilities for defined benefit obligations	<u>\$ (90,769)</u>	<u>(27,141)</u>

The Company's employee benefits liabilities are as follows:

	December 31, 2023	December 31, 2022
Compensated absences	<u>\$ 45,412</u>	<u>44,020</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 \$684,953 and \$698,157 as of December 31, 2023 and 2022, 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 \$190 and \$1,527 as of December 31, 2023 and 2022, respectively.

(Continued)

## 2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company in 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Defined benefit obligation on January 1	\$ 726,825	1,195,594
Current service costs and interest	11,419	8,426
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in financial assumptions	5,596	(53,285)
-Experience adjustments	75,180	(334,918)
Benefits paid by the plan	(43,108)	(88,992)
Defined benefit obligation on December 31	<b>\$ 775,912</b>	<b>726,825</b>

## 3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Fair value of plan assets on January 1	\$ 699,684	316,997
Interest revenue	9,568	1,435
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	4,334	34,545
Contributions from the employer	14,665	435,699
Benefits paid from plan assets	(43,108)	(88,992)
Fair value of plan assets on December 31	<b>\$ 685,143</b>	<b>699,684</b>

## 4) Expense recognized in profit or loss

The expenses recognized by the Company in 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Current service cost	\$ 1,477	2,956
Net interest of net defined benefit liabilities (assets)	374	4,035
Current pension cost	<b>\$ 1,851</b>	<b>6,991</b>

## 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, 2023 and 2022, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ (275,181)	(697,929)
Recognized amount during the period	(76,442)	422,748
Balance at December 31	<u>\$ (351,623)</u>	<u>(275,181)</u>

- 6) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.22%	1.38%
Future salary growth rate	2.50%	2.50%

The expected contribution to the defined benefit plan for the next year is \$767. 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, 2023 and 2022, 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, 2023		
Discount rate	(17,738)	18,406
Future salary growth rate	14,282	(13,942)
December 31, 2022		
Discount rate	(17,057)	17,718
Future salary growth rate	13,867	(13,522)

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

(Continued)



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 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 \$77,428 and \$83,406 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2023 and 2022, 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,	
	2023	2022
Current tax expense		
Current year	\$ 525,207	319,020
Adjustment to the prior years' income tax	(1,008)	(71,520)
	<u>524,199</u>	<u>247,500</u>
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	(255,324)	253,899
Unrealized gains (losses) on foreign investments under Equity Method	2,790	(12,349)
	<u>(252,534)</u>	<u>241,550</u>
Income tax expense from continuing operations	<u><b>\$ 271,665</b></u>	<u><b>489,050</b></u>

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

	For the years ended December 31,	
	2023	2022
Foreign exchange difference from translating financial statements of foreign operations	<u><b>\$ (282)</b></u>	<u><b>31,813</b></u>

## 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,	
	2023	2022
Net income before tax	\$ 4,403,175	1,329,090
Income tax using the Company's domestic tax rate	\$ 880,635	265,818
Tax exempt income	(611,518)	294,752
Additional surtax on undistributed retained earnings	3,556	-
Adjustments to prior years' income tax	(1,008)	(71,520)
Total	<u>\$ 271,665</u>	<u>489,050</u>

## (ii) Deferred income tax assets and liabilities

## 1) Recognized deferred income tax assets

	December 31, 2023	December 31, 2022
Unrealized losses on foreign investments under Equity Method	<u>\$ 15,894</u>	<u>18,684</u>

## 2) Recognized deferred income tax liabilities

	December 31, 2023	December 31, 2022
Unrealized gains on derivative financial instruments	\$ 66,290	321,614
Gains on intercompany transactions	1,928	1,928
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Foreign exchange difference from translating financial statement of foreign operations	4,298	4,580
Total	<u>\$ 482,903</u>	<u>738,509</u>

## (iii) Income tax assessment status

The Company's income tax returns through 2021 were assessed by the Tax Authority.

## (iv) Income tax administrative relief

Since the stock warrants in year 2020 and 2021 were assessed differently from those reported by the Company, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

## (r) Capital and other equity

## (i) Capital stock

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

(Continued)

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

## (iii) Retained earnings

## 1) Legal reserve

If the company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders' meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

## 2) Special reserve

In accordance with Article 41 of the “Securities and Exchange Act”, 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 1100365484 issued by the Financial Supervisory Commission on 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.

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

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

## 3) Undistributed earnings

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

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

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

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

(Continued)

## (s) Earnings per share

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

	For the years ended December 31,	
	2023	2022
Net income attributable to common shareholders of the Company	<u>\$ 4,131,510</u>	<u>840,040</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	<u>\$ 1.90</u>	<u>0.39</u>
Effect of potentially dilutive common stock - Employee remuneration (thousands of shares)(Note)	<u>5,655</u>	<u>1,542</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,176,563</u>	<u>2,172,450</u>
Dilutive earnings per share (dollar)	<u>\$ 1.90</u>	<u>0.39</u>

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

## (t) Items of the statements of comprehensive income

## (i) Brokerage commissions

	For the years ended December 31,	
	2023	2022
Brokerage commission from TSE market	\$ 2,643,222	2,466,525
Brokerage commission from OTC market	886,185	811,952
Handling fee from security financing	28,216	39,869
Others	150,807	135,916
	<u>\$ 3,708,430</u>	<u>3,454,262</u>

## (ii) Underwriting commissions

	For the years ended December 31,	
	2023	2022
Revenue from underwriting securities on a firm commitment basis	\$ 55,587	63,560
Handling fee revenues from underwriting securities on consignment	405	550
Processing fee revenues from underwriting operations	27,551	25,607
Revenue from underwriting consultation	5,190	3,660
Others	2,190	3,885
	<u>\$ 90,923</u>	<u>97,262</u>

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

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

	For the years ended December 31,	
	2023	2022
Gains (losses) on securities sold - proprietary trading	\$ 938,066	(13,809)
Gains (losses) on securities sold - underwriting	7,993	61,650
Gains (losses) on securities sold - hedging	1,532,590	(821,648)
	<u>\$ 2,478,649</u>	<u>(773,807)</u>

## (iv) Interest revenue

	For the years ended December 31,	
	2023	2022
Interest revenue - margin loans	\$ 753,323	822,751
Interest revenue - bonds	1,302,936	487,778
Others	344,266	171,671
	<u>\$ 2,400,525</u>	<u>1,482,200</u>

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

	For the years ended December 31,	
	2023	2022
Trading securities - proprietary	\$ 475,652	(928,212)
Trading securities - underwriting	9,774	(12,423)
Trading securities - hedging	1,258,422	(1,471,930)
	<u>\$ 1,743,848</u>	<u>(2,412,565)</u>

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

	For the years ended December 31,	
	2023	2022
Gains on changes in fair value of stock warrants	\$ 10,770,274	42,870,899
Gains on exercise of stock warrants before maturity	71,408,116	33,668,212
Losses on changes in fair value of stock warrants repurchased	(81,954,743)	(74,942,647)
Gains on expiration of stock warrants	34,727	37,523
Stock warrants issuance expenses	(428,799)	(255,638)
	<u>\$ (170,425)</u>	<u>1,378,349</u>

(Continued)

(vii) Employee benefits, depreciation, and amortization expenses

	For the years ended December 31,	
	2023	2022
Employee benefit expenses		
Salary expense	\$ 2,377,543	1,765,126
Health and labor insurance expense	155,476	164,380
Pension expense	79,279	90,397
Others	53,930	51,927
Depreciation expense	356,535	369,422
Amortization expense	40,197	29,322
	<b><u>\$ 3,062,960</u></b>	<b><u>2,470,574</u></b>

(viii) Other operating expenses

	For the years ended December 31,	
	2023	2022
Rental expense	\$ 8,646	11,082
Taxes	631,416	551,235
Information technology expense	142,701	141,174
Postage expense	171,978	166,289
Professional service fee	77,911	76,891
Expense from securities lending	433,201	344,076
Other expenses	711,926	566,143
	<b><u>\$ 2,177,779</u></b>	<b><u>1,856,890</u></b>

(ix) Other gains and losses

	For the years ended December 31,	
	2023	2022
Financial revenue	\$ 118,923	47,349
Net gains (losses) on disposal of investment	(3,997)	(14,537)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	46,111	(9,701)
Revenue from bank's allocation fee	279,899	258,653
Revenue from information technology service	53,440	44,158
Net gains (losses) on disposal of property and equipment	50	-
Dividend revenue	75,104	100,214
Gains on reversal of prior year's liabilities	18,539	31,946
Rental income	198,607	183,894
Others	40,226	39,757
	<b><u>\$ 826,902</u></b>	<b><u>681,733</u></b>



## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(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, 2023 and 2022, the estimated amounts of remuneration to employees were \$92,459 and \$16,731, respectively, and to directors were \$138,689 and \$20,404, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2022 and 2021, the estimated amounts of remuneration to employees were \$16,731 and \$82,129, and to directors were \$20,404 and \$100,380 by the Company. The difference between actual employee remuneration of \$8,197 and \$74,649 and actual remuneration to directors of \$10,930 and \$91,238 were \$18,008 and \$16,622 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2023 and 2022. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

(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, 2023 and 2022, the maximum credit exposure amounted to \$150,795,797 and \$94,981,506, respectively.

(Continued)

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 87.98%); secondly, is in America (accounted for 6.51%); then, is in Asia (accounted for 2.85%, exclusion of Taiwan). Compare to the same period of last year, there is no significant change in proportion of region of investments.

Region	December 31, 2023	December 31, 2022
Taiwan	\$ 132,665,706	82,968,115
Asia (Taiwan is excluded)	4,291,444	2,978,170
Europe	4,016,564	2,597,276
America	9,822,083	6,437,945
Total	<b><u>\$ 150,795,797</u></b>	<b><u>94,981,506</u></b>

## 2) Impairment loss

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

	December 31, 2023		December 31, 2022	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 38,252,880	28,166	22,059,627	28,411
Past due 121~360 days	2,223	2,223	4,519	4,519
Past due more than 360 days	236,911	236,911	232,678	232,678
	<b><u>\$ 38,492,014</u></b>	<b><u>267,300</u></b>	<b><u>22,296,824</u></b>	<b><u>265,608</u></b>

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, 2023 and 2022, the impairment losses of receivables were \$267,300 and \$265,608, 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.

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

The loss allowance provision for the years ended December 31, 2023 and 2022 was as follows:

	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			Total
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2023	\$ -	5,127	1,141	-	-	-	265,608	-	-	271,876
Provision or reversal of Impairment loss	-	4,555	590	-	-	-	2,223	-	-	7,368
Amounts written off	-	-	(35)	-	-	-	(531)	-	-	(566)
Effect of exchange rate	-	-	25	-	-	-	-	-	-	25
Balance on December 31, 2023	<u>\$ -</u>	<u>9,682</u>	<u>1,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,300</u>	<u>-</u>	<u>-</u>	<u>278,703</u>

	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			Total
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2022	\$ -	6,779	-	-	-	-	261,346	-	-	268,125
Provision or reversal of Impairment loss	-	(1,652)	1,151	-	-	-	5,247	-	-	4,746
Amounts written off	-	-	-	-	-	-	(985)	-	-	(985)
Effect of exchange rate	-	-	(10)	-	-	-	-	-	-	(10)
Balance on December 31, 2022	<u>\$ -</u>	<u>5,127</u>	<u>1,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,608</u>	<u>-</u>	<u>-</u>	<u>271,876</u>

(Continued)

## (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.

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2023							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 16,661,771	16,661,771	16,661,771	-	-	-	-
Stock warrants issued	1,342,245	1,342,245	1,092,252	244,992	5,001	-	-
Equity derivatives	84	84	84	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	154,733	154,733	99,996	8,977	15,429	30,331	-
Asset swap option - short position	2,663,494	2,663,494	211,937	346,676	991,141	1,113,740	-
Structured notes	41,296	41,296	18,425	16,344	3,664	2,863	-
Short-term borrowings	5,291,851	5,291,851	5,291,851	-	-	-	-
Commercial paper payable	13,090,169	13,100,000	13,100,000	-	-	-	-
Bonds sold under repurchase agreements	51,456,592	52,365,609	36,443,322	15,922,287	-	-	-
Guarantee deposited for short sales	2,003,761	2,003,761	2,003,761	-	-	-	-
Proceeds payable from short sales	2,294,644	2,294,644	2,294,644	-	-	-	-
Securities lending refundable deposits	15,481,166	15,481,166	15,481,166	-	-	-	-
Equity for each customer in the account	32,426,834	32,426,834	32,426,834	-	-	-	-
Notes payable and accounts payable	470,660	470,660	470,660	-	-	-	-
Receipts under custody	322,449	322,449	322,449	-	-	-	-
Other payables	1,490,258	1,490,258	1,490,258	-	-	-	-
Other financial liabilities	4,900,665	4,900,665	3,974,452	249,051	426,210	250,952	-
Lease liabilities	639,823	656,297	95,009	82,998	167,879	308,395	2,016
	<b>\$ 150,732,495</b>	<b>151,667,817</b>	<b>131,478,871</b>	<b>16,871,325</b>	<b>1,609,324</b>	<b>1,706,281</b>	<b>2,016</b>

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2022							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 8,981,738	8,981,738	8,981,738	-	-	-	-
Stock warrants issued	501,458	501,458	451,680	49,778	-	-	-
Put options	113	113	113	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	72,288	72,288	22,216	6,302	24,073	19,697	-
Asset swap option - short position	1,140,992	1,140,992	73,526	231,087	381,921	454,458	-
Structured notes	103,125	103,125	3,834	75,485	20,160	3,646	-
Short-term borrowings	2,870,799	2,870,799	2,870,799	-	-	-	-
Commercial papers payable	3,198,722	3,200,000	3,200,000	-	-	-	-
Bonds sold under repurchase agreements	35,989,853	36,394,848	28,162,635	8,232,213	-	-	-
Guarantee deposited for short sales	4,118,440	4,118,440	4,118,440	-	-	-	-
Proceeds payable from short sales	3,714,941	3,714,941	3,714,941	-	-	-	-
Securities lending refundable deposits	14,681,018	14,681,018	14,681,018	-	-	-	-
Equity for each customer in the account	25,111,376	25,111,376	25,111,376	-	-	-	-
Notes payable and accounts payable	170,768	170,768	170,768	-	-	-	-
Receipts under custody	541,614	541,614	541,614	-	-	-	-
Other payables	596,951	596,951	596,951	-	-	-	-
Other financial liabilities	3,522,592	3,522,592	2,655,826	372,224	308,275	186,267	-
Lease liabilities	<u>746,700</u>	<u>768,655</u>	<u>91,819</u>	<u>83,432</u>	<u>162,635</u>	<u>370,557</u>	<u>60,212</u>
	<u><b>\$ 106,063,488</b></u>	<u><b>106,491,716</b></u>	<u><b>95,449,294</b></u>	<u><b>9,050,521</b></u>	<u><b>897,064</b></u>	<u><b>1,034,625</b></u>	<u><b>60,212</b></u>

(Continued)

(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, 2023			
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 428,094	30.7050	13,144,626
AUD	2,126	20.9800	44,603
CAD	2	23.2000	46
EUR	525	33.9800	17,840
GBP	2	39.1500	78
HKD	24,823	3.9290	97,530
JPY	21,909	0.2172	4,759
SGD	561	23.2900	13,066
CNY	11,055	4.3270	47,835
ZAR	1	1.6570	2
KRW	264	0.0239	6
DKK	11	4.5600	50
VND	6,421,488	0.0012	7,706
<b><u>Non-Monetary Item</u></b>			
USD	672,475	30.7050	20,648,345
AUD	131,180	20.9800	2,752,156
EUR	23,358	33.9800	793,705
HKD	7,380	3.9290	28,996
JPY	12,992	0.2172	2,822
CNY	24,314	4.3270	105,207
<b><u>Investments under equity method</u></b>			
USD	51,791	30.6550	1,587,657
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,217,517	30.7050	37,383,859
AUD	127,093	20.9800	2,666,411
EUR	23,570	33.9800	800,909
HKD	5,335	3.9290	20,961
JPY	2,073	0.2172	450
SGD	553	23.2900	12,879
CNY	7,830	4.3270	33,880

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

December 31, 2022			
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 399,256	30.7100	12,261,152
AUD	3,117	20.8300	64,927
CAD	1	22.6700	23
CHF	1	33.2050	33
EUR	3,001	32.7200	98,193
GBP	2	37.0900	74
HKD	24,145	3.9380	95,083
JPY	51,302	0.2324	11,923
SGD	215	22.8800	4,919
CNY	15,916	4.4080	70,158
ZAR	8	1.8110	14
KRW	181	0.0246	4
VND	6,667,230	0.0013	8,667
<b><u>Non-Monetary Item</u></b>			
USD	451,710	30.7100	13,872,014
AUD	82,206	20.8300	1,712,351
EUR	5,775	32.7200	188,958
HKD	2,428	3.9380	9,561
JPY	17,366	0.2324	4,036
CNY	10,134	4.4080	44,671
<b><u>Investments under equity method</u></b>			
USD	51,373	30.6600	1,575,111
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 939,984	30.7100	28,866,909
AUD	80,590	20.8300	1,678,690
EUR	8,554	32.7200	279,887
HKD	6,407	3.9380	25,231
JPY	5,450	0.2324	1,267
SGD	209	22.8800	4,782
CNY	2	4.4080	9

(Continued)



For the years ended December 31, 2023 and 2022, the Company's currency projects that had a significant impact on exchange rate fluctuations. The impact on the realized and unrealized currency exchange gains (losses) amounted to \$18,975 and \$(412,710), respectively.

## 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, financial assets measured at amortized cost, 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, 2023 and 2022, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the years ended December 31, 2023		For the years ended December 31, 2022	
	Appreciated	Depreciated	Appreciated	Depreciated
	5%	5%	5%	5%
Net income	(672,487)	672,487	(379,350)	379,350
Other comprehensive income	607,596	(607,596)	345,954	(345,954)

## (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, 2023	December 31, 2022	For the years ended December 31,					
			2023			2022		
			Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	2,620,698	1,728,619	2,153,680	2,620,698	1,781,528	1,616,202	1,728,619	1,453,750

## 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.

(Continued)

## 2) Not measured at fair value

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

## a) Fair value information

	December 31, 2023		December 31, 2022	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	\$ 1,347,649	1,347,649	4,483,970	4,483,970
Accrued receivable	83,281,267	83,281,269	61,340,875	61,340,875
Restricted assets - current	443,034	443,034	147,507	147,507
Other non-current assets	1,113,757	1,113,757	1,105,276	1,105,276
Financial liabilities:				
Short-term borrowings	5,291,851	5,291,851	2,870,799	2,870,799
Commercial paper payable	13,090,169	13,090,169	3,198,722	3,198,722
Bonds sold under repurchase agreements	51,456,592	51,456,592	35,989,853	35,989,853
Accrued payable	64,252,774	64,252,774	53,591,434	53,591,434
Other financial liabilities - current	4,223,503	4,223,503	3,028,050	3,028,050
Other financial liabilities - non-current	677,162	677,162	494,542	494,542
Other non-current liabilities	86,347	86,347	101,393	101,393

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

	Level 1	Level 2	Level 3	Total
<b>December 31, 2023</b>				
Investment property	\$ -	-	7,998,576	7,998,576
Debt securities at amortized cost	-	5,361,000	-	5,361,000
	<u>\$ -</u>	<u>5,361,000</u>	<u>7,998,576</u>	<u>13,359,576</u>
<b>December 31, 2022</b>				
Investment property	\$ -	-	8,449,496	8,449,496
Debt securities at amortized cost	-	3,283,116	-	3,283,116
	<u>\$ -</u>	<u>3,283,116</u>	<u>8,449,496</u>	<u>11,732,612</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.

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

- ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.
  - iii) The quoted market price is used as the fair value when the debt instrument investments measured at amortized cost have an active market, if there is no market price as reference, the fair values are determined based on evaluation approach. Estimation and assumption in which the Company applies on evaluation approach will be as same as informations market participators use to estimate and assume when pricing financial instruments, and the informations can be acquired by the Company.
- 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:

	Level 1	Level 2	Level 3	Total
<b>December 31, 2023</b>				
Financial assets at fair value through profit or loss	\$ 29,836,855	32,196,042	-	62,032,897
Financial assets at fair value through other comprehensive income	3,620,863	20,106,338	3,406,044	27,133,245
Derivative financial assets	<u>927,056</u>	<u>361,113</u>	<u>-</u>	<u>1,288,169</u>
	<u><b>\$ 34,384,774</b></u>	<u><b>52,663,493</b></u>	<u><b>3,406,044</b></u>	<u><b>90,454,311</b></u>
Financial liabilities at fair value through profit or loss	\$ 18,004,016	-	-	18,004,016
Derivative financial liabilities	<u>32,100</u>	<u>2,827,507</u>	<u>-</u>	<u>2,859,607</u>
	<u><b>\$ 18,036,116</b></u>	<u><b>2,827,507</b></u>	<u><b>-</b></u>	<u><b>20,863,623</b></u>
<b>December 31, 2022</b>				
Financial assets at fair value through profit or loss	\$ 15,449,869	25,118,746	-	40,568,615
Financial assets at fair value through other comprehensive income	3,141,730	10,331,743	2,418,318	15,891,791
Derivative financial assets	<u>921,614</u>	<u>234,329</u>	<u>-</u>	<u>1,155,943</u>
	<u><b>\$ 19,513,213</b></u>	<u><b>35,684,818</b></u>	<u><b>2,418,318</b></u>	<u><b>57,616,349</b></u>
Financial liabilities at fair value through profit or loss	\$ 9,483,196	-	-	9,483,196
Derivative financial liabilities	<u>99,404</u>	<u>1,217,114</u>	<u>-</u>	<u>1,316,518</u>
	<u><b>\$ 9,582,600</b></u>	<u><b>1,217,114</b></u>	<u><b>-</b></u>	<u><b>10,799,714</b></u>

(Continued)

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.

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2023 and 2022, there is no transfer of financial instruments between Level 1 and Level 2.

5) Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the 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

## CAPITAL SECURITIES CORPORATION

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inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

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

(In Thousands Dollars)

For the year ended December 31, 2023									
Item	Gains and losses on valuation			Addition		Reduction			Ending Balance
	Beginning Balance	Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,418,318	-	990,472	10,000	-	12,175	571	-	3,406,044

For the year ended December 31, 2022									
Item	Gains and losses on valuation			Addition		Reduction			Ending Balance
	Beginning Balance	Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 3,040,586	-	(686,118)	80,000	-	-	16,150	-	2,418,318

## 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	· Price-to-Book Ratio	· The higher the multiple, the higher fair value.
		· Discount for lack of marketability	· The higher the discount for lack of marketability, the lower the fair value.

(Continued)

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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- 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
<b>December 31, 2023</b>		
Financial assets fair value through other comprehensive income	\$ 34,060	(34,060)
<b>December 31, 2022</b>		
Financial assets fair value through other comprehensive income	\$ 24,183	(24,183)

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:



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## Notes to the Financial Statements

December 31, 2023					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 53,873,995	51,456,592	-	-	-

December 31, 2022					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 37,000,929	35,989,853	-	-	-

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 a 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, 2023					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	
				Financial instruments (Note)	Net amount (e)=(c)-(d)
				Cash received as collaterals	
Derivative financial assets	\$ 361,113	-	361,113	-	361,113
December 31, 2023					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	
				Financial instruments (Note)	Net amount (e)=(c)-(d)
				Cash received as collaterals	
Derivative financial liabilities	\$ 2,859,607	-	2,859,607	-	2,859,607
Under repurchase agreements	51,456,592	-	51,456,592	51,456,592	-
Total	\$ 54,316,199	-	54,316,199	51,456,592	2,859,607
December 31, 2022					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	
				Financial instruments (Note)	Net amount (e)=(c)-(d)
				Cash received as collaterals	
Derivative financial assets	\$ 234,329	-	234,329	-	234,329
December 31, 2022					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	
				Financial instruments (Note)	Net amount (e)=(c)-(d)
				Cash received as collaterals	
Derivative financial liabilities	\$ 1,316,405	-	1,316,405	-	1,316,405
Under repurchase agreements	35,989,853	-	35,989,853	35,989,853	-
Total	\$ 37,306,258	-	37,306,258	35,989,853	1,316,405

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.

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

#### (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.
- 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

(Continued)

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.

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.

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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.

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, 2023 and 2022, 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

(Continued)

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Stock warrants issued	\$ 93,530,484	-	26,259,600	-

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.

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, 2023 and 2022:

a) Gains (losses) on valuation

	For the years ended December 31,		Account
	2023	2022	
Stock warrants issued	\$ 41,057,103	20,852,051	Gains (losses) on stock warrants issued
Stock warrants repurchased	(40,854,770)	(20,641,600)	Gains (losses) on stock warrants issued

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## b) Gains (losses) on sale

	For the years ended December 31,		Account
	2023	2022	
Security borrowing	\$ (110,877)	5,866	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	641,503	(956,919)	Gains (losses) on sale of trading securities
Futures transaction	(325,737)	98,313	Gains (losses) on derivative financial instruments - futures

## c) Gains (losses) on maturity

	For the years ended December 31,		Account
	2023	2022	
Stock warrants issued	\$ 41,156,014	55,724,583	Gains (losses) on stock warrants issued
Stock warrants repurchased	(41,099,973)	(54,301,047)	Gains (losses) on stock warrants issued

Exchange traded notes

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

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

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

(Continued)



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:

	For the years ended December 31,		Account
	2023	2022	
Gains (losses) on exchange traded notes	\$ -	188	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	-	3	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	-	(377)	Management and commissions expense on exchange traded notes

### Futures

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

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
TAIEX Futures	\$ 1,572,955	-	765,450	-
Electronic Sector Index Futures	139,031	-	62,503	-
Single Stock Futures	1,169,783	-	2,810,191	-
Mini Electronic Futures	161,244	-	4,494	-
US Dollar Index Futures	95,046	-	38,409	-
Gold Futures	74,059	-	10,868	-
E-mini S&P 500 Index	37,111	-	23,628	-
10 Years U.S. T-Note Futures	105,200	-	58,975	-
Ultra 10 Year U.S. T-Note Futures	-	-	14,736	-
Brent Crude Oil Futures	644,546	-	-	-
Crude Oil Futures	13,248	-	-	-
FTSE China A50 Index Futures	1,987,321	-	632,969	-
HHI Futures	34,956	-	25,625	-
Micro E-mini S&P 500 Futures	8,869	-	3,562	-
Micro E-mini-Nasdaq Futures	10,504	-	11,249	-
Micro E-mini Dow Futures	9,347	-	24,256	-
E-mini-Nasdaq Futures	430,560	-	52,956	-
Silver Futures	19,230	-	18,069	-
Copper Futures	22,674	-	-	-
2 Year U.S. T-Note Futures	189,534	-	88,171	-
Ultra U.S. Treasury Bond	1,847,020	-	222,462	-
30 Year U.S. Treasury Bond	11,468	-	226,315	-
Dow Jones U.S. Real Estate Index	5,477	-	3,014	-
E-mini Dow Futures	34,673	-	46,563	-

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For non-trading purpose:

TAIEX Futures	\$	156,094	-	895,750	-
Electronic Sector Index Futures		49,006	-	59,326	-
Single Stock Futures		1,844,741	-	1,018,935	-
Finance Sector Index Futures		-	-	13,374	-
TPEX 200 Index		459	-	-	-
E-mini S&P 500 Futures		58,814	-	-	-
E-Mini Nasdaq Futures		62,853	-	75,226	-
HSI Futures		23,508	-	19,786	-
Silver Futures		-	-	6,683	-
Gold Futures		-	-	88,524	-
Mini HSI Futures		-	-	7,864	-
Crude Oil Futures		6,801	-	107,790	-
FTSE China A50 Index Futures		66,160	-	33,487	-
Japanese Yen Futures		5,360	-	28,959	-
mini TOPIX Futures		-	-	2,200	-
TOPIX Futures		20,266	-	58,774	-
SGX Nikkei 225 Index Futures		35,879	-	29,112	-
Brent Crude Oil Futures		36,587	-	52,338	-
Ultra U.S. Treasury Bond		115,295	-	-	-
HHI Futures		28,945	-	30,991	-
Micro E-Mini-Nasdaq Futures		8,344	-	8,189	-
Micro E-mini S&P 500 Futures		742	-	-	-
Micro Russell 2000 Index Futures		2,820	-	-	-
E-mini Russell 2000 Index Futures		9,145	-	10,779	-
E-mini Dow Futures		-	-	50,297	-
Stock Options		236	-	1,661	-
TAIEX Weekly Options		-	-	445	-
Dow Jones U.S. Real Estate Index		8,686	-	9,367	-

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.

(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

(Continued)

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:

	December 31, 2023	December 31, 2022	Account
Futures margin - proprietary fund	\$ 926,751	921,309	Financial assets at fair value through profit or loss - current
Excess futures margin	876,699	1,303,243	Cash and cash equivalent
Buy options	305	305	Financial assets at fair value through profit or loss - current
Sale options	-	113	Financial liabilities at fair value through profit or loss - current
	<b>For the years ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>Account</b>
Gains (losses) on futures transactions	(909,127)	(868,361)	Gains (losses) on derivatives - futures

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 8,000,000	-	7,000,000	-

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,

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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.

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, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 266,000	-	336,000	-
Principal guaranteed notes	3,470,817	-	2,469,656	-
Credit-linked notes	1,138,700	-	952,300	-
Principal guaranteed notes (in USD thousands)	USD 2,487	-	USD 90	-

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

(Continued)

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

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset swaps	\$ 2,744,800	-	2,976,300	-
Convertible bond options	15,354,000	-	13,364,000	-

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.

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, 2023		December 31, 2022	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Equity options	\$ 6,300	-	-	-

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

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

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.

(v) Presentation of derivative instruments in financial statement

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

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 43,403	17,807
Asset swap options-long position	315,076	205,121
Structured notes	2,284	2,056
Exchange rate derivatives	-	9,345
Interest rate swaps	350	-
Total	<u>\$ 361,113</u>	<u>234,329</u>
	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	\$ 56,167	51,106
Asset swap options-short position	2,663,494	1,140,992
Structured notes	41,296	103,125
Exchange rate derivatives	98,566	21,123
Interest rate swaps	-	59
Equity derivatives	84	-
Total	<u>\$ 2,859,607</u>	<u>1,316,405</u>
Other financial liabilities - current		
Structured notes principal value	<u>\$ 4,223,503</u>	<u>3,028,050</u>
Other financial liabilities - non-current		
Structured notes principal value	<u>\$ 677,162</u>	<u>494,542</u>

For the years ended December 31, 2023 and 2022, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps are presented on

(Continued)

statements of income as follows:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	\$ 222	350	255	(59)
Equity derivatives	(1,716)	72	818	-
Structured notes	(106,641)	10,862	70,040	136,497
IRS asset swaps	(860)	(819)	(682)	(719)
Asset swap options	(1,516,870)	462,833	1,019,361	1,439,979
Exchange rate derivatives	108,395	(98,566)	247,310	(11,778)
Total	<u>\$ (1,517,470)</u>	<u>374,732</u>	<u>1,337,102</u>	<u>1,563,920</u>

(vi) Managing interest rate benchmark reform and associated risks

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

(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:

	December 31, 2023	December 31, 2022
Capital adequacy ratio	276%	337%

(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, 2023 and 2022, were as follows:

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

	January 1, 2023	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2023
Lease liabilities	<u>\$ 746,700</u>	<u>(183,535)</u>	<u>76,658</u>	<u>-</u>	<u>-</u>	<u>639,823</u>

	January 1, 2022	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2022
Lease liabilities	<u>\$ 765,276</u>	<u>(176,340)</u>	<u>157,764</u>	<u>-</u>	<u>-</u>	<u>746,700</u>

(7) Related-party transactions:

(a) Relationships between parents and subsidiaries

Refer to Note 13(b) for a detailed list of the Company's subsidiaries.



## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

## (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 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 Private Equity Fund I Co.	Second-level subsidiary
Capital Investment Trust Corp.	Associates
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance (Note)

Names of related parties	Relationships
Bao Zuo Investment Corp.	Related party in substance (Note)
Sheng Hsiang Enterprise Corp.	Related party in substance (Note)
Fu Tai Construction Corp.	Related party in substance (Note)
Feng Yang Investment Corp.	Related party in substance (Note)
Chuan Yi Investment Corp.	Related party in substance (Note)
Bao Ching Investment Corp.	Related party in substance (Note)
Bao Sheng Investment Corp.	Related party in substance (Note)
Wang Xing Enterprise Corp.	Related party in substance (Note)
Fu Ding Investment Corp.	Related party in substance (Note)
Other related parties	Key management personnel and others

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

## (c) Key management personnel transactions

## (i) Key management personnel compensation

(Continued)

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 225,376	165,445
Post-employment benefits	1,301	1,456
Total	<u>\$ 226,677</u>	<u>166,901</u>

## (ii) Bonds sold under repurchase agreements

	December 31, 2023		December 31, 2022	
	Par value	Purchase price	Par value	Purchase price
Other related parties	<u>\$ 4,000</u>	<u>4,051</u>	<u>13,142</u>	<u>13,161</u>

	For the years ended December 31,	
	2023	2022
<b>Total financial expenses</b>		
Other related parties	<u>\$ 103</u>	<u>313</u>

Transaction terms are the same as the general clients.

## (iii) Structured notes transactions - remaining balance

	December 31, 2023	December 31, 2022
Other related parties	<u>\$ 86,800</u>	<u>98,200</u>

## (iv) Brokerage and sub-brokerage

	For the years ended December 31,	
	2023	2022
<u>Brokerage commissions</u>		
Other related parties	<u>\$ 47,909</u>	<u>2,014</u>

	For the years ended December 31,	
	2023	2022
<u>Re-consigned handling commissions</u>		
Other related parties	<u>\$ 1,084</u>	<u>120</u>

## (v) Property Transactions - Dispose Equipment

	For the years ended December 31,			
	2023		2022	
	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal
Other related parties	<u>\$ 860</u>	<u>50</u>	<u>-</u>	<u>-</u>

## (d) Significant transactions with related parties

## (i) Bonds sold under repurchase agreements

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

	December 31, 2023		December 31, 2022	
	Par value	Purchase price	Par value	Purchase price
Funds issued by associate	\$ 1,056,720	1,056,720	705,000	705,000
Subsidiaries	31,000	31,426	43,000	43,166
Total	<u>\$ 1,087,720</u>	<u>1,088,146</u>	<u>748,000</u>	<u>748,166</u>

	For the years ended December 31,	
Total financial expenses	2023	2022
Funds issued by associate	\$ 12,277	961
Subsidiaries	748	529
Total	<u>\$ 13,025</u>	<u>1,490</u>

Transaction terms are the same as the general clients.

## (ii) Financial assets transactions

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

Relationship	Account	December 31, 2023		December 31, 2022	
		Ending shares (Note)	Ending amount	Ending shares (Note)	Ending amount
Funds issued by associate	Financial assets at fair value through profit or loss-current	111,489	\$ 2,073,630	89,472	825,936

Notes: Expressed in thousand shares.

	For the years ended December 31,			
	2023		2022	
	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend
Funds issued by associate	<u>\$ 82,397</u>	<u>70,212</u>	<u>(20,522)</u>	<u>35,254</u>

	December 31, 2023	December 31, 2022
Prepayments		
Associates	<u>\$ 55,202</u>	<u>2,214</u>

Transaction terms are the same as the general clients.

## (iii) Futures commission revenue

The Company signed contracts with subsidiary and provided futures trading assistance approved by the authority. The details were as follows:

	December 31, 2023	December 31, 2022
Commission receivable	\$ 8,956	12,761
Other Payable (Default loss)	\$ 3,509	3,646

	For the years ended December 31,	
	2023	2022
Futures commission revenue	\$ 131,141	186,991

## (iv) Futures transactions

The futures margin in subsidiary of the Company is as follow:

	December 31, 2023	December 31, 2022
Futures margin-proprietary fund	\$ 1,760,408	2,202,884
	For the years ended December 31,	
	2023	2022
Interest revenue of futures margin	\$ 38	68
Handling fees charge	\$ 34,161	29,115

## (v) Lease agreements

Lessor

	For the years ended December 31,	
	2023	2022
<b>Lease revenue</b>		
Subsidiaries	\$ 18,219	17,884
Second-level Subsidiaries	450	734
Associates	17,263	17,237
Total	\$ 35,932	35,855
<b>Guarantee deposits received</b>		
Subsidiaries	\$ 4,620	4,450
Second-level Subsidiaries	13	183
Associates	3,811	3,811
Total	\$ 8,444	8,444

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

Lessee

- 1) The Company leases office places from related party in substance for operation, and lease period is nine years. The aggregate contractual value of the lease is \$834,987 and rent is paid monthly. As of December 31, 2023 and 2022, the refundable deposits were \$25,088 and \$22,204.
- 2) Acquisition of right-of-use assets

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

New acquisition of right-of-use assets of the Company in the periods for the year ended December 31, 2023 was \$44,838.

## 3) Lease liabilities

	December 31, 2023	December 31, 2022
Related party in substance	<u>\$ 442,572</u>	<u>484,132</u>

## 4) Financial expenses

	For the years ended December 31,	
	2023	2022
Related party in substance	<u>\$ 6,258</u>	<u>2,801</u>

## (vi) Custody account business

	For the years ended December 31,	
	2023	2022
<b>Custody account business revenue (Accounted for as rental income)</b>		
Related party in substance	<u>\$ 120,252</u>	<u>42,342</u>
<b>Other accounts receivable</b>		
Related party in substance	<u>\$ 8,379</u>	<u>8,379</u>

## (vii) Information Technology Service

	For the years ended December 31,	
	2023	2022
Subsidiaries	<u>\$ 53,440</u>	<u>48,191</u>

## (viii) Insurance commission revenues

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

	For the years ended December 31,	
	2023	2022
<b>Commission revenues</b>		
Subsidiaries	<u>\$ 6,294</u>	<u>12,936</u>
<b>Accounts receivable</b>		
Subsidiaries	<u>\$ 1,453</u>	<u>444</u>

## (ix) Brokerage and sub-brokerage

Due to the involvement of related parties in securities and futures transactions, for the

(Continued)

years ended December 31, 2023 and 2022, commission revenues charged by the Company were as follows:

	For the years ended December 31,	
	2023	2022
<b>Brokerage commissions</b>		
Subsidiaries	\$ 607	1,752
Second-level Subsidiaries	75	17
Funds issued by associate	50,186	46,574
Related party in substance	264	118
Total	<u>\$ 51,132</u>	<u>48,461</u>

	For the years ended December 31,	
	2023	2022
<b>Re-consigned handling commissions</b>		
Funds issued by associate	\$ 13,366	12,413
Subsidiaries	118	-
Total	<u>\$ 13,484</u>	<u>12,413</u>

	For the years ended December 31,	
	2023	2022
<b>Re-consigned handling costs</b>		
Second-level Subsidiaries	<u>\$ -</u>	<u>3,266</u>

(x) Fund services business

	For the years ended December 31,	
	2023	2022
<b>Fund services revenue</b>		
Associates	<u>\$ 1,228</u>	<u>1,894</u>

	For the years ended December 31,	
	2023	2022
<b>Channel services revenue</b>		
Associates	<u>\$ 1,228</u>	<u>1,894</u>

	December 31, 2023	December 31, 2022
<b>Account receivable</b>		
Associates	<u>\$ 65</u>	<u>277</u>

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

## (xi) Wealth management business

	For the years ended December 31,	
	2023	2022
<b>Trust account commissions revenue</b>		
Associates	<u>\$ 4,588</u>	<u>4,463</u>
	For the years ended December 31,	
	2023	2022
<b>Trust account management fee revenue</b>		
Associates	<u>\$ 2,007</u>	<u>1,355</u>

## (xii) Underwriting business

	For the years ended December 31,	
	2023	2022
<b>Stock service income</b>		
Subsidiaries	\$ 679	648
Second-level subsidiaries	20	20
Associates	<u>122</u>	<u>123</u>
Total	<u>\$ 821</u>	<u>791</u>
	For the years ended December 31,	
	2023	2022
<b>Handling fee revenues from underwriting securities on consignment</b>		
Funds issued by associates	<u>\$ 13</u>	<u>116</u>
	December 31, 2023	December 31, 2022
<b>Accounts receivable</b>		
Associates	<u>\$ 10</u>	<u>10</u>

## (xiii) Other revenues and expense

	For the years ended December 31,	
	2023	2022
<b>Other revenue</b>		
Subsidiaries	\$ 787	358
Associates	<u>3</u>	<u>2</u>
Total	<u>\$ 790</u>	<u>360</u>
<b>Other expense</b>		
Subsidiaries	\$ 90	-
Related party in substance	<u>780</u>	<u>-</u>
Total	<u>\$ 870</u>	<u>-</u>

## (xiv) Custody account business

(Continued)



		For the years ended December 31,	
		2023	2022
<b>Custody account business revenue</b>			
Second-level subsidiaries		<u>\$ 6,218</u>	<u>6,045</u>
<b>Accounts receivable</b>		December 31, 2023	December 31, 2022
Second-level subsidiaries		<u>\$ 607</u>	<u>577</u>
(xv) Consulting business			
		For the years ended December 31,	
		2023	2022
<b>Consulting fee expense</b>			
Subsidiaries		<u>\$ 69,000</u>	<u>69,000</u>
(xvi) Stock commission expense			
		December 31, 2023	December 31, 2022
<b>Accounts payable</b>			
Subsidiaries		<u>\$ 1,118</u>	<u>884</u>
		For the years ended December 31,	
		2023	2022
<b>Stock commission expense</b>			
Subsidiaries		<u>\$ 12,761</u>	<u>14,122</u>
(xvii) Information technology fees			
		For the years ended December 31,	
		2023	2022
<b>Information technology fees</b>			
Subsidiaries		<u>\$ -</u>	<u>1,181</u>
(xviii) Accrued receivables			
		December 31, 2023	December 31, 2022
<b>Accounts receivable</b>			
Subsidiaries		<u>\$ -</u>	<u>3,788</u>
		December 31, 2023	December 31, 2022
<b>Other receivable</b>			
Subsidiaries		\$ 670	494
Second-level subsidiaries		47	26
Total		<u>\$ 717</u>	<u>520</u>
		December 31, 2023	December 31, 2022
<b>Accounts payable</b>			
Subsidiaries		<u>\$ -</u>	<u>3,536</u>
		December 31, 2023	December 31, 2022
<b>Other payable</b>			
Subsidiaries		\$ 251	189
Second-level subsidiaries		23	42
Total		<u>\$ 274</u>	<u>231</u>
		December 31, 2023	December 31, 2022
<b>Receipts under custody</b>			
Second-level subsidiaries		<u>\$ -</u>	<u>4</u>

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

(xix) Receipts in advance

	December 31, 2023	December 31, 2022
Subsidiaries	<u>\$ 27</u>	<u>27</u>

(xx) Transaction of financial assets

On June 20, 2023, the Company acquired shares (800 thousand shares) from second-level subsidiary, which was recognized in financial assets at fair value through other comprehensive income - current, and total amount is \$46,400.

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

**(8) Pledged assets:**

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

	December 31, 2023	December 31, 2022	The collateral use
Restricted assets - current	\$ 443,034	147,507	Bank borrowings, accounts settled, repurchase agreement.
Trading securities	34,368,950	27,046,424	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	14,206,648	7,347,280	Repurchase agreement
Property (net amount)	1,334,585	1,343,421	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,438	179,171	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Financial assets at amortized cost - non - current (par value)	5,397,887	3,306,400	Repurchase agreement
Investment property (cost)	3,841,913	3,872,851	Bank borrowings
Total	<u>\$ 59,772,455</u>	<u>43,243,054</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, 2023		December 31, 2022	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	496,265	\$ 4,962,650	481,268	4,812,680
Collateral for margin purchase	2,218	22,184	15,745	157,450
Lending securities to customers through short sales	35,482	354,820	53,847	538,470
Collateral for short sales	6,283	62,830	5,394	53,940

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

(Continued)

	December 31, 2023		December 31, 2022	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	111	\$ 1,110	203	2,030

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

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

- (d) As of December 31, 2023 and 2022, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$13,859,923 and \$9,015,293, respectively.
- (e) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$2,798. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (f) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The first instance ruled that the Company should jointly and severally compensate the plaintiff \$41 and interest. The plaintiff refused to accept and 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.
- (g) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$36,142 as of December 31, 2023.
- (h) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

## CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

- (i) 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, 2023 and 2022

Trust Assets	December 31, 2023	December 31, 2022	Trust Liabilities	December 31, 2023	December 31, 2022
Bank deposits	\$ 1,030,926	956,522	Accounts payable	\$ 311	67
Short-term investment			Trust capital	13,890,658	12,449,858
Funds	9,395,839	8,756,216	Net income	1,927,340	(1,385,219)
Stocks	1,985,253	153,242	Accumulated earnings or deficit	(1,459,316)	(40,291)
Bonds	1,583,186	1,032,735			
Structured notes	286,314	102,619			
Accounts receivable	77,475	23,081			
<b>Total Assets</b>	<b>\$ 14,358,993</b>	<b>11,024,415</b>	<b>Total Liabilities</b>	<b>\$ 14,358,993</b>	<b>11,024,415</b>

- (ii) Income statement of trust accounts

## Income Statement of Trust Accounts

## For the years ended December 31, 2023 and 2022

	For the years ended December 31,	
	2023	2022
Trust revenue		
Interest revenue	\$ 102,161	42,667
Cash dividends revenue	248,018	283,631
Rental revenue	9,843	8,461
Investment gains - unrealized	1,763,628	-
Subtotal	2,123,650	334,759
Trust expense		
Management fee	606	483
Service fee	16,238	23,186
Investment losses - realized	178,428	469,851
Investment losses - unrealized	-	1,226,132
Other fees	130	62
Subtotal	195,402	1,719,714
Gain (loss) before income tax	1,928,248	(1,384,955)
Less: Income tax expense	908	264
Net gain (loss)	<b>\$ 1,927,340</b>	<b>(1,385,219)</b>

(Continued)

(iii) Property list of trust accounts

**Property list of trust accounts**

**December 31, 2023 and 2022**

<b>Investment items</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Bank deposits	\$ 1,030,926	956,522
Short-term investment		
Funds	9,395,839	8,756,216
Stocks	1,985,253	153,242
Bonds	1,583,186	1,032,735
Structured Notes	286,314	102,619
Other assets	77,475	23,081
<b>Total</b>	<b>\$ 14,358,993</b>	<b>11,024,415</b>

**(10) Significant Catastrophic Loss: None**

**(11) Significant Subsequent Events: None**

**(12) Other: None**

## 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	\$ 898,859	837,549	837,549	- %	2	-	Working capital	-	-	-	1,587,643	1,587,643
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	103,614	103,614	103,614	- %	2	-	Working capital & repayment of financing	-	-	-	103,614	103,614
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,704	5,704	5,704	- %	2	-	Repayment of financing	-	-	-	5,704	5,704
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	60,934	60,934	-	10.27%	1	3,487		-	-	-	207,062	1,035,312
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	426,535	426,535	31,990	6.52% - 7.77%	1	173,801		-	-	-	426,535	1,035,312
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	91,400	91,400	-	9.27%	1	14,455		-	-	-	207,062	1,035,312
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,233	15,233	-	8.27%	1	-		-	-	-	207,062	1,035,312
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	8.27%	1	56		-	-	-	207,062	1,035,312
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	60,934	60,934	-	8.27%	1	1,259		-	-	-	207,062	1,035,312
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	45,700	45,700	-	8.27%	1	9,507		-	-	-	207,062	1,035,312
11	CSC Futures (HK) Ltd.	F190416	Account receivables - Customer	No	213,268	213,268	-	6.77%	1	3,488		-	-	-	213,268	1,035,312

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)

(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, 2023	Balance on December 31, 2022	Shares	Ratio	Book value					
0	Capital-Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990	note7	Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00%	77,899	72,034	572	572	10,660	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%	4,058,928	2,003,325	1,010,196	571,630	359,579	"
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business.	1,339,555	1,339,555	45,000,000	100.00%	1,587,643	29,750	14,188	14,188	-	"
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	November 9, 2000	note7	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00%	44,481	143,623	18,610	18,610	46,150	"
0	Capital Insurance Agency Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	November 8, 2000	note7	Completion of the liquidation	7,400	7,400	740,000	100.00%	7,400	-	6	6	-	"
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	300	100.00%	13	(234)	(234)	(234)	-	"
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%	841,425	6,249	1,837	1,837	14,173	"
0	CSC Capital Management Co.	Taipei ,Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Investment and management consulting, venture capital and general investing.	330,000	330,000	33,000,000	100.00%	308,660	22,414	19,039	19,039	-	"
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 16, 1995	note7	Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00%	1,421,092	2,278,177	934,342	186,868	138,884	Associates
1	CSC Securities(HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931dated 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%	673,832	80,948	29,750	Note 6	-	Second-level subsidiary
2	TIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912dated November 4,1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00%	(102,379)	-	(234)	Note 6	-	"
3	Taiwan International Capital (HK)Ltd.(Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00%	(257,862)	-	(132)	Note 6	-	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.	886,284	886,284	220,000,000	100.00%	1,035,312	325,140	79,386	Note 6	-	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%	18,301	1,792	(8,048)	Note 6	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC-90931dated January 5,1998	Agency services.	HK 2	HK 2	2	100.00%	-	-	-	Note 7	-	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	300,000	30,000,000	100.00%	275,624	22,895	17,548	Note 6	-	Second-level subsidiary
7	EnnoCap Venture Inc.	Taipei ,Taiwan, R.O.C.	July 30, 2021	No. FSC-1040034071 dated September 08, 2015	Investment and management consulting, venture capital and general investing.	400	400	40,000	40.00%	102	-	(270)	Note 6	-	Associates



## 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 March 1, 2022. The liquidation was completed on November 30, 2023 (Letter No. 403 of the Taipei High Administrative Court, Kang, in the 2022 of Kangxi); and the distribution of the remaining assets was completed on January 16, 2024.

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

Note 6: The investment gains and losses is recognized with equity method.

Note 7: According to the regulations of reinvesting domestic business issued by Financial Supervisory Commission, securities firms may invest securities finance enterprises and should file for recordation within 15 days after the investment. Therefore, this case only needs to be filed for recordation afterwards.

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

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

(d) Information on investments in the Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2023	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2023	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of December 31, 2023
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	1,747	28.86%	504 B(2)	5,405	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(5,157)	56.58%	(2,918) B(2)	1,415	-

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)

## (e) Major shareholders:

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

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

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

## (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, 2023 are as follows:

## (i) Balance sheet and income statement:

## 1) Balance sheet

Unit: US \$ thousands

Nature	Company	Taiwan
	CSC International Holdings Ltd. December 31, 2023	International Securities (B.V.I) Corp. December 31, 2023
Current assets	8,675	1
Long-term investments	22,120	-
Property and premises	1,706	-
Other assets	19,394	3,380
Total assets	51,895	3,381
Current liabilities	72	20
Other liabilities	32	3,361
Total liabilities	104	3,381
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	6,983	(9,458)
Cumulative translation adjustments	(192)	(58)
Total stockholders' equity	51,791	-
Total liabilities and stockholders' equity	51,895	3,381

## 2) Income statement

Unit: US \$ thousands

<b>Company</b>	<b>CSC International Holdings Ltd.</b>	<b>Taiwan International Securities (B.V.I) Corp.</b>
<b>Nature</b>	<b>For the years ended December 31, 2023</b>	<b>For the years ended December 31, 2023</b>
Operating revenue	969	(8)
Operating expense	(684)	-
Non-operating revenue	180	-
Non-operating expense	(3)	-
Income (loss) before tax	462	(8)
Net income (loss)	462	(8)

## (ii) Securities held as of December 31, 2023

Unit: shares / US\$ thousands

<b>Name of holding company</b>	<b>Securities types and name</b>	<b>Account classification</b>	<b>December 31, 2023</b>	
			<b>Shares</b>	<b>Book value</b>
CSC International Holdings Ltd.	CSC Securities(HK) Ltd.	Long-term investments	128,000,000	\$ <u>22,120</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 year ended December 31, 2023.

## VII. Review, Analysis and Risk Issues of the Financial Status and Operating Results

### I. Financial status

Unit: NTD thousands

Item \ Year	2023 (Note)	2022 (Note)	Difference	
			Amount	%
Current assets	223,526,822	171,397,616	52,129,206	30.41
Non-current assets	23,383,910	20,219,025	3,164,885	15.65
<b>Total assets</b>	<b>246,910,732</b>	<b>191,616,641</b>	<b>55,294,091</b>	<b>28.86</b>
Current liabilities	201,651,712	150,886,125	50,765,587	33.64
Non-current liabilities	1,894,496	2,039,403	(144,907)	(7.11)
<b>Total liabilities</b>	<b>203,546,208</b>	<b>152,925,528</b>	<b>50,620,680</b>	<b>33.10</b>
Share capital	21,709,081	21,709,081	-	-
Capital reserves	2,743,256	2,743,256	-	-
Retained earnings	13,140,393	9,884,681	3,255,712	32.94
Other equity items	2,654,153	1,407,491	1,246,662	88.57
<b>Equity attributable to owners of parent</b>	<b>40,246,883</b>	<b>35,744,509</b>	<b>4,502,374</b>	<b>12.60</b>
<b>Non-controlling interests</b>	<b>3,117,641</b>	<b>2,946,604</b>	<b>171,037</b>	<b>5.80</b>
<b>Total stockholders' equity</b>	<b>43,364,524</b>	<b>38,691,113</b>	<b>4,673,411</b>	<b>12.08</b>

Note: The aforementioned financial data for each year is disclosed in the consolidated financial statements and has been audited and attested by an accountant.

#### Analysis of the change in the percentage of increase/decrease for the last two years (if the change in the percentage of increase/decrease is 20% or more):

- (1) Non-current liabilities: The increase in current assets in the current period is primarily due to an increase in operating securities holdings.
- (2) Other equity items: The increase in current liabilities in the current period is primarily due to an increase in short-term borrowings, commercial paper payable, and repurchase agreement liabilities.
- (3) Retained earnings: The increase in the retained earnings of the current period is primarily due to increase in the net income of the current period.
- (4) Other equity items: The increase in other equities of the current period is primarily due to increase in the unrealized gain of financial assets at fair value through other comprehensive income.

### II. Financial performance:

Unit: NTD thousands

Item \ Year	2023 (Note)	2022 (Note)	Difference	
			Amount	%
Operating revenues	12,746,224	8,219,057	4,527,167	55.08
Operating expense	9,870,663	7,681,534	2,189,129	28.50
Share of profit (loss) of associates and joint ventures accounted for using equity method	205,376	201,060	4,316	2.15
Other gains and losses	2,027,839	1,107,468	920,371	83.11
Pre-tax profit/loss	5,108,776	1,846,051	3,262,725	176.74
Income tax	537,783	667,035	(129,252)	(19.38)
Profit or loss of the period	4,570,993	1,179,016	3,391,977	287.70

Note: The aforementioned financial data for each year is disclosed in the consolidated financial statements and has been audited and attested by an accountant.

### **Analysis of the change in the percentage of increase/decrease for the last two years (if the change in the percentage of increase/decrease is 20% or more):**

- (1) Operating income: The increase in operating income is primarily due to an increase in gains from the sale of operating securities in the current period.
- (2) Operating expenses: The increase in operating expenses is primarily due to an increase in financial costs compared to the same period last year.
- (3) Other gains and losses: The increase in other gains and losses is primarily due to an increase in financial income compared to the same period last year.

## **III. Cash flow:**

### **1. Analysis of the changes in consolidated cash flows of the Company and subsidiaries for the most recent year:**

- (1) Operating activities: The net cash outflow from operating activities was NT\$11,831,837 thousand, an increase of NT\$25,687,738 thousand compared to the previous year. This increase was primarily due to a significant increase in operating securities position compared to the previous year, resulting in the increase in net cash outflow from operating activities.
- (2) Investing activities: The net cash outflow from investing activities was NT\$2,386,274 thousand, a decrease of NT\$1,072,258 thousand compared to the previous year. This decrease was primarily due to a reduction in the acquisition of financial assets measured at amortised cost compared to the previous, resulting in a decrease in the net cash outflow from investing activities.
- (3) Financing activities: The net cash inflow from financing activities was NT\$11,570,232 thousand, an increase of NT\$20,929,914 thousand compared to the previous year. This increase was primarily due to an increase in short-term borrowings and commercial paper payable, resulting in an increase in the net cash inflow from financing activities.

### **2. Liquidity analysis for the last 2 years:**

Item \ Year	2023	2022	% of increase (decrease)
Cash flow ratio (%)	-	9.18	-
Cash flow adequacy ratio (%)	151.03	228.30	(33.85)
Cash reinvestment ratio (%)	-	24.20	-

### **Explanation to major variations:**

- (1) The decrease in the cash flow ratio is primarily due to the increase in net cash outflow from operating activities compared to the previous year.
- (2) The decrease in the cash flow adequacy ratio is primarily due to the increase in net cash outflow from operating activities compared to the previous year.
- (3) The increase in the cash reinvestment ratio is primarily due to the increase in net cash outflow from operating activities compared to the previous year.

### 3. Analysis of the consolidated cash liquidity of the Company and subsidiaries for the next year

Unit: NTD thousands

Cash and cash equivalents, 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
8,598,180	4,631,912	7,887,308	5,342,784	-	-

#### IV. Impacts of major capital expenditures in the most recent year to financial performance: None.

#### V. Re-investment policy in the most recent year, the main reason for its profit or loss, improvement plan, and investment plan for the coming year

- (I) Capital Financial Group's investment strategies are consistent with the government's financial deregulations, and have been focused toward futures, brokerage, investment advisory, insurance brokerage, venture capital, and equity funds, etc. 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.
- (II) Causes of profit or loss incurred on investments: There had been no special occurrence that affected profitability of the Company's investments.
- (III) Investment plan in the coming year: none.

#### VI. Risk matters

##### (I) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures

1. The impact of interest rate changes on the Company's income mainly comes from margin trading and bond trading (including government bonds, corporate bonds, and repurchase agreement). In 2023, The Company's interest rate risk was measured in terms of the risk equivalent amount, which ranged between NT\$1,781,528 thousand and NT\$2,620,698 thousand, with an average of approximately NT\$2,153,680 thousand. The Company's foreign exchange risk was measured in terms of the risk equivalent amount, which ranged between NT\$83,438 thousand and NT\$118,766 thousand, with an average of approximately NT\$92,411 thousand
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 swap contracts or use other derivatives, such as futures contracts, to hedge against this risk. As for foreign exchange fluctuations, the Company will manage the risk through position control and dynamic hedging practices to mitigate adverse impact on the Company's income from changes in interest rates and exchange rates
3. The impact of inflation on the Company's revenue and profit is a non-specific, indirect effect.



**(II) 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.

**(III) Future R&D plans and the expected R&D expenditure to be invested**

The Company actively and continuously researches and develops new financial products with high gross margins, high value-added, and total solution capabilities, and launches them in accordance with our fin-tech research and development plan. Details are provided in V. Business Performance, R&D overview of the annual report.

**(IV) Changes in important policies and laws in Taiwan and abroad impacting our finances, and measures taken in response**

The Company continues to monitor closely any significant domestic and international policy and legal changes that may affect the Company's financial operations. For the most recent year and up to the date of publication of the annual report, the relevant policy and legal changes have not had a material impact on the Company's financial operations.

**(V) Impacts of technological (cyber security risk included) or industrial changes on the company's finance and business, and responsive measures:**

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) In response to technological changes, we not only continue to assess the upgrade or new purchase of IT equipment, but also take into account the cybersecurity risks.
  - (3) Continuously update and develop new service software according to information security standards to provide for customer 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, introducing the real-time detection and inspection of phishing websites and fake mobile applications to ensure that the Company's name and trademark are not abused, regularly conduct vulnerability scans and penetration tests to ensure the security of host systems, mobile applications, IoT device vulnerability scans, and cybersecurity assessments, thereby ensuring the overall security of the host and network environment, 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.

- (VI) Impacts from changes in corporate or corporate crisis management, and response measures: None.**
- (VII) Expected benefits, risks and responsible measures in relation to mergers and acquisitions: None.**
- (VIII) Expected benefits and potential risks from expanding our plant: N/A.**
- (IX) Risks of concentrated procurement of or sales of goods, and response measures: N/A.**
- (X) 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.**
- (XI) Impacts and risks from changes our company's operating rights, and response measures: None.**

## (XII) Major litigation and non-contentious cases

Event	Brief of Facts	Litigants	Current progress	Litigation Start date	Amount of dispute (Unit: NT\$)
Criminal	A customer of the Xisong Branch of the Company had the transaction documents checked by Ms. Yu, and as a result the Company discovered that the agent Mr. Chiang 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 Ms. Yu.	Plaintiff: Capital Securities Corporation Defendant: Mr. Chiang	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 Ms. Chan of the Wanhua Branch privately engaged in solicitation of investments for fraud and caused damage to the customer Ms. Fan, 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 Ms. Chan.	Plaintiff: Ms. Fan Defendant: Capital Securities Corporation, Ms. Chan	The case is currently under trial at the Taiwan Taipei District Court.	2019.04.08	2,798,313 (NT\$)

## (XIII) Risk management policy

- I. The risk management policy of the company is based on the company's operating principles and goals. We measure risk and return and consider the impact on the BIS ratio to establish risk control limits for each business, in order to optimize capital allocation and create profits.
- II. Risk management framework and responsibilities

Department	Responsibilities
(I) Board of Directors	<ol style="list-style-type: none"> <li>Highest decision-making body for risk management.</li> <li>Approval of the risk management policy and direction.</li> <li>Approval of the risk management system.</li> </ol>
(II) Risk Management Committee	<ol style="list-style-type: none"> <li>Approval of the risk management system and the regulations for management of the risks of all business activities.</li> <li>Resolution for improvement of the performance of all business activities.</li> <li>Assessment and resolution regarding the distribution of risk assets and the operating strategies.</li> <li>Storage of new business applications for reference and authorization of transaction limit.</li> </ol>
(III) President	<ol style="list-style-type: none"> <li>Reporting to the Board of Directors regarding assessment of the risks in the positions held and the achievement of transaction performance and set objectives.</li> <li>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).</li> <li>loss).</li> </ol>
(IV) Risk Management Department	<ol style="list-style-type: none"> <li>Assistance in designing the risk management system.</li> <li>Assistance in designing the risk limits and methods of distribution for all departments.</li> <li>Ensuring implementation of the approved regulations for risk management.</li> <li>Submitting timely and complete risk management reports to the President.</li> <li>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.</li> <li>Enhancing the measurement technique of risk management as much as possible with regard to financial commodities whose risks can be quantified.</li> <li>Understanding the risk limits and situations of use of all business units.</li> <li>Assessing the degree of risk exposure and risk concentration at the Company.</li> <li>Development and execution of stress testing and backtesting methods.</li> </ol>

Department	Responsibilities
	10. Testing the level of difference between the actual and estimated income of investment portfolios. 11. Verify the pricing models and valuation systems used by the business units. 12. Address Other matters related to risk management.
(V) Business units (Reinvestment in subsidiaries)	Mid-office risk controllers: 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. Monitoring risk exposures and submitting reports when limits are exceeded, including measures taken by the business units (subsidiaries) in response to such situations. 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.  Head of business unit (subsidiary's person-in-charge): 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.
(VI) Auditing Department	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.
(VII) Finance Department	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.
(VIII) Settlement & Clearing Department	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.
(IX) Compliance and Legal Division	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.
(X) Information Tech. Department	1. Development and maintenance of the risk management information system. 2. Information security management

### III. Types, measurement and management processes of risks involved in the Company

Risk management: The Company is exposed to the following risks: market risk, credit risk, liquidity risk, operational risk, legal risk, ESG and climate risk management, and Information security management. 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 derivatives. 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

The Company has established credit limit for issuers and counterparties in accordance with the credit requirements of competent authority and credit rating information announced by credit rating institutions. The stock margin trading limit is set according to regulatory requirements.

For derivatives, a counterparty's credit risk exposure is calculated daily; if limit is exceeded, the counterparty is required to provide eligible collateral or reduce its position. The disposal criteria for stock margin tradings are subject to the regulations related to customer credit and the management of stocks/securities collateral established by the Company, as well as the maintenance ratio specified by regulatory authorities. Bond investment is permitted for those with a certain credit rating or above. Material information, fundraising activities, operational status, and other practices of issuer are used to measure credit violation. When the credit rating for debt position held is lower than that stipulated by investment regulations, the selling of such bonds will be requested. If said bonds cannot be sold, they will be allocated to bad debt reserves according to the probability of violation.

#### 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. Operation risk management

This Company follows the operating procedures and focus of control as regulated by its internal control system. The Auditing Department conducts inspection for an inspection cycle. The inspection report is submitted to the President and Chairman for review after a response from the business unit involved is obtained. The accountable business unit improves the identified deficiencies, which will be followed up by the Auditing Department to implement improvement plan. We also require employees to purchase fidelity insurance to protect the Company against material loss due to employees' gross negligence. The Risk Management Department is responsible for categorizing major operational risk loss events such as significant anomalies in market-making systems and erroneous accounting, accumulating data, and then developing models to quantify operational risk losses.

5. Legal risk management

The Company's Auditing Department and Compliance and Legal Division are in charge of auditing and supervising legal and compliance risks, ensuring the relevant departments of the Company comply with the regulations of the competent authorities. Additionally, the Compliance and Legal Division conducts assessment of contract legality to protect the Company's rights. Company employees are educated and trained as needed on recent amendments to laws and regulations, if any, to reduce the risk of violation and to reinforce the importance of legal compliance and self-discipline among employees. For recent regulatory focuses on anti-money laundering and combating the financing of terrorism, resources are allocated and action plans are implemented per regulatory requirements.

6. ESG and climate risk management

Regarding ESG and climate risk management, we will adhere to the "Sustainable Development Best Practice Principles" and "Responsible Investment Rules," as well as regulatory requirements. Additionally, we will progressively follow the framework required by the TCFD and regularly disclose potential financial impacts of climate risks. We will assess the "transition risks" faced by companies in which we invest or provide financing, as well as the "physical risks" under extreme climate conditions, in accordance with international agreements such as the Net Zero Carbon Emissions Accord and domestic regulations like the Greenhouse Gas Reduction and Management Act. Subsequently, we will formulate the corresponding strategies of operational transition and risk management accordingly. During the progress, we will actively establish a climate risk database to reduce data gaps and enhance quantitative methodologies.

7. Information security management

To strengthen information security management, the Company has established information security policies and related implementation guidelines. We conduct internal and external audits regularly each year to review the implementation of operational procedures. Audit results are reported to the "Business Continuity and Information Service Management Review Committee" to facilitate effective communication with senior management and ensure the implementation of internal control regulations and other management systems, such as ISO systems. The Company also continues to promote various information security protection mechanisms and measures, such as security awareness campaigns and social engineering exercises, as well as regular software and permission reviews. To strengthen information security and reduce the occurrence of issues such as sensitive information leakage, data loss, or malicious disclosure, we also employ mechanisms such as Data Loss Prevention (DLP), firewalls, antivirus software, and real-time monitoring to ensure enhanced information security management.

8. Other risk management

Other risks refer to operational impacts caused by various factors, including natural disasters, man-made disasters, and information and communication technology disasters. The Company has established the "Business Continuity Management Guidelines," which regulate various response mechanisms, including crisis event notification systems, the responsibilities of crisis management teams, execution procedures for contingency plans, and post-event review and improvement processes. Adequate response procedures and countermeasures have been formulated accordingly.

**(XIV) Other major risks and measures in response: None.**

**VII. Other important issues: None (as of the end of 2023).**

# VIII. Special Remarks

## I. Information on affiliates

### (I) Organizational chart of affiliates.

Data as of March 31, 2024



Note 1: TIS Securities (HK) Ltd., and Taiwan International Capital (HK) Ltd are currently undergoing liquidation.



## (II) 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	B1F, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 2,104,375,840	Futures brokerage Proprietary futures trading Futures Advisory Enterprises Managed Futures Enterprises 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
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 capital Investment consulting Management Consulting; 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	3/F, 308 Des Voeux Road Central, Sheung Wan, Hong Kong	HK\$ 128,000,000	Securities brokerage, underwriting, proprietary trading, financing and other securities-related services permitted by the laws of Hong Kong
Capital Securities Nominees Ltd.	1995.04.07	3/F, 308 Des Voeux Road Central, Sheung Wan, Hong Kong	HK\$ 2	Agency service



Company name	Date of establishment	Address	Issued capital	Main business activities or products
CSC Futures (HK) Ltd.	1998.12.09	3/F, 308 Des Voeux Road Central, Sheung Wan, Hong Kong	HK\$ 220,000,000	Securities trading Futures trading
Capital True Partner Technology Co., Ltd.	2008.08.20	Room 1708, Tower C, Maoye Center, No. 28 North Tianfu Avenue, Gaoxin District, Chengdu, Sichuan, 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	Tower H, 18/F, New Shanghai International Building, No. 360 South Pudong Road, Pudong New Area, Shanghai, 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. B O X 438, R o a d T o w n, Tortola, British Virgin Islands	US\$ 9,516,300	Long-term equity investment business
TIS Securities (HK) Ltd.	1993.08.17	3/F, 308 Des Voeux Road Central, Sheung Wan, Hong Kong	HK\$ 265,000,000	(Undergoing liquidation)
Taiwan International Capital (HK) Ltd	1997.07.16	3/F, 308 Des Voeux Road Central, Sheung Wan, Hong Kong	HK\$ 2	(Undergoing liquidation)

### (III) Information on the same shareholders involved with or controlling affiliated companies

Unit: NTD thousands; shares; %

Presumed Reason	Name	When elected		Date of establishment	Address	Issued capital	Primary business operation
		No. of shares	Shareholding percentage				
				Not applicable			

### (IV) Industries covered by the overall affiliated companies and their division of labor: The industries covered include securities brokerage, investment advisory consulting, and futures. The division of labor is based on business scopes and geographical regions.

## (V) Information on directors, supervisors, and general managers of the affiliated companies

Unit: shares; %; Data date: March 31, 20

Company name	Title	Name or name of representative	When elected	
			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: Chia, Chung-Tao	0	0
	Director	Capital Securities Corp. - Representative: Liu, Ching-Tsun	0	0
	Director	Capital Securities Corp. - Representative: Lee, Wen-Chu	0	0
	Director	Hong Ye Investment Co., Ltd. - Representative: Wang, Huei-Chin	0	0
	Independent Director	Chen, Kuo-Tay	0	0
	Independent Director	Hsiao, Jeng-Ching	0	0
	Independent Director	WU, YUNG-SHENG	0	0
Capital International Technology Corp.	President	Mao, Jen-Hua	90,394	0.05%
	Corporate entity	Capital Futures Corp.	5,000,000	100%
	Chairman	Capital Futures Corp. - Representative: Chia, Chung-Tao	0	0
	Director	Capital Futures Corp. - Representative: Mao, Jen-Hua	0	0
	Director	Capital Futures Corp. - Representative: Chen, Chi-Hao	0	0
	Supervisor	Capital Futures Corp. - Representative: Lin, Li-Chuan	0	0
Capital Investment Management Corp.	President	Mao, Jen-Hua	0	0
	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.	President	Tsai, Ming-Yen	0	0
	Corporate entity	Capital Securities Corporation	500,000	100.00%
	Chairman	Capital Securities Corp. - Representative: Chiu, Chao-Chien	0	0
	Director	Capital Securities Corp. - Representative: Hsieh, Hsiu-Ying	0	0
	Director	Capital Securities Corp. - Representative: Wang, Ya-Fang	0	0
	Supervisor	Capital Securities Corp. - Representative: Chou, Hsien-Yang	0	0
CSC Venture Capital Corp.	President	Chou, Pei-Hsuan	0	0
	Corporate entity	Capital Securities Corporation	100,000,000	100%
	Chairman	Capital Securities Corp. - Representative: Chou, Hsiu-Chen	0	0
	Director	Capital Securities Corp. - Representative: Chen, Yi-Ren	0	0
	Director	Capital Securities Corp. - Representative: Tsai, Ming-Yen	0	0
	Supervisor	Capital Securities Corp. - Representative: Chou, Hsien-Yang	0	0
CSC Capital Management Co.	President	Chou, Chia-Te	0	0
	Corporate entity	Capital Securities Corporation	33,000,000	100%
	Chairman	Capital Securities Corp. - Representative: Chou, Hsiu-Chen	0	0
	Director	Capital Securities Corp. - Representative: Chiu, Tsan-Hsi	0	0
	Director	Capital Securities Corp. - Representative: Tsai, Ming-Yen	0	0
	Supervisor	Capital Securities Corp. - Representative: Chou, Hsien-Yang	0	0
CSC Private Equity Fund I Co.	President	Hsu, Wan-Ling	0	0
	Corporate entity	CSC Capital Management Co.	30,000,000	100%
	Chairman	CSC Capital Management Co. - Representative: Chou, Hsiu-Chen	0	0
	Director	CSC Capital Management Co. - Representative: Chiu, Tsan-Hsi	0	0
	Director	CSC Capital Management Co. - Representative: Tsai, Ming-Yen	0	0
	Supervisor	CSC Capital Management Co. - Representative: Chou, Hsien-Yang	0	0
CSC International Holdings Ltd.	President	Hsu, Wan-Ling	0	0
	Corporate entity	Capital Securities Corporation	45,000,000	100.00%
	Director	Capital Securities Corp. - Representative: Lee, Wen-Chu	0	0
CSC Securities (HK) Ltd.	Director	Capital Securities Corp.-Representative: Hsieh, Hsiu-Ying	0	0
	Corporate entity	CSC International Holdings Ltd.	128,000,000	100.00%
	Director	CSC International Holdings Ltd. - Representative: Lee, Wen-Chu	0	0
	Director	CSC International Holdings Ltd.-Representative: Hsieh, Hsiu-Ying	0	0
CSC Securities (HK) Ltd.	Director	CSC International Holdings Ltd. - Representative: Chang, Tun-Fu	0	0
	Director	CSC International Holdings Ltd. - Representative: Chang, Tun-Fu	0	0

Company name	Title	Name or name of representative	When elected	
			No. of shares	Shareholding percentage
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: Hsieh, Hsiu-Ying	0	0
CSC Futures (HK) Ltd.	Corporate entity	Capital Futures Corp.	220,000,000	100%
	Director	Capital Futures Corp. - Representative: Lee, Wen-Chu	0	0
	Director	Capital Futures Corp.-Representative: Hsieh, Hsiu-Ying	0	0
	Director	Capital Futures Corp.-Representative: Chou, Hsien-Yang	0	0
	Director	Capital Futures Corp. - Representative: Chia, Chung-Tao	0	0
	Director	Capital Futures Corp. - Representative: Shi, Tian	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: Chia, Chung-Tao	0	0
	Director	Capital International Technology Corp - Representative: Mao, Jen-Hua	0	0
	Director	True Partner China Holding Limited - Representative: Remco Janssen	0	0
	Director	True Partner China Holding Limited - Representative: Tobias Benjamin Hekster	0	0
	Supervisor	Capital International Technology Corp. - Representative: Chen, Chi-Hao	0	0
	Supervisor	True Partner China Holding Limited - Representative: Yu, Hsing-Chuan	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: Chia, Chung-Tao	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: Lin, Li-Chuan	0	0
	President	Hung, Ming-Nan	0	0
Taiwan International Securities (B.V.I.) Corp.	Corporate entity	Capital Securities Corporation	9,516,300	100.00%
	Director	Capital Securities Corp.-Representative: Hsieh, Hsiu-Ying	0	0
TIS Securities (HK) Ltd. (Undergoing liquidation)	Corporate entity	Taiwan International Securities (B.V.I.) Corp.	265,000,000	100.00%
	Director	Taiwan International Securities (B.V.I.) Corp.- Representative: Hsieh, Hsiu-Ying	0	0
	Director	Taiwan International Securities (B.V.I.) Corp.- Representative: Chou, Hsien-Yang	0	0
Taiwan International Capital (HK) Ltd (Undergoing liquidation)	Director	TIS Securities (HK) Limited	2	100.00%
	Director	TIS Securities (HK) Limited. - Representative: Hsieh, Hsiu-Ying	0	0

**(VI) Business performance of the affiliated companies**

Unit: NTD thousands

Company name	Capital	Total asset	Total liabilities	Net worth	Operating revenues	Operating profit	Profit or loss of the period (after tax)	Earnings per-share (NT\$) (after tax)
Capital Futures Corp.	2,104,376	46,525,017	39,351,568	7,173,449	2,003,026	101,066	1,010,196	4.80
Capital International Technology Corp.	50,000	18,648	347	18,301	1,792	980	(8,048)	(1.61)
Capital Investment Management Corp.	70,000	125,274	47,375	77,899	72,034	(169)	572	0.08
Capital Insurance Advisory Corp.	5,000	75,137	30,656	44,481	143,623	22,805	18,610	37.22
Capital Insurance Agency Corp. (Note 4)	7,400	7,400	-	7,400	-	(2)	6	0.01
CSC Venture Capital Corp.	1,000,000	853,310	11,885	841,425	6,249	(3,018)	1,837	0.02
CSC Capital Management Co.	330,000	310,329	1,669	308,660	22,414	19,239	19,039	0.58
CSC Private Equity Fund I Co.	300,000	275,747	123	275,624	22,895	17,121	17,548	0.58
CSC International Holdings Ltd. (Note 1)	1,379,475	1,590,833	3,190	1,587,643	29,750	8,768	14,188	0.32
CSC Securities (HK) Ltd. (Note 1)	499,072	3,438,911	2,765,079	673,832	80,948	(26,713)	29,750	0.23
Capital Securities Nominees Ltd. (Note 1)	-	-	-	-	-	-	-	-
CSC Futures (HK) Ltd.	875,750	9,246,204	8,210,892	1,035,312	325,140	(48,079)	79,386	0.36
Capital True Partner Technology Co., Ltd.	5,013	15,288	9,309	5,979	33,459	1,529	1,747	1.75
Capital Futures Technology (Shanghai) Co., Ltd.	18,863	3,235	735	2,500	0	(5,229)	(5,157)	(1.29)
Taiwan International Securities (B.V.I.) Corp. (Note 1)	291,722	103,640	103,627	13	-	(234)	(234)	(780.02)
TIS Securities (HK) Ltd. (Note 1) (Note 2)	1,033,235	599	102,978	(102,379)	-	-	(234)	0.00
Taiwan International Capital (HK) Ltd. (Note 1) (Note 3)	-	-	257,862	(257,862)	-	-	(132)	(65,813.62)

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 31, 2023:

Assets and liabilities: TWD/USD = 30.655/1; TWD/HKD = 3.899/1; TWD/CNY = 4.302/1.

Profit and loss: TWD/USD = 30.7075/1; TWD/HKD = 3.934/1; TWD/CNY = 4.368/1.

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.

Note 4: The application for dissolution registration was approved by the shareholders of Chungghwa Insurance Agent Co. at the interim meeting on March 1, 2022, and the liquidation was completed on November 30, 2023 (North Court Zhong-Min-Kang 2022 Si-Zi Letter No. 403); and the distribution of the remaining property was completed on January 16, 2024.

## II. Private placement of securities in the most recent year up till the publication date of this annual report: None.

## III. 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.

## IV. Other supplementary explanatory notes:

Key performance indicator (KPI) for the special nature of the industry of the Company:

Capital adequacy ratio: 276% (December 31, 2023)

261% (March 31, 2024)

## **IX. Matters that have a significant impact on shareholders' equity or securities 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 2023 and until the date of printing of the annual report shall be specified: None.**

## X. Contact Information of Head Office, Branches and Affiliates

### Capital Securities Corporation

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

### Brokerage Department

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

### Investment Banking Department

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

### Registrar Agency Department

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

### Fixed Income Department

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

### Derivatives Department

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

### Proprietary Trading Department

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

### Wealth Management Department

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

### Brokerage Division

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

### Zhongxiao Branch

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

### Dunnan Branch

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

### Nanjing Branch

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

#### 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

### Guanqian Branch

#### 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

### Guting Branch

#### 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

### Zhongshan Branch

#### 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

### Shilin Branch

#### 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

### Donghu Branch

#### 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

### Tianmu Branch

#### 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

### Neihu Branch

#### 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

### Taipei Branch

#### 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

### Yanping Branch

#### 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

### Wanhua Branch

#### Wanhua Branch

2F., No. 31, Guilin Rd., Wanhua Dist., Taipei City 108012, Taiwan, R.O.C.

Tel : 886-2- 23751399 FAX : 886-2- 23751998

### Songshan Branch

#### 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

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

#### Shifu Branch

Shifu Branch  
3F., No. 293, Sec. 5, Zhongxiao E. Rd., Xinyi Dist.,  
Taipei City 110065, Taiwan, R.O.C.  
TEL : 886-2-27512288 FAX : 886-2-27738180

#### Yonghe Branch

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

#### Banqiao Branch

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

#### Tucheng Branch

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

#### Xindian Branch

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

#### Xinzhuang Branch

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

#### Danfong Branch

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

#### Sanchong Branch

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

#### Haishan Branch

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

#### Keelung Branch

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

#### Taoyuan Branch

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

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

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

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

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

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

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

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

Dajia Branch  
2F., No.295, Jianggong Rd., Dajia Dist., Taichung City  
437008, Taiwan, R.O.C.  
TEL : 886-4-26882828 FAX : 886-4-26882882

### Taichung Branch

Taichung Branch  
1F., No.40, Zhongming S. Rd., West Dist., Taichung  
City 403513, Taiwan, R.O.C.  
TEL : 886-4-23200088 FAX : 886-4-23230317

### Tanzi Branch

Tanzi Branch  
No.418, Xinghua 1st Rd., Tanzi Dist., Taichung City  
427017, Taiwan, R.O.C.  
TEL : 886-4-25319898 FAX : 886-4-25315779

### Jiancheng Branch

Jiancheng Branch  
3F., No.735, Jiancheng Rd., East Dist., Taichung City  
401009, Taiwan, R.O.C.  
TEL : 886-4-22830099 FAX : 886-4-22830055

### Changhua Branch

Changhua Branch  
7F., No.279, Minsheng Rd., Changhua City, Changhua  
County 500005, Taiwan, R.O.C.  
TEL : 886-4-7250888 FAX : 886-4-7251366

#### Chiayi Branch

Chiayi Branch

1F., No.87, Chuiyang Rd., East Dist., Chiayi City  
600009, Taiwan, R.O.C.

TEL : 886-5-2258666 FAX : 886-5-2246978

#### Tainan Branch

Tainan Branch

3F., No.76, Sec. 2, Minsheng Rd., West Central Dist.,  
Tainan City 700002, Taiwan, R.O.C.

TEL : 886-6-2252588 FAX : 886-6-2252388

#### Dungmen Branch

Dungmen Branch

4F., No.97, Sec. 1, Beimen Rd., West Central Dist.,  
Tainan City 700008, Taiwan, R.O.C.

TEL : 886-6-2290077 FAX : 886-6-2295611

#### Kaiyuan Branch

Kaiyuan Branch

3F., No.280, Kaiyuan Rd., North Dist., Tainan City  
704001, Taiwan, R.O.C.

TEL : 886-6-2348899 FAX : 886-6-2348800

#### Kaohsiung Branch

Kaohsiung Branch

1F., No.165, Hedong Rd., Qianjin Dist., Kaohsiung City  
801702, Taiwan, R.O.C.

TEL : 886-7-2150077 FAX : 886-7-2151414

#### Sanmin Branch

Sanmin Branch

1F., No.80, Dachang 2nd Rd., Sanmin Dist., Kaohsiung  
City 807546, Taiwan, R.O.C.

TEL : 886-7-3952588 FAX : 886-7-3869191

#### Gausheng Branch

Gausheng Branch

3F., No.252, Yixin 2nd Rd., Qianzhen Dist., Kaohsiung  
City 806002, Taiwan, R.O.C.

TEL : 886-7-3309966 FAX : 886-7-3307636

#### North Kaohsiung Branch

North Kaohsiung Branch

3F., No.317, Minghua Rd., Gushan Dist., Kaohsiung City  
804605, Taiwan, R.O.C.

TEL : 886-7-5559933 FAX : 886-7-5597000

#### Fengshan Branch

Fengshan Branch

1F., No.8, Yongfeng Rd., Qianzhen Dist., Kaohsiung City  
806017, Taiwan, R.O.C.

TEL : 886-7-7169788 FAX : 886-7-7168559

#### Rueifeng Branch

Rueifeng Branch

2F., No.174, Sanduo 1st Rd., Lingya Dist., Kaohsiung  
City 802025, Taiwan, R.O.C.

TEL : 886-7-7211828 FAX : 886-7-7110238

#### Pingtung Branch

Pingtung Branch

3F., No.9, Yongfu Rd., Pingtung City, Pingtung County  
900006, Taiwan, R.O.C.

TEL : 886-8-7339602 FAX : 886-8-7339280

#### Yilan Branch

Yilan Branch

5F., No.50, Jiucheng S. Rd., Yilan City, Yilan County  
260003, Taiwan, R.O.C.

TEL : 886-3-9331999 FAX : 886-3-9328274

### Capital Securities Corp.Offshore Securities Unit

Capital Securities Corp.Offshore Securities Unit  
11F.-6, No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.  
TEL : 886-2-87898888 FAX : 886-2-87123536

### Capital Futures Corp.

Capital Futures Corp.  
B1F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106420, Taiwan, R.O.C.  
TEL : 886-2-27002888 FAX : 886-2-27059777

### Capital International Technology Corp.

Capital International Technology Corp.  
32F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106420, Taiwan, R.O.C.  
TEL : 886-2-27061077

### Capital True Partner Technology Co.,

Capital True Partner Technology Co., Ltd.  
Room 1708, Block C, Maoye Center, No. 28, North Tianfu Avenue, high-tech zone, Chengdu, Sichuan Province,P.R.China  
TEL : (8628)6555-2888 FAX : (8628)6555-2999

### Capital Futures Technology (Shanghai)

Capital Futures Technology (Shanghai) Co., Ltd.  
Block H 18F., New Shanghai International Tower, No. 360 Pudong Nan Road, Shanghai, P.R.China  
TEL : (8621)6882-5928

### Capital Investment Management Corp.

Capital Investment Management Corp.  
11F.-5, No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.  
TEL : 886-2-87806789 FAX : 886-2-87126292

### Capital Insurance Advisory Corp.

Capital Insurance Advisory Corp.  
14F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.  
TEL : 886-2-87896777 FAX : 886-2-87126773

### CSC Venture Capital Corp.

CSC Venture Capital Corp.  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.  
TEL : 886-2-87899988 FAX : 886-2-87125758

### CSC Capital Management Corp.

CSC Capital Management Corp.  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105402, Taiwan, R.O.C.  
TEL : 886-2-87898888 FAX : 886-2-87123587

### CSC Private Equity Fund I Co.

CSC Private Equity Fund I Co.  
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

### CSC Securities (HK) Ltd.

CSC Securities (HK) Ltd.  
3F., 308 Central Des Voeux, No. 308 Des Voeux Road Central, Sheung Wan, Hong Kong  
TEL : (852)2530-9966 FAX : (852)2104-6006

### CSC Futures (HK) Ltd.

CSC Futures (HK) Ltd.  
3F., 308 Central Des Voeux, No. 308 Des Voeux Road Central, Sheung Wan, Hong Kong  
TEL : (852)2530-9966 FAX : (852)2104-6006

### CSC International Holdings Ltd.

CSC International Holdings Ltd. Shanghai Rep. Office  
18F., New Shanghai International Tower, No. 360 Pudong Nan Road, Shanghai,P.R.China  
TEL : (8621)5888-7188 FAX : (8621)5888-2929

## Disclosures in the parent company only financial statement in the annual report of Public Companies in accordance with Paragraph 3, Article 11 of the Regulations Governing the Preparation of Financial Reports by Securities Firms.

### I. Business Status

#### I. Material business events (events that had a material impact on the business in the last five years)

- (I) Acquisition or merger of other companies: None.
- (II) Division: None.
- (III) Re-invest in affiliated companies

Investee	2023		2022		2021		2020		2019	
	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares
Capital Investment Management Corporation	77,899	7,000,000	88,079	7,000,000	79,368	7,000,000	75,880	7,000,000	92,445	7,000,000
CSC International Holdings Ltd.	1,587,643	45,000,000	1,575,072	45,000,000	1,477,776	45,000,000	1,528,445	45,000,000	1,605,349	45,000,000
Capital Futures Corporation	4,058,928	119,066,014	3,837,039	119,066,014	3,535,529	119,066,014	3,598,396	119,066,014	2,817,870	99,182,845
Capital Insurance Advisory Corp.	44,481	500,000	72,021	500,000	60,571	500,000	51,986	500,000	78,906	500,000
Capital Insurance Agency Corp.	7,400	740,000	39,501	740,000	38,364	740,000	39,190	740,000	43,447	740,000
Taiwan International Securities (B.V.I.) Corporation	13	300	39	300	15	300	20	300	18	300
Taiwan International Securities Investment Consulting Corp.	-	-	-	-	-	-	-	-	12,644	999,200
CSC Venture Capital Corporation	841,425	100,000,000	833,287	100,000,000	791,454	100,000,000	841,121	100,000,000	763,112	100,000,000
CSC Capital Management Co., Ltd.	308,660	33,000,000	286,999	33,000,000	348,207	33,000,000	329,742	33,000,000	-	-
Capital Investment Trust Corp.	1,421,092	33,067,507	1,374,245	33,067,507	1,379,659	33,067,507	1,340,829		1,301,360	33,067,507

- (IV) Reorganization: None.
- (V) Acquisition or disposal of material assets: None.
- (VI) Significant Changes in Business Operations or Content: None.

#### II. Remuneration of directors, supervisors, President, Executive Vice President, and former Chairman and President retired from securities dealers or their affiliated enterprises and reappointed as consultants to securities dealers, and related information

- (I) Remuneration of General and Independent Directors: Please refer to p.27-28 of the annual report.
- (II) Remuneration of the Supervisor: None.

- (III) Remuneration of President and Executive Vice President: Please refer to p.28 -29 of the annual report.
- (IV) Remuneration of the top five highest paid executives of TWSE/TPEX-listed securities dealers: N/A.
- (V) Information on retired Chairman and President returned to serve as consultants to securities dealers: None.

**III. Number of employees not holding supervisory positions, annual average employee welfare expenses, and their difference compared to the previous year.**

Unit: NTD thousands

	2023	2022	Difference
Number of Employees	1,571	1,619	(48)
Annual average employee welfare expense	1,220	992	228

- IV. Labor-management relations: Please refer to p.119-122 of the annual report.
- V. Implementation of the internal control system: Please refer to p.77-83 of the annual report.
- VI. Cyber security management: Please refer to p.122-125 of the annual report.

**II. Financial Summary**

- I. Condensed balance sheet and income statement for the last five years with the name of the CPAs and their audit opinion: Please refer to p.128-131 of the annual report.
- II. Financial analysis for the last 5 years: Please refer to p.132 -134 of the annual report.
- III. Instances of financial difficulties in the most recent year and their impact on the financial condition: None.

**III. Review and analysis of financial status and performance and risk assessment: Please refer to p.350-352 of the annual report.**

**IV. CPA information: Please refer to p.95-96 of the annual report.**



安侯建業聯合會計師事務所

#### KPMG

台北市 110615 信義路 5 段 7 號 68 樓 (台北 101 大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel +886 2 8101 6666  
傳真 Fax +886 2 8101 6667  
網址 Web kpmg.com/tw

## INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON CAPITAL SECURITIES CORPORATION GREENHOUSE GAS (GHG) STATEMENT

To the Board of Directors of CAPITAL SECURITIES CORPORATION:

We have undertaken a limited assurance engagement for the category 1 direct emissions and the category 2 energy indirect of the accompanying GHG statement of CAPITAL SECURITIES for the year ended December 31, 2023, comprising the Emissions Inventory.

### CAPITAL SECURITIES's Responsibility for the GHG Statement

CAPITAL SECURITIES is responsible for the preparation of the GHG statement in accordance with "Greenhouse gases - Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals" (hereafter "ISO 14064-1:2018") to the GHG statement. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a GHG statement that is free from material misstatement, whether due to fraud or error.

As discussed in the GHG statement, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In accordance with International Standard on Quality Control 1, KPMG maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.





## Our Responsibility

### Limited assurance for the category 1 and the category 2

Our responsibility is to express a limited assurance conclusion on the GHG statement based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the GHG statement is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of CAPITAL SECURITIES's use of ISO 14064-1:2018 as the basis for the preparation of the GHG statement, assessing the risks of material misstatement of the GHG statement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG statement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through inquiries, obtained an understanding of CAPITAL SECURITIES's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether CAPITAL SECURITIES's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate CAPITAL SECURITIES's estimates.
- Undertook site visits at two sites to assess the completeness of the emissions sources, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected for testing were chosen taking into consideration their emissions in relation to total emissions, emissions sources, and sites selected in prior periods. Our procedures did not include testing information systems to collect and aggregate facility data, or the controls at these sites.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether CAPITAL SECURITIES's GHG statement has been prepared, in all material respects, in accordance with the ISO 14064-1:2018 to the GHG statement.



## Opinion

### Limited Assurance opinion for the category 1 and the category 2

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that CAPITAL SECURITIES's GHG statement for the year ended December 31, 2023 is not prepared, in all material respects, in accordance with the ISO 14064-1:2018 applied as explained in the Annex 1.

## Other Matters

We shall not be responsible for any further changes on the Underlying Subject Matter or its applicable reporting criteria, nor be responsible for reconducting any assurance work after the issuance date of assurance report.

KPMG

Taipei, Taiwan(Republic of China)

April 19, 2024

### Notes to reader

The limited assurance report and the accompanying selected information 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 limited assurance report and the selected information, the Chinese version shall prevail.



#### Assurance indicator information summary

<b>EMISSIONS</b>	<b>tonnes CO<sub>2e</sub></b>
<b>Category 1: Direct GHG emissions and removals</b>	<b>357.2313</b>
<b>Category 2: Energy indirect emissions</b>	<b>4,858.6271</b>
<b>Total</b>	<b>5,215.8584</b>

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[illegible]

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