

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For The Three Months Ended March 31, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors of
Capital Securities Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$3,358,919 thousands and \$3,091,702 thousands, constituting 1.63% and 1.56% of consolidated total assets as of March 31, 2023 and 2022, respectively, total liabilities amounting to \$532,634 thousands and \$269,021 thousands, constituting 0.32% and 0.17% of consolidated total liabilities as of March 31, 2023 and 2022, respectively, and total comprehensive income (loss) amounting to \$31,311 thousands and \$41,608 thousands, constituting 1.95% and 9.31% of consolidated total comprehensive income (loss) respectively.



Furthermore, as stated in Note 6(e), the other equity accounted investments of Capital Securities Corporation and its subsidiaries in its investee companies of \$1,527,971 thousands and \$1,535,616 thousands as of March 31, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$41,995 thousands and \$56,696 thousands respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Capital Securities Corporation and its subsidiaries as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 12, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, 2022, and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%
Assets						
110000 Current assets:						
111100 Cash and cash equivalents (note 6(a))	\$ 10,554,818	5	11,259,550	6	11,252,087	6
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	45,976,978	22	42,404,385	22	43,335,726	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	18,080,959	9	13,716,679	7	7,892,712	4
114030 Receivable for securities provided as collateral	12,810,900	6	11,934,071	6	19,068,905	10
114040 Refinancing margin	25,104	-	18,859	-	49,570	-
114050 Refinancing collateral receivable	21,563	-	15,418	-	40,974	-
114060 Receivable of securities business money lending	4,151,942	2	4,426,333	3	4,714,184	2
114070 Customers' margin account (note 6(d))	38,525,362	19	39,049,741	20	42,055,945	21
114080 Receivable - futures margin	-	-	7	-	27	-
114090 Collateral for securities borrowed	312,846	-	1,764,422	1	23,498	-
114100 Security borrowing margin	11,918,369	6	13,729,016	7	10,320,455	5
114110 Notes receivable	6,108	-	12,550	-	10,110	-
114130 Accounts receivable (note 6(c))	10,518,292	5	6,011,995	3	11,727,929	6
114150 Prepayments	111,259	-	78,329	-	46,957	-
114170 Other receivables	401,245	-	277,511	-	519,660	-
114200 Other financial assets - current	862	-	-	-	-	-
114300 Leverage contract trading - customers' margin account	792,344	1	856,021	1	777,255	1
114600 Current income tax assets	234	-	233	-	238	-
119095 Amounts held for each customer in the account (note 6(o))	28,440,466	14	25,111,376	13	27,581,229	14
119990 Other current assets-others	717,371	-	731,120	-	556,130	-
	183,367,022	89	171,397,616	89	179,973,591	91
120000 Non-current assets:						
122000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,422	-	179,171	-	179,154	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	2,899,461	1	2,690,775	1	3,368,513	1
123300 Financial assets at amortized cost - non-current (note 6(b))	5,017,172	3	3,268,785	2	-	-
124100 Investments accounted for under equity method (note 6(f))	1,527,971	1	1,485,977	1	1,535,616	1
125000 Property and equipment (notes 6(g) and 8)	2,751,151	1	2,773,271	2	2,867,876	1
125800 Right-of-use assets (note 6(h))	730,450	-	769,897	-	826,984	1
126000 Investment property (notes 6(i) and 8)	3,805,294	2	3,811,971	2	3,822,132	2
127000 Intangible assets (note 6(j))	3,609,518	2	3,614,000	2	3,609,329	2
128000 Deferred income tax assets	16,982	-	18,684	-	85,376	-
129000 Other non-current assets	1,634,771	1	1,606,494	1	1,601,371	1
	22,172,192	11	20,219,025	11	17,896,351	9
Total assets	\$ 205,539,214	100	191,616,641	100	197,869,942	100

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, 2022, and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Current liabilities:						
210000						
211100	\$ 3,035,892	1	2,870,799	1	3,066,151	1
211200	Commercial paper payable (note 6(l))	3	3,198,722	2	12,496,030	7
212000	Financial liabilities at fair value through profit or loss - current (note 6(m))	5	11,644,599	6	5,903,640	3
214010	Bonds sold under repurchase agreements (note 6(n))	21	36,035,969	19	29,828,578	15
214040	Guarantee deposited for short sales	1	4,118,440	2	1,397,942	1
214050	Proceeds payable from short sales	1	3,714,941	2	1,557,882	1
214070	Securities lending refundable deposits	7	14,681,018	7	12,958,769	7
214080	Futures traders' equity (note 6(d))	18	38,884,241	20	42,022,524	21
214090	Equity for each customer in the account (note 6(o))	14	25,111,376	13	27,581,229	14
214100	Leverage contract trading - customers' equity	1	849,887	1	698,525	-
214110	Notes payable	-	152	-	76	-
214130	Accounts payable (note 6(p))	4	4,680,994	3	10,065,541	5
214150	Advance receipts	-	33,649	-	21,841	-
214160	Receipts under custody	-	547,244	-	372,527	-
214170	Other payables	1	839,187	1	1,022,152	1
214200	Other financial liabilities - current (note 6(x))	2	3,028,050	2	3,478,198	2
214600	Current income tax liabilities	-	385,145	-	648,835	-
215100	Provisions - current (note 6(r))	-	51,577	-	53,027	-
216000	Current lease liabilities (note 6(q))	-	191,688	-	181,292	-
219000	Other current liabilities	-	18,447	-	27,154	-
		<u>79</u>	<u>150,886,125</u>	<u>79</u>	<u>153,381,913</u>	<u>78</u>
Non-Current liabilities:						
220000						
224200	Other financial liabilities - non-current (note 6(x))	-	494,542	-	692,710	-
226000	Non-current lease liabilities (note 6(q))	-	635,604	-	701,855	1
228000	Deferred income tax liabilities	1	776,337	1	638,637	-
229000	Other non-current liabilities	-	132,920	-	555,763	-
		<u>1</u>	<u>2,039,403</u>	<u>1</u>	<u>2,588,965</u>	<u>1</u>
	Total liabilities	80	152,925,528	80	155,970,878	79
Equity attributable to shareholders of the parent:						
301010	Common stock (note 6(t))	11	21,709,081	11	21,709,081	11
302000	Capital surplus (note 6(t))	1	2,743,256	1	2,743,256	1
304000	Retained earnings:					
304010	Legal reserve	1	2,758,257	1	2,267,833	1
304020	Special reserve	3	5,786,990	3	4,806,142	3
304040	Unappropriated earnings (note 6(t))	1	1,339,434	1	5,372,672	3
305120	Exchange differences on translation of foreign operations	-	(55,863)	-	(290,691)	-
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	1	1,463,354	1	2,495,987	1
	Total equity attributable to the parent company	18	35,744,509	18	39,104,280	20
306000	Non-controlling interests	2	2,946,604	2	2,794,784	1
	Total equity	20	38,691,113	20	41,899,064	21
	Total liabilities and equity	\$ 100	191,616,641	100	197,869,942	100

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023 and 2022

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

	For the three months ended March 31			
	2023		2022	
	Amount	%	Amount	%
Income:				
401000 Brokerage commissions (note 6(v))	\$ 1,153,110	41	1,514,422	74
402000 Revenues from securities business money lending	172	-	95	-
403000 Revenue from securities lending	107,990	4	118,064	6
404000 Underwriting commissions (note 6(v))	12,674	-	26,265	1
406000 Commissions on wealth management business	15,199	-	12,632	-
410000 Net gains (losses) on sale of trading securities (note 6(v))	1,150,046	40	1,007,313	49
421100 Securities management, distribution, and management fees	37,531	1	37,603	2
421200 Interest revenue (note 6(v))	482,796	17	389,585	19
421300 Dividend revenue	58,949	2	30,707	1
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(v))	1,243,434	44	(958,962)	(47)
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(x))	(38,578)	(1)	48,543	2
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(822,602)	(29)	10,412	1
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	3,100	-	(223,743)	(11)
422000 Net gains (losses) from exchange traded notes (note 6(x))	-	-	117	-
422100 Management and commissions revenue from exchange traded notes (note 6(x))	-	-	2	-
422200 Net gains (losses) on stock warrants issued (notes 6(v) and (x))	(41,043)	(1)	614,629	30
424100 Futures commission revenues (note 6(v))	54,294	2	74,271	4
424400 Net gains (losses) on derivative instruments - futures (note 6(x))	73,036	3	(768,873)	(37)
424500 Net gains (losses) on derivative instruments - OTC (note 6(x))	(679,518)	(24)	205,507	10
424800 Management fee revenues	441	-	151	-
424900 Consultancy fee revenue	2,292	-	5,651	-
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(w))	(4,854)	-	456	-
428000 Other operating revenues	22,378	1	(90,838)	(4)
	<u>2,830,885</u>	<u>100</u>	<u>2,054,009</u>	<u>100</u>
Expenses:				
501000 Brokerage fees	126,221	5	169,001	8
502000 Brokerage and clearing fees - proprietary trading	8,430	-	7,875	-
503000 Clearing and exchange fees - refinancing	1,087	-	544	-
504000 Clearing and exchange fees - underwriting	158	-	258	-
507000 Issuance and management fees on exchange traded notes (note 6(x))	-	-	377	-
521200 Financial costs	353,678	13	59,556	3
521640 Loss from securities borrowing transactions	26,774	1	2,180	-
524100 Futures commission expense (note 6(v))	77,084	3	96,749	5
524300 Cleaning and settlement expenses	37,649	1	49,188	2
528000 Other operating expenditure	11,563	-	7,670	-
531000 Employee benefits expenses (note 6(v))	756,705	27	761,817	37
532000 Depreciation and amortization expense (note 6(v))	113,431	4	116,019	6
533000 Other operating expenses (note 6(v))	547,482	19	542,758	27
	<u>2,060,262</u>	<u>73</u>	<u>1,813,992</u>	<u>88</u>
Other income (expenses):				
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	41,995	1	56,696	3
602000 Other gains and losses (note 6(v))	444,882	16	174,470	8
	<u>486,877</u>	<u>17</u>	<u>231,166</u>	<u>11</u>
902001 Net income before income tax	1,257,500	44	471,183	23
701000 Less: Income tax expenses (note 6(s))	42,909	1	120,901	6
Net income	<u>1,214,591</u>	<u>43</u>	<u>350,282</u>	<u>17</u>
Other comprehensive income:				
805500 Components that may not be reclassified to profit or loss in subsequent periods:				
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	273,750	10	112,817	5
805599 Less: Income tax related to components of other comprehensive income	-	-	-	-
Subtotal of components that may not be subsequently reclassified into profit or loss	<u>273,750</u>	<u>10</u>	<u>112,817</u>	<u>5</u>
805600 Components that may be reclassified to profit or loss in subsequent periods:				
805610 Exchange differences on translation of foreign operations	(49,168)	(2)	133,575	7
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	164,978	6	(140,079)	(7)
805699 Less: Income tax related to components of other comprehensive income (note 6(s))	(3,419)	-	9,592	-
Subtotal of items that may be subsequently reclassified into profit or loss	<u>119,229</u>	<u>4</u>	<u>(16,096)</u>	<u>-</u>
805000 Other comprehensive income, net	<u>392,979</u>	<u>14</u>	<u>96,721</u>	<u>5</u>
902006 Total comprehensive income	<u>\$ 1,607,570</u>	<u>57</u>	<u>447,003</u>	<u>22</u>
Net income attributable to:				
913100 Shareholders of the parent	\$ 1,109,499	39	283,189	14
913200 Non-controlling interests	105,092	4	67,093	3
	<u>\$ 1,214,591</u>	<u>43</u>	<u>350,282</u>	<u>17</u>
Total comprehensive income attributable to:				
914100 Shareholders of the parent	\$ 1,505,734	53	368,474	18
914200 Non-controlling interests	101,836	4	78,529	4
	<u>\$ 1,607,570</u>	<u>57</u>	<u>447,003</u>	<u>22</u>
975000 Basic earnings per share (note 6(u))	<u>\$ 0.51</u>		<u>0.13</u>	
985000 Diluted earnings per share (note 6(u))	<u>\$ 0.51</u>		<u>0.13</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the three months ended March 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 three months ended March 31, 2022	-	-	-	-	283,189	-	-	-	283,189	67,093	350,282
Other comprehensive income	-	-	-	-	-	112,346	(27,061)	-	85,285	11,436	96,721
Total comprehensive income	-	-	-	-	283,189	112,346	(27,061)	-	368,474	78,529	447,003
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7,886	-	(7,886)	-	-	-	-
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205	-	1,205
Capital surplus changes in ownership interests in subsidiaries	-	(209)	-	-	-	-	-	-	(209)	-	(209)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(22,519)	(22,519)
Balance at March 31, 2022	\$ 21,709,081	2,743,256	2,267,833	4,806,142	5,372,672	(290,691)	2,495,987	-	39,104,280	2,794,784	41,899,064
Balance at January 1, 2023	\$ 21,709,081	2,743,256	2,758,257	5,786,990	1,339,434	(55,863)	1,463,354	-	35,744,509	2,946,604	38,691,113
Net income for the three months ended March 31, 2023	-	-	-	-	1,109,499	-	-	-	1,109,499	105,092	1,214,591
Other comprehensive income	-	-	-	-	-	(39,337)	435,572	-	396,235	(3,256)	392,979
Total comprehensive income	-	-	-	-	1,109,499	(39,337)	435,572	-	1,505,734	101,836	1,607,570
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	42,574	-	(42,574)	-	-	-	-
Balance at March 31, 2023	\$ 21,709,081	2,743,256	2,758,257	5,786,990	2,491,507	(95,200)	1,856,352	-	37,250,243	3,048,440	40,298,683

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2023	2022
Cash flows from operating activities:		
Net income before tax	\$ 1,257,500	471,183
Adjustments:		
Income and expenses items:		
Depreciation expense	104,453	107,096
Amortization expense	8,978	8,923
Impairment losses (reversal gains)	4,854	(456)
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(420,832)	948,550
Financial cost	353,678	59,556
Net gains arising from derecognition of financial assets measured at amortized cost	(38)	-
Interest revenue (including financial revenue)	(773,151)	(432,439)
Dividend revenue	(59,088)	(30,707)
Shares of profit of associates and joint ventures accounted for using equity method	(41,995)	(56,696)
(Gains) losses on disposal and retirement of property and equipment	(50)	8
Losses on disposal of investments accounted for using equity method	-	1,210
Net gains on non-operating financial instruments at fair value through profit or loss	(11,625)	(4,831)
Impairment loss on non-financial assets	1,150	1,250
Subtotal of income of non-cash activities	<u>(833,666)</u>	<u>601,464</u>
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(3,119,916)	1,148,918
(Increase) decrease in receivable for securities provided as collateral	(876,862)	2,047,057
Increase in refinancing margin	(6,245)	(5,743)
Increase in receivable on refinancing collateral	(6,145)	(4,455)
Decrease (increase) in receivable of securities business money lending	274,391	(2,364,515)
Decrease (increase) in customers' margin account	511,294	(4,207,755)
Decrease in margin receivable of futures trading	82	28
Decrease in collateral for securities borrowed	1,451,576	85,842
Decrease (increase) in security borrowing margin	1,810,647	(4,792,045)
Decrease in notes receivable	6,442	5,859
Increase in accounts receivable	(4,468,591)	(335,324)
Increase in prepayments	(3,517)	(14,465)
Increase in other receivables	(121,069)	(974)
Decrease (increase) in financial assets at fair value through other comprehensive income	63,677	(153,023)
(Increase) decrease in leverage contract trading - customer's margin account	(4,109,636)	7,086,804
Decrease in other current assets	13,749	8,767,527
Increase in other current financial assets	(862)	-
Increase in other non-current assets	(16,022)	(14,596)
Increase (decrease) in bonds sold under repurchase agreements	7,464,762	(7,517,357)
(Decrease) increase in financial liabilities at fair value through profit or loss	(1,721,272)	904,613
Decrease in guarantee deposited for short sales	(2,879,645)	(1,450,892)
Decrease in proceeds payable from short sales	(2,423,251)	(1,688,910)
(Decrease) increase in securities lending refundable deposits	(20,813)	4,808,983
(Decrease) increase in futures traders' equity	(462,444)	4,224,131
(Decrease) increase in leverage contract trading - customers' equity	(23,205)	67,695
Decrease in notes payable	(76)	(76)
Increase (decrease) in accounts payable	3,839,917	(686,948)
Decrease in advance receipts	(13,502)	(12,302)
Decrease in receipts under custody	(424,568)	(8,435,623)
Decrease in other payable	(128,078)	(336,731)
Increase in provision - current	378	3,423
Increase (decrease) in other financial liabilities	1,260,198	(874,972)
Increase in other current liabilities	20,142	12,356
Decrease in other non-current liabilities	(9,851)	(421,502)
Total changes in assets and liabilities from operating activities	<u>(4,118,315)</u>	<u>(4,154,972)</u>
Total adjustments	<u>(4,951,981)</u>	<u>(3,553,508)</u>

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

Reviewed only, not audited in accordance with Standards on Auditing**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the three months ended March 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2023	2022
Cash generated from operating activities	\$ (3,694,481)	(3,082,325)
Interest received	738,924	453,899
Dividends received	51,110	24,163
Interest paid	(368,214)	(66,854)
Income taxes paid	(43,602)	(4,310)
Net Cash flows used in operating activities	(3,316,263)	(2,675,427)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(50,560)	(18,738)
Proceeds from disposal of financial assets at fair value through other comprehensive income	23,366	-
Acquisition of financial assets at amortized cost	(1,870,567)	-
Proceeds from disposal of financial assets at amortized cost	121,662	-
Proceeds from disposal of non-current assets classified as held for sale	-	51,031
Acquisition of property and equipment	(29,507)	(43,119)
Proceeds from disposal of property and equipment	860	41
Acquisition of intangible assets	(5,567)	(3,510)
Increase in deferred debits	60	(207)
Increase in prepayments for business facilities	(41,685)	-
Net cash flows used in investing activities	(1,851,938)	(14,502)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	165,093	(21,669)
Increase in commercial papers payable	4,396,627	4,098,224
Payment of lease liabilities	(49,370)	(49,417)
Acquisition of ownership interests in subsidiaries	-	(23,653)
Net cash flows provided by financing activities	4,512,350	4,003,485
Effect of exchange rate changes on cash and cash equivalents	(48,881)	131,408
(Decrease) increase in cash and cash equivalents	(704,732)	1,444,964
Cash and cash equivalents, beginning of period	11,259,550	9,807,123
Cash and cash equivalents, end of period	\$ 10,554,818	11,252,087

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 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 March 31, 2023, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of March 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 May 12, 2023.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Firms” , and the IAS 34 “ Interim Financial Reporting” endorsed and issued into effect by the FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC for a complete set of the annual consolidated financial statements.

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2022. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2022 for the detail disclosures of significant accounting policies.

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 1: Capital Investment Management Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2023 and 2022, the total assets amounted to \$128,594 and \$122,615, and the total liabilities amounted to \$40,080 and \$39,813, respectively. The total comprehensive income (loss) for the three months ended March 31, 2023 and 2022 were \$435 and \$3,434, respectively.
- Note 2: CSC International Holdings Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2023 and 2022, the total consolidated assets amounted to \$2,044,649 and \$1,710,474, and the total consolidated liabilities amounted to \$478,149 and \$214,973, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2023 and 2022 were \$9,218 and \$(29,861), respectively.
- Note 3: Taiwan International Securities (B.V.I) Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2023 and 2022, the total consolidated assets amounted to \$27 and \$52, and the total consolidated liabilities amounted to \$0 and \$0, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2023 and 2022 were \$(705) and \$(337), respectively.
- Note 4: CSC Venture Capital Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2023 and 2022, the total assets amounted to \$857,099 and \$898,219, and the total liabilities amounted to \$8,440 and \$7,635, respectively. The total comprehensive income (loss) for the three months ended March 31, 2023 and 2022 were \$15,372 and \$99,131, respectively.
- Note 5: CSC Capital Management Co. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2023 and 2022, the total assets amounted to \$297,570 and \$320,723, and the total liabilities amounted to \$2,085 and \$1,912, respectively. The total comprehensive income (loss) for the three months ended March 31, 2023 and 2022 were \$8,486 and \$(29,396), respectively.
- Note 6: Capital International Technology Co., Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2023 and 2022, the total consolidated assets amounted to \$30,981 and \$39,619, and the total consolidated liabilities amounted to \$3,880 and \$4,688, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2023 and 2022 were \$(1,494) and \$(1,363), respectively.

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$7,400. As of March 31, 2023, December 31, 2022 and March 31, 2022, the total assets constituted 0.02%, 0.02% and 0.02% of the Group's total assets, respectively. For the three months ended March 31, 2023 and 2022, the operation revenue constituted 0.00% and 0.72% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of March 31, 2023, December 31, 2022 and March 31, 2022, the total assets constituted 0.05%, 0.05% and 0.06% of the Group's total assets, respectively. For the three months ended March 31, 2023 and 2022, the operation revenue constituted 0.93% and 2.46% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Employee benefits

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

(e) Income tax

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

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

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

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

Expect the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2022 for the detail disclosures of Explanation of significant accounts.

(a) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash	\$ 2,845	2,818	2,868
Bank deposits			
Checking accounts	42,424	44,323	71,717
Demand deposits	<u>2,455,915</u>	<u>3,205,314</u>	<u>2,939,206</u>
Subtotal	<u>2,498,339</u>	<u>3,249,637</u>	<u>3,010,923</u>
Cash equivalents			
Time deposits	5,666,330	5,532,913	5,723,866
Futures margin - excess margin	<u>2,387,304</u>	<u>2,474,182</u>	<u>2,514,430</u>
Subtotal	<u>8,053,634</u>	<u>8,007,095</u>	<u>8,238,296</u>
Total	<u>\$ 10,554,818</u>	<u>11,259,550</u>	<u>11,252,087</u>

(b) Financial assets

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 388,072	299,075	169,074
Valuation adjustment	<u>2,320</u>	<u>(8,892)</u>	<u>4,487</u>
Subtotal	<u>390,392</u>	<u>290,183</u>	<u>173,561</u>
Securities invested by securities broker			
Securities invested by securities broker	26,344	15,996	28,593
Valuation adjustment	<u>(39)</u>	<u>(453)</u>	<u>(3,699)</u>
Subtotal	<u>26,305</u>	<u>15,543</u>	<u>24,894</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Trading securities - proprietary trading			
Listed stocks	\$ 2,222,831	2,172,320	2,508,783
Listed funds	4,905,560	4,309,153	2,946,610
OTC stocks	429,691	518,212	390,253
OTC funds	2,100,539	1,175,314	349,015
Emerging market stocks	329,295	358,332	524,062
Convertible bonds	412,446	415,008	566,461
Government bonds	4,042,214	2,314,993	968,114
Corporate bonds	6,637,714	6,837,714	11,663,016
International bonds	5,488,862	5,532,559	5,782,402
Financial debentures	550,000	801,985	1,656,815
Foreign stocks	580,614	875,045	149,118
Foreign bonds	228,852	230,783	116,283
Others	<u>45,470</u>	<u>43,970</u>	<u>61,972</u>
	27,974,088	25,585,388	27,682,904
Valuation adjustment	<u>(300,846)</u>	<u>(793,237)</u>	<u>(190,258)</u>
Subtotal	<u>27,673,242</u>	<u>24,792,151</u>	<u>27,492,646</u>
Trading securities - underwriting			
Listed stocks	33,203	50,999	67,791
Convertible bonds	<u>41,921</u>	<u>67,283</u>	<u>56,655</u>
	75,124	118,282	124,446
Valuation adjustment	<u>(2,581)</u>	<u>(7,248)</u>	<u>4,313</u>
Subtotal	<u>72,543</u>	<u>111,034</u>	<u>128,759</u>
Trading securities - hedging			
Listed stocks	2,363,939	2,437,167	2,962,427
OTC stocks	814,050	527,514	513,987
Convertible bonds	12,641,599	12,834,051	9,828,045
Others	<u>722,856</u>	<u>722,856</u>	<u>809,716</u>
	16,542,444	16,521,588	14,114,175
Valuation adjustment	<u>(256,430)</u>	<u>(1,002,923)</u>	<u>(123,886)</u>
Subtotal	<u>16,286,014</u>	<u>15,518,665</u>	<u>13,990,289</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Derivatives			
Buy options	\$ 154,529	89,537	112,702
Futures margin - proprietary fund	883,060	1,133,174	611,188
IRS asset swaps	15,764	17,807	17,595
Asset swap options - long position	254,236	205,121	558,184
Leverage derivatives - non-hedging	184,636	202,915	140,557
Structured notes	1,485	2,056	4,095
Exchange rate derivatives	17,488	9,345	79,771
Equity derivatives	<u>17,284</u>	<u>16,854</u>	<u>1,485</u>
Subtotal	<u>1,528,482</u>	<u>1,676,809</u>	<u>1,525,577</u>
Total	<u><u>\$ 45,976,978</u></u>	<u><u>42,404,385</u></u>	<u><u>43,335,726</u></u>

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 3,652,687	2,807,868	1,811,480
Corporate bonds	3,270,352	3,263,958	-
International bonds	487,200	491,360	458,000
Foreign bonds	<u>10,166,720</u>	<u>6,795,491</u>	<u>5,030,466</u>
	17,576,959	13,358,677	7,299,946
Valuation adjustment	<u>(79,412)</u>	<u>(240,037)</u>	<u>(25,259)</u>
Subtotal	<u>17,497,547</u>	<u>13,118,640</u>	<u>7,274,687</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	\$ 333,414	351,885	318,491
OTC stocks	58,970	136,544	73,279
Emerging market stocks	<u>206,538</u>	<u>184,089</u>	<u>195,900</u>
	598,922	672,518	587,670
Valuation adjustment	<u>(15,510)</u>	<u>(74,479)</u>	<u>30,355</u>
Subtotal	<u>583,412</u>	<u>598,039</u>	<u>618,025</u>
Total	<u><u>\$ 18,080,959</u></u>	<u><u>13,716,679</u></u>	<u><u>7,892,712</u></u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

For the three months ended March 31, 2023 and 2022, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$380 and \$1,062, respectively. For the three months ended March 31, 2023 and 2022, no dividends were recognized from disposing equity instrument investments.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$276,338 and \$120,802, respectively, cumulative dispose gains (losses) for the three months ended March 31, 2023 and 2022, amounted to \$30,481 and \$7,886, respectively, were transferred from other equity items to retained earnings.

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

4) For the three months ended March 31, 2023 and 2022, impairment test has been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(w).

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 181,467	181,467	181,457
Valuation adjustment	<u>(2,045)</u>	<u>(2,296)</u>	<u>(2,303)</u>
Total	<u>\$ 179,422</u>	<u>179,171</u>	<u>179,154</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 1,092,826	1,056,265	990,953
Valuation adjustment	<u>1,806,635</u>	<u>1,634,510</u>	<u>2,377,560</u>
Total	<u>\$ 2,899,461</u>	<u>2,690,775</u>	<u>3,368,513</u>

For the three months ended March 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 \$0, respectively.

For the three months ended March 31, 2023 and 2022, the Group did not sell equities recognized in FVOCI -non-current. Furthermore, for the three months ended March 31, 2023 and 2022, the investee company refunded the proceeds of capital reduction amounted to \$12,175 and \$0.

- (v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the three months ended March 31, 2023 and 2022 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	March 31, 2023	December 31, 2022	March 31, 2022	For the three months ended March 31,					
				2023			2022		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,593,154	1,474,730	1,745,358	1,509,983	1,593,154	1,434,946	1,754,375	1,811,101	1,706,667

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
1) Debt Securities at amortized cost :			
Financial debentures	\$ 5,018,856	3,269,926	-
Less: loss allowance	<u>(1,684)</u>	<u>(1,141)</u>	<u>-</u>
Total	<u>\$ 5,017,172</u>	<u>3,268,785</u>	<u>-</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	For the three months ended March 31,	
	2023	2022
Carrying amount on the date of derecognition	\$ 121,624	-
Current profit and loss	\$ 38	-

The reason for the Group selling financial assets measured at amortized cost is that the credit risk of the bond issuer has 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) Accounts Receivable

	March 31, 2023	December 31, 2022	March 31, 2022
	Receivable on securities purchased by customers	\$ 89,167	64,921
Settlement	328,688	598,397	1,446,730
Interests receivable	605,962	576,237	540,507
Receivables on securities sold	9,325,345	4,626,242	9,527,266
Others	169,130	146,198	150,817
Total	\$ 10,518,292	6,011,995	11,727,929

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

(ii) For the three months ended March 31, 2023 and 2022, impairment test has been applied by the Group, the variation of loss allowance in receivables, please refer to note 6(w).

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
	Customers' margin account		
Cash in banks	\$ 25,823,164	29,259,271	30,647,094
Customers' margin account - futures clearing house	5,610,659	5,428,820	7,266,417
Customers' margin account - other futures commission merchants	7,064,928	4,338,662	4,139,028
Marketable securities	26,611	22,988	3,406
Total customers' margin account	38,525,362	39,049,741	42,055,945

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Add:			
Commission expense	4,067	4,214	3,300
Other	25	-	30,171
Less:			
Brokerage fee revenue	(15,981)	(15,952)	(13,912)
Futures transaction tax	(1,834)	(1,617)	(2,426)
Interest revenues	(8,010)	(5,668)	(451)
Temporary receipts	(30,944)	(29,355)	(572)
Remittance amount of the customers after the market closed	(15,732)	(11,610)	(18,381)
Other receivable	(48,241)	(104,766)	(31,150)
Other	-	(746)	-
Futures traders' equity	<u>\$ 38,408,712</u>	<u>38,884,241</u>	<u>42,022,524</u>

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

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

(f) Investments accounted for under equity method

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 75,634	72,021	76,702
Capital Insurance Agency Corp.	<u>39,492</u>	<u>39,501</u>	<u>39,409</u>
Subtotal	<u>115,126</u>	<u>111,522</u>	<u>116,111</u>
Associates			
Capital Investment Trust Corp.	1,412,660	1,374,245	1,419,200
EnnoCap Venture Inc.	<u>185</u>	<u>210</u>	<u>305</u>
Subtotal	<u>1,412,845</u>	<u>1,374,455</u>	<u>1,419,505</u>
Total	<u>\$ 1,527,971</u>	<u>1,485,977</u>	<u>1,535,616</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Subsidiaries:

For the three months ended March 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 three months ended March 31,	
	2023	2022
The Group's share of gains based on the subsidiaries' financial statements	\$ 3,605	17,175
	December 31,	
	March 31, 2023	2022
Total assets	\$ 145,214	142,532
Total liabilities	\$ 30,088	42,609
	March 31, 2022	
	March 31, 2023	March 31, 2022
Revenue	\$ 26,229	65,272
Net income	\$ 3,605	17,175

(ii) Associates

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

On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group; thus, the investments accounted for using equity method were reclassified as assets to held-for-sale. All shares had been transferred on February 15, 2022. Please refer to note 5.

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Total carrying amount of interests in associates that were individually immaterial	\$ <u>1,412,845</u>	<u>1,374,455</u>	<u>1,419,505</u>
		<u>For the three months ended March 31,</u>	
		<u>2023</u>	<u>2022</u>
The Group's share of gains based on the associates' financial statements:			
Net gains from continuing operations		\$ <u>38,390</u>	<u>39,521</u>
Total comprehensive income (losses)		\$ <u>38,390</u>	<u>39,521</u>

(iii) Collateral

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

(g) Property and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2023	\$ 1,805,285	1,131,369	689,869	266,959	3,893,482
Additions	-	-	18,533	10,974	29,507
Disposals and retirements	-	-	(72,405)	(36,407)	(108,812)
Effect of exchange rate changes	-	(650)	(897)	(164)	(1,711)
Balance at March 31, 2023	\$ <u>1,805,285</u>	<u>1,130,719</u>	<u>635,100</u>	<u>241,362</u>	<u>3,812,466</u>
Balance at January 1, 2022	\$ 1,933,030	1,199,242	644,459	264,723	4,041,454
Additions	-	-	22,405	20,714	43,119
Transferred from investment property	2,028	1,414	-	-	3,442
Reclassified to investment property	(122,364)	(71,725)	-	-	(194,089)
Disposals and retirements	-	-	(24,164)	(32,806)	(56,970)
Effect of exchange rate changes	-	2,361	1,937	347	4,645
Balance at March 31, 2022	\$ <u>1,812,694</u>	<u>1,131,292</u>	<u>644,637</u>	<u>252,978</u>	<u>3,841,601</u>
Depreciation and impairment loss					
Balance at January 1, 2023	\$ -	501,935	448,304	169,972	1,120,211
Depreciation	-	5,655	31,337	13,286	50,278
Disposals and retirements	-	-	(71,595)	(36,407)	(108,002)
Effect of exchange rate changes	-	(330)	(788)	(54)	(1,172)
Balance at March 31, 2023	\$ <u>-</u>	<u>507,260</u>	<u>407,258</u>	<u>146,797</u>	<u>1,061,315</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	5,894	33,955	13,844	53,693
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(15,473)	-	-	(15,473)
Disposals and retirements	-	-	(24,115)	(32,806)	(56,921)
Effect of exchange rate changes	-	1,149	1,531	75	2,755
Balance at March 31, 2022	<u>\$ -</u>	<u>486,547</u>	<u>352,448</u>	<u>134,730</u>	<u>973,725</u>
Carrying amount:					
At March 31, 2023	<u>\$ 1,805,285</u>	<u>623,459</u>	<u>227,842</u>	<u>94,565</u>	<u>2,751,151</u>
At January 1, 2023	<u>\$ 1,805,285</u>	<u>629,434</u>	<u>241,565</u>	<u>96,987</u>	<u>2,773,271</u>
At March 31, 2022	<u>\$ 1,812,694</u>	<u>644,745</u>	<u>292,189</u>	<u>118,248</u>	<u>2,867,876</u>

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

(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Carrying amount:			
At March 31, 2023	<u>\$ 717,598</u>	<u>12,852</u>	<u>730,450</u>
At January 1, 2023	<u>\$ 755,229</u>	<u>14,668</u>	<u>769,897</u>
At March 31, 2022	<u>\$ 806,849</u>	<u>20,135</u>	<u>826,984</u>
		<u>For the three months ended March 31,</u>	
		<u>2023</u>	<u>2022</u>
Additions of Right-of-use assets		<u>\$ 8,484</u>	<u>81,342</u>
Depreciation for the period			
Buildings		\$ 45,812	45,209
Others		1,816	1,927
		<u>\$ 47,628</u>	<u>47,136</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investment property

Movements in investment property of the Group are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
At March 31, 2023	\$ <u>3,150,422</u>	<u>654,872</u>	<u>3,805,294</u>
At January 1, 2023	\$ <u>3,150,422</u>	<u>661,549</u>	<u>3,811,971</u>
At March 31, 2022	\$ <u>3,143,013</u>	<u>679,119</u>	<u>3,822,132</u>
<u>Fair Value:</u>			
At March 31, 2023			<u>7,760,916</u>
At January 1, 2023			<u>7,761,103</u>
At March 31, 2022			<u>7,719,027</u>

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

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

For the three months ended March 31, 2023 and 2022, the depreciation expense of the Group amounted to \$6,547 and \$6,267, respectively.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the three months ended March 31, 2023 and 2022. For the three months ended March 31, 2023 and 2022, \$0 and \$178,616 of land and buildings out of use were transferred to investment property, and \$0 and \$2,427 of investment property were transferred to property and equipment. Please refer to Note 6 (i) of the consolidated financial statements as of and for the year ended December 31, 2022 for other relevant information.

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Lessor

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Within 1 year	\$ 163,763	160,299	162,522
1-5 years	460,733	461,109	487,654
Over 5 years	<u>108,380</u>	<u>110,170</u>	<u>216,133</u>
	<u>\$ 732,876</u>	<u>731,578</u>	<u>866,309</u>

The rental revenue from investment property for the three months ended March 31, 2023 and 2022 amounted to \$49,891 and \$43,808, respectively.

(j) Intangible assets

(i) Goodwill

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

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amounts of goodwill were \$9,981, \$11,131 and \$14,683, respectively. Furthermore, the Group recognized an impairment loss of \$1,150 and \$1,250 for the three months ended March 31, 2023 and 2022 respectively, by using discount rate of 4.30% and 4.60% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

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

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

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 “Intangible Assets” endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amounts of intangible assets were \$46,249, \$46,278 and \$46,137, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of March 31, 2023, December 31, 2022 and March 31, 2022, the amortized book value were \$36,591, \$39,894 and \$31,812, respectively.

(k) Short-term borrowings

<u>Nature of borrowings</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Collateralized loan	\$ 92,914	1,792,235	-
Credit loan	2,942,978	1,078,564	3,066,151
Total	<u>\$ 3,035,892</u>	<u>2,870,799</u>	<u>3,066,151</u>
Interest rate range	<u>3.13%~5.66%</u>	<u>2.39~5.29%</u>	<u>0.58%~1.70%</u>

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

(l) Commercial paper payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Commercial paper payable	\$ 7,600,000	3,200,000	12,500,000
Less: Unamortized discount	(4,651)	(1,278)	(3,970)
Net amount	<u>\$ 7,595,349</u>	<u>3,198,722</u>	<u>12,496,030</u>
Interest rate range	<u>1.318%~1.508%</u>	<u>1.378%~1.598%</u>	<u>0.428%~0.848%</u>

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Liabilities on sale of borrowed securities	\$ 7,265,801	10,395,729	2,561,514
Redeem liabilities on sale of borrowed securities	(4,829)	(73,941)	(8,198)
Valuation adjustment	167,933	(654,679)	8,329
Subtotal	<u>7,428,905</u>	<u>9,667,109</u>	<u>2,561,645</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Settlement coverage bonds payable of short sale	\$ -	-	49,014
Valuation adjustment	-	-	188
Subtotal	-	-	49,202
Liabilities for issuance of Exchange Traded Notes	-	-	781
Valuation adjustment	-	-	43
Subtotal	-	-	824
Stock warrants issued	15,563,107	11,073,530	17,893,596
Stock warrants repurchased	<u>(15,037,086)</u>	<u>(10,572,072)</u>	<u>(17,133,204)</u>
Subtotal	526,021	501,458	760,392
Sale options	107,715	128,999	79,660
IRS asset swaps	50,118	51,106	45,776
Asset swap options - short position	1,728,939	1,140,992	2,211,630
Structured notes	93,623	103,125	185,067
Leverage derivatives - non-hedging	5,659	28,918	8,693
Interest rate swaps	102	59	126
Equity derivatives	1,233	1,710	625
Exchange rate derivatives	1,138	21,123	-
Subtotal	<u>1,988,527</u>	<u>1,476,032</u>	<u>2,531,577</u>
Total	<u>\$ 9,943,453</u>	<u>11,644,599</u>	<u>5,903,640</u>

(n) Bonds sold under repurchase agreements

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Bonds sold under repurchase agreements	\$ 43,500,731	36,035,969	29,828,578
Agreed-upon repurchase amounts	<u>44,149,078</u>	<u>36,440,943</u>	<u>29,851,562</u>
Interest rates	<u>0.65%~5.22%</u>	<u>0.55%~5.2%</u>	<u>0.11%~0.80%</u>
Date of repurchase	<u>2023.4.6~2024.3.29</u>	<u>2023.1.3~2023.12.27</u>	<u>2022.4.1~2023.3.23</u>

(o) Equity for each customer in the account

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Equity for each customer in the account	\$ 28,440,466	25,111,376	27,581,229

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(p) Accounts payable

	March 31, 2023	December 31, 2022	March 31, 2022
Payable of securities sold by customers	\$ 90,891	31,239	65,047
Payable of settlements	8,205,466	4,435,412	9,816,339
Others	206,263	214,343	184,155
Total	<u>\$ 8,502,620</u>	<u>4,680,994</u>	<u>10,065,541</u>

(q) Lease liabilities

The Group's lease liabilities are as follow:

	March 31, 2023	December 31, 2022	March 31, 2022
Current	<u>\$ 191,549</u>	<u>191,688</u>	<u>181,292</u>
Non-current	<u>\$ 594,384</u>	<u>635,604</u>	<u>701,855</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2023	2022
Interest on lease liabilities	<u>\$ 2,440</u>	<u>2,816</u>
Expenses relating to short-term leases	<u>\$ 3,196</u>	<u>1,342</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 1,416</u>	<u>2,065</u>
Covid-19-related rent concessions	<u>\$ -</u>	<u>108</u>

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

	For the three months ended March 31,	
	2023	2022
Total cash outflow for leases	<u>\$ 56,422</u>	<u>55,640</u>

(r) Employee benefit

(i) Defined benefit plans

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

For the three months ended March 31, 2023 and 2022, the Group's pension expenses recognized in profit or loss were \$(156) and \$1,152, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Defined contribution plan

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

The Group contributed \$23,427 and \$27,036 under defined contribution plan to the Bureau of the Labor Insurance for the three months ended March 31, 2023 and 2022, respectively.

(iii) For the three months ended March 31, 2023 and 2022, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,197 and \$1,049, respectively.

(iv) Provision for employee benefits liabilities

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Compensated absences	\$ <u>51,955</u>	<u>51,577</u>	<u>53,027</u>

(s) Income tax

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

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

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

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

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

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Current tax expense	\$ 137,308	40,017
Deferred income tax expense (benefit)	(94,399)	80,884
Total	<u>\$ 42,909</u>	<u>120,901</u>

(Continued)

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

	For the three months ended March 31,	
	2023	2022
Foreign exchange difference from translating financial statement of foreign operations	\$ (3,419)	9,592

- (iv) Income tax assessment status

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

- (v) Income tax administrative relief

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

- (t) Capital and other equity

- (i) Capital stock

As of March 31, 2023, December 31, 2022 and March 31, 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

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

The followings are the capital surplus of the Company:

	March 31, 2023	December 31, 2022	March 31, 2022
Premium from stock issuance	\$ 1,661,604	1,661,604	1,661,604
Treasury stock transactions	486,556	486,556	486,556
Paid-in capital from merger	563,715	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,042	1,042	1,042
Changes in ownership interests in subsidiaries	<u>30,339</u>	<u>30,339</u>	<u>30,339</u>
	<u>\$ 2,743,256</u>	<u>2,743,256</u>	<u>2,743,256</u>

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

3) Undistributed earnings

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

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

The Company's fiscal year 2022 earnings distribution proposed by the board meeting on March 13, 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	Dividends per share (dollar)	2021	Dividends per share (dollar)
	Amount		Amount	
Cash dividends	\$ 846,654	0.39	3,581,998	1.65

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

(u) Earnings per share

The basic earnings per share and dilutive earnings per share for the three months ended March 31, 2023 and 2022 were calculated as follows:

	For the three months ended March 31,	
	2023	2022
Net income attributable to common shareholders of the Company	\$ 1,109,499	283,189
Weighted-average number of common stock shares outstanding (thousands of shares)	2,170,908	2,170,908
Basic earnings per share (dollar)	\$ 0.51	0.13

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31,	
	2023	2022
Effect of potentially dilutive common stock	<u>1,109</u>	<u>472</u>
- Employee remuneration (thousands of shares) (Note)		
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,172,017</u>	<u>2,171,380</u>
Dilutive earnings per share (dollar)	<u>\$ 0.51</u>	<u>0.13</u>

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

(v) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the three months ended March 31,	
	2023	2022
Brokerage commission from TSE market	\$ 491,765	763,293
Brokerage commission from OTC market	186,692	217,016
Handling fee from security financing	4,940	8,504
Futures commission income - brokerage	419,773	488,439
Overseas subsidiaries	9,166	5,791
Others	<u>40,774</u>	<u>31,379</u>
	<u>\$ 1,153,110</u>	<u>1,514,422</u>

(ii) Underwriting commissions

	For the three months ended March 31,	
	2023	2022
Revenue from underwriting securities on a firm commitment basis	\$ 7,933	21,039
Handling fee revenues from underwriting securities on consignment	102	128
Processing fee revenues from underwriting operations	3,003	2,948
Revenue from underwriting consultation	1,200	1,530
Others	<u>436</u>	<u>620</u>
	<u>\$ 12,674</u>	<u>26,265</u>

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

	For the three months ended March 31,	
	2023	2022
Gains (losses) on securities sold - proprietary trading	\$ 691,296	1,000,458
Gains (losses) on securities sold - underwriting	4,102	5,323
Gains (losses) on securities sold - hedging	<u>454,648</u>	<u>1,532</u>
	<u>\$ 1,150,046</u>	<u>1,007,313</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Interest revenue

	For the three months ended March 31,	
	2023	2022
Interest revenue - margin loans	\$ 158,804	250,056
Interest revenue - bonds	269,423	95,480
Overseas subsidiaries	4,512	4,628
Others	50,057	39,421
	<u>\$ 482,796</u>	<u>389,585</u>

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

	For the three months ended March 31,	
	2023	2022
Trading securities - proprietary	\$ 492,275	(365,018)
Trading securities - underwriting	4,666	(862)
Trading securities - hedging	746,493	(592,894)
Settlements coverage bonds payable of short sale	-	(188)
	<u>\$ 1,243,434</u>	<u>(958,962)</u>

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

	For the three months ended March 31,	
	2023	2022
Gains on changes in fair value of stock warrants	\$ (25,379)	12,868,287
Gains on exercise of stock warrants before maturity	10,501,996	11,927,649
Losses on changes in fair value of stock warrants repurchased	(10,470,303)	(24,108,855)
Gains on expiration of stock warrants	16,267	7,064
Stock warrants issuance expenses	(63,624)	(79,516)
	<u>\$ (41,043)</u>	<u>614,629</u>

(vii) Futures commission revenues

	For the three months ended March 31,	
	2023	2022
Futures commission revenues - CSC Futures (HK) Ltd.	<u>\$ 54,294</u>	<u>74,271</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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(viii) Commission expenses - future

	For the three months ended March 31,	
	2023	2022
Future trading - reconsignment	\$ 66,282	74,689
Future trading - introducing brokers	644	276
Commission expenses - CSC Futures (HK) Ltd.	10,158	21,784
	<u>\$ 77,084</u>	<u>96,749</u>

(ix) Employee benefits, depreciation, and amortization expenses

	For the three months ended March 31,	
	2023	2022
Employee benefit expenses		
Salary expense	\$ 664,219	655,865
Health and labor insurance expense	52,516	59,806
Pension expense	24,468	29,237
Others	15,502	16,909
Depreciation expense	104,453	107,096
Amortization expense	8,978	8,923
	<u>\$ 870,136</u>	<u>877,836</u>

(x) Other operating expenses

	For the three months ended March 31,	
	2023	2022
Rental expense	\$ 4,620	3,411
Taxes	135,593	163,441
Information technology expense	68,041	79,347
Postage expense	60,763	53,636
Professional service fee	5,781	5,123
Other expenses	272,684	237,800
	<u>\$ 547,482</u>	<u>542,758</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Other gains and losses

	For the three months ended March 31,	
	2023	2022
Financial revenue	\$ 290,355	42,854
Currency exchange gains (losses)	5,374	18,429
Net gains (losses) on disposal of investment	1,293	(18,083)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	11,625	4,831
Revenue from bank's allocation fee	74,692	54,092
Net gains (losses) on disposal of property and equipment	50	(8)
Gains on reversal of prior year's liabilities	228	14,193
Rental income	49,891	43,808
Others	11,374	14,354
	\$ 444,882	174,470

(xii) Remuneration to employees and directors

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

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

For the three months ended March 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$13,312 and \$7,764, respectively, and to directors were \$13,312 and \$9,468, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 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. For the years ended December 31, 2021 the difference between actual employee remuneration of \$74,649 and actual remuneration to directors of \$91,238 were \$16,622 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2022. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the three months ended March 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$4,625 and \$3,193 and to directors were \$4,625 and \$3,203 by the domestic subsidiaries of the Group, respectively.

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of March 31, 2023, December 31, 2022 and March 31, 2022, the maximum credit exposure amounted to \$156,882,839, \$144,399,399 and \$151,918,070, 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 81.95%); secondly, is in Asia (accounted for 9.83%, exclusion of Taiwan); then, is in America (accounted for 5.63%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Taiwan	\$ 128,569,803	122,669,163	132,102,968
Asia (Taiwan is excluded)	15,416,743	11,862,797	12,088,939
Europe	3,855,795	2,797,074	2,866,475
America	8,830,313	7,001,295	4,810,059
Other	<u>210,185</u>	<u>69,070</u>	<u>49,629</u>
Total	<u><u>\$ 156,882,839</u></u>	<u><u>144,399,399</u></u>	<u><u>151,918,070</u></u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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2) Impairment loss

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

	March 31, 2023		December 31, 2022		March 31, 2022	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 27,917,525	35,146	22,685,084	35,167	36,061,416	30,711
Past due 31~120 days	1,745	1,745	-	-	3,801	3,801
Past due 121~360 days	718	718	4,519	4,519	17,482	17,482
Past due more than 360 days	260,142	260,142	256,623	256,623	242,425	242,425
	<u>\$ 28,180,130</u>	<u>297,751</u>	<u>22,946,226</u>	<u>296,309</u>	<u>36,325,124</u>	<u>294,419</u>

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. When a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of March 31, 2023, December 31, 2022 and March 31, 2022, the impairment losses of receivables were \$297,751, \$296,309 and \$294,419, 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 three months ended March 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, 2022	\$ -	5,127	1,141	-	-	-	296,309	-	-	302,577
Provision or reversal of Impairment loss	-	2,594	556	-	-	-	1,704	-	-	4,854
Amounts written off	-	-	-	-	-	-	(228)	-	-	(228)
Effect of exchange rate	-	-	(13)	-	-	-	(34)	-	-	(47)
Balance on March 31, 2023	<u>\$ -</u>	<u>7,721</u>	<u>1,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,751</u>	<u>-</u>	<u>-</u>	<u>307,156</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	-	-	-	-	290,174	-	-	296,953
Provision or reversal of Impairment loss	-	(4,218)	-	-	-	-	3,762	-	-	(456)
Amounts written off	-	-	-	-	-	-	(175)	-	-	(175)
Effect of exchange rate	-	-	-	-	-	-	658	-	-	658
Balance on March 31, 2022	<u>\$ -</u>	<u>2,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,419</u>	<u>-</u>	<u>-</u>	<u>296,980</u>

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(ii) Liquidity risk

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
March 31, 2022							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 2,561,645	2,561,645	2,561,645	-	-	-	-
Settlement coverage bonds payable of short sale	49,202	49,202	49,202	-	-	-	-
Stock warrants issued	760,392	760,392	669,771	88,882	1,739	-	-
Put options	79,660	79,660	79,660	-	-	-	-
Exchange traded notes	824	824	824	-	-	-	-
Equity derivatives	625	625	625	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	45,902	45,902	57	2,128	19,594	24,123	-
Asset swap option - short position	2,211,630	2,211,630	101,157	168,412	876,601	1,065,460	-
Leverage derivatives - non- hedging	8,693	8,693	8,693	-	-	-	-
Structured notes	185,067	185,067	9,457	84	151,547	23,979	-
Short-term borrowings	3,066,151	3,066,151	3,066,151	-	-	-	-
Commercial papers payable	12,496,030	12,500,000	12,500,000	-	-	-	-
Bonds sold under repurchase agreements	29,828,578	29,851,562	26,460,881	3,390,681	-	-	-
Guarantee deposited for short sales	1,397,942	1,397,942	1,397,942	-	-	-	-
Proceeds payable from short sales	1,557,882	1,557,882	1,557,882	-	-	-	-
Securities lending refundable deposits	12,958,769	12,958,769	12,958,769	-	-	-	-
Futures traders' equity	42,022,524	42,022,524	42,022,524	-	-	-	-
Equity for each customer in the account	27,581,229	27,581,229	27,581,229	-	-	-	-
Leverage contract trading customers' equity	698,525	698,525	698,525	-	-	-	-
Notes payable and accounts payable	184,232	184,232	184,232	-	-	-	-
Receipts under custody	372,527	372,527	372,527	-	-	-	-
Other payables	1,022,152	1,022,152	1,020,145	2,007	-	-	-
Other financial liabilities	4,170,908	4,170,908	3,329,772	148,426	547,787	144,923	-
Lease liabilities	883,147	914,314	94,792	96,450	179,583	405,826	137,663
	<u>\$ 144,144,236</u>	<u>144,202,357</u>	<u>136,726,462</u>	<u>3,897,070</u>	<u>1,776,851</u>	<u>1,664,311</u>	<u>137,663</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2022		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,090,141	28.6250	31,205,286
AUD	4,537	21.4200	97,183
CAD	88	22.8800	2,013
CHF	179	30.9350	5,537
EUR	10,625	31.9200	339,150
GBP	2,688	37.6200	101,123
HKD	175,051	3.6560	639,986
JPY	1,059,454	0.2353	249,290
SGD	974	21.1600	20,610
CNY	143,030	4.5060	644,493
ZAR	603	1.9820	1,195
KRW	861,806	0.0238	20,511
NZD	92	19.8900	1,830
THB	3,322	0.8651	2,874
MYR	29	6.5360	190
DKK	4	4.2900	17
VND	6,667,230	0.0012	8,001
<u>Non-Monetary Item</u>			
USD	339,522	28.6250	9,718,817
AUD	69,789	21.4200	1,494,880
EUR	4,077	31.9200	130,138
GBP	5	37.6200	188
HKD	1,762	3.6560	6,442
JPY	20,383	0.2353	4,796
CNY	10,254	4.5060	46,205
ZAR	1	1.9820	2

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2022		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,492,828	28.6250	42,732,202
AUD	69,474	21.4200	1,488,133
CAD	1	22.8800	23
CHF	39	30.9350	1,206
EUR	14,059	31.9200	448,763
GBP	2,558	37.6200	96,232
HKD	329,537	3.6560	1,204,787
JPY	1,028,484	0.2353	242,002
SGD	712	21.1600	15,066
CNY	57,860	4.5060	260,717
ZAR	9	1.9820	18
KRW	825,377	0.0238	19,644
THB	1,517	0.8651	1,312
MYR	14	6.5360	92
<u>Non-Monetary Item</u>			
USD	219	28.6250	6,269
CAD	6	22.8800	137
CNY	560	4.5060	2,523
NZD	4	19.8900	80

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the three months ended March 31, 2023 and 2022, the realized and unrealized currency exchange gains (losses) amounted to \$1,535 and \$(109,649), respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, amortized cost of a financial asset, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the three months ended March 31, 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 three months ended March 31, 2023		For the three months ended March 31, 2022	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(496,741)	496,741	(289,948)
Other comprehensive income	422,367	(422,367)	218,818	(218,818)

(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	March 31, 2023	December 31, 2022	March 31, 2022	For the three months ended March 31,					
				2023			2022		
				Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,962,262	1,728,619	1,453,750	1,892,796	1,962,262	1,781,528	1,533,298	1,612,479	1,453,750

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

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

a) Fair value information

	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	\$ 10,554,818	10,554,818	11,259,550	11,259,550	11,252,087	11,252,087
Accrued receivable	68,607,069	68,607,069	63,301,791	63,301,791	74,056,779	74,056,779
Customers' margin account	38,525,362	38,525,362	39,049,741	39,049,741	42,055,945	42,055,945
Leverage contract trading - customers' margin account	792,344	792,344	856,021	856,021	777,255	777,255
Restricted assets - current	342,257	342,257	219,234	219,234	206,106	206,106
Other non-current assets	1,552,400	1,552,400	1,537,038	1,537,038	1,543,072	1,543,072
Financial liabilities:						
Short-term borrowings	3,035,892	3,035,892	2,870,799	2,870,799	3,066,151	3,066,151
Commercial paper payable	7,595,349	7,595,349	3,198,722	3,198,722	12,496,030	12,496,030
Bonds sold under repurchase agreements	43,500,731	43,500,731	36,035,969	36,035,969	29,828,578	29,828,578
Accrued payable	55,450,413	55,450,413	54,078,497	54,078,497	55,626,794	55,626,794
Futures traders' equity	38,408,712	38,408,712	38,884,241	38,884,241	42,022,524	42,022,524
Leverage contract trading - customers' equity	826,682	826,682	849,887	849,887	698,525	698,525
Other financial liabilities - current	4,156,906	4,156,906	3,028,050	3,028,050	3,478,198	3,478,198
Other financial liabilities - non- current	625,884	625,884	494,542	494,542	692,710	692,710
Other non-current liabilities	99,829	99,829	99,969	99,969	99,735	99,735

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2023				
Investment property	\$ -	-	7,760,916	7,760,916
Debt securities at amortized cost	-	5,092,820	-	5,092,820
	<u>\$ -</u>	<u>5,092,820</u>	<u>7,760,916</u>	<u>12,853,736</u>
December 31, 2022				
Investment property	\$ -	-	7,761,103	7,761,103
Debt securities at amortized cost	-	3,283,116	-	3,283,116
	<u>\$ -</u>	<u>3,283,116</u>	<u>7,761,103</u>	<u>11,044,219</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2022				
Investment Property	\$ -	-	7,719,027	7,719,027
Debt securities at amortized cost	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>7,719,027</u>	<u>7,719,027</u>

- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading-customers' equity, other financial liabilities-current, other financial liabilities-non-current, and other non-current liabilities.
 - ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.
 - iii) The quoted market price is used as the fair value when the debt instrument investments measured at amortized cost have an active market, if there is no market price as reference, the fair values are determined based on evaluation approach. Estimation and assumption in which the Group applies on evaluation approach will be as same as informations market participators use to estimate and assume when pricing financial instruments, and the informations can be acquired by the Group.

3) Measured at fair value

a) Hierarchy information of fair value

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2023				
Financial assets at fair value through profit or loss	\$ 19,323,178	25,268,740	36,000	44,627,918
Financial assets at fair value through other comprehensive income	4,272,866	13,860,579	2,846,975	20,980,420
Derivative financial assets	<u>1,037,589</u>	<u>490,893</u>	<u>-</u>	<u>1,528,482</u>
	<u>\$ 24,633,633</u>	<u>39,620,212</u>	<u>2,882,975</u>	<u>67,136,820</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2023				
Financial liabilities at fair value through profit or loss	\$ 7,954,926	-	-	7,954,926
Derivative financial liabilities	<u>195,443</u>	<u>1,793,084</u>	<u>-</u>	<u>1,988,527</u>
	<u>\$ 8,150,369</u>	<u>1,793,084</u>	<u>-</u>	<u>9,943,453</u>
December 31, 2022				
Financial assets at fair value through profit or loss	\$ 15,543,900	25,320,365	42,482	40,906,747
Financial assets at fair value through other comprehensive income	3,384,936	10,331,743	2,690,775	16,407,454
Derivative financial assets	<u>1,222,711</u>	<u>454,098</u>	<u>-</u>	<u>1,676,809</u>
	<u>\$ 20,151,547</u>	<u>36,106,206</u>	<u>2,733,257</u>	<u>58,991,010</u>
Financial liabilities at fair value through profit or loss	\$ 10,168,567	-	-	10,168,567
Derivative financial liabilities	<u>228,290</u>	<u>1,247,742</u>	<u>-</u>	<u>1,476,032</u>
	<u>\$ 10,396,857</u>	<u>1,247,742</u>	<u>-</u>	<u>11,644,599</u>
March 31, 2022				
Financial assets at fair value through profit or loss	\$ 12,407,912	29,581,391	-	41,989,303
Financial assets at fair value through other comprehensive income	2,422,250	5,470,462	3,368,513	11,261,225
Derivative financial assets	<u>723,890</u>	<u>801,687</u>	<u>-</u>	<u>1,525,577</u>
	<u>\$ 15,554,052</u>	<u>35,853,540</u>	<u>3,368,513</u>	<u>54,776,105</u>
Financial liabilities at fair value through profit or loss	\$ 3,372,063	-	-	3,372,063
Derivative financial liabilities	<u>255,186</u>	<u>2,276,391</u>	<u>-</u>	<u>2,531,577</u>
	<u>\$ 3,627,249</u>	<u>2,276,391</u>	<u>-</u>	<u>5,903,640</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the three months ended March 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.

(Continued)

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

(In Thousands Dollars)

Item	For the three months ended March 31, 2023								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
financial assets at fair value through profit or loss	\$ 42,482	-	(64)	-	-	3,810	-	2,608	36,000
Financial assets at fair value through other comprehensive income	2,690,775	-	182,375	-	-	26,175	-	-	2,846,975
Total	\$ 2,733,257	-	182,311	-	-	29,985	-	2,608	2,882,975

Item	For the three months ended March 31, 2022								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 3,319,193	-	148,883	66	-	-	-	99,629	3,368,513

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

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

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

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

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- 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
March 31, 2023		
Financial assets at fair value through profit or loss	\$ <u>360</u>	<u>(360)</u>
Financial assets fair value through other comprehensive income	\$ <u>28,470</u>	<u>(28,470)</u>
December 31, 2022		
Financial assets at fair value through profit or loss	\$ <u>425</u>	<u>(425)</u>
Financial assets fair value through other comprehensive income	\$ <u>26,908</u>	<u>(26,908)</u>
March 31, 2022		
Financial assets fair value through other comprehensive income	\$ <u>33,685</u>	<u>(33,685)</u>

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

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(vi) Transfer of financial assets

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

March 31, 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	\$ 45,090,166	43,500,731	-	-	-

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	-	-	-

March 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	\$ 31,243,293	29,828,578	-	-	-

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

March 31, 2023						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 490,893	-	490,893	-	-	490,893
March 31, 2023						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 1,880,812	-	1,880,812	-	-	1,880,812
Under repurchase agreements	43,500,731	-	43,500,731	43,500,731	-	-
Total	\$ 45,381,543	-	45,381,543	43,500,731	-	1,880,812
December 31, 2022						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 454,098	-	454,098	-	-	454,098
December 31, 2022						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 1,347,033	-	1,347,033	-	-	1,347,033
Under repurchase agreements	36,035,969	-	36,035,969	36,035,969	-	-
Total	\$ 37,383,002	-	37,383,002	36,035,969	-	1,347,033
March 31, 2022						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 801,687	-	801,687	-	-	801,687

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March 31, 2022						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 2,451,917	-	2,451,917	-	-	2,451,917
Under repurchase agreements	29,828,578	-	29,828,578	29,828,578	-	-
Total	\$ 32,280,495	-	32,280,495	29,828,578	-	2,451,917

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

(x) Financial risk management

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

As of March 31, 2023, December 31, 2022 and March 31, 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	March 31, 2023		December 31, 2022		March 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Stock warrants issued	\$ 15,124,417	-	26,259,600	-	36,956,721	-

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

(ii) Market risk:

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

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

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

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

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

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

(v) Presentation of financial derivatives

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

1) For the three months ended March 31, 2023 and 2022:

a) Gains (losses) on valuation

	For the three months ended March 31,		Account
	2023	2022	
Stock warrants issued	\$ 8,522,192	21,788,747	Gains (losses) on stock warrants issued
Stock warrants repurchased	(8,568,500)	(21,256,829)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the three months ended March 31,		Account
	2023	2022	
Security borrowing	\$ (85,979)	(4,255)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	237,236	(138,886)	Gains (losses) on sale of trading securities
Futures transaction	(55,335)	57,555	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the three months ended March 31,		Account
	2023	2022	
Stock warrants issued	\$ 1,970,692	3,014,253	Gains (losses) on stock warrants issued
Stock warrants repurchased	(1,901,803)	(2,852,026)	Gains (losses) on stock warrants issued

Exchange traded notes

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

Financial Instruments	March 31, 2023		December 31, 2022		March 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Exchange traded notes issued	\$ -	-	-	-	824	-

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Futures

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

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

- (iv) Presentation of financial derivatives:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>Account</u>
Futures margin - proprietary fund	\$ 883,060	1,133,174	611,188	Financial assets at fair value through profit or loss - current
Excess futures margin	2,387,304	2,474,182	2,514,430	Cash and cash equivalent
Buy options	154,529	89,537	112,702	Financial assets at fair value through profit or loss - current
Sale options	107,715	128,999	79,660	Financial liabilities at fair value through profit or loss - current
		<u>For the three months ended March 31,</u>		
		<u>2023</u>	<u>2022</u>	<u>Account</u>
Gains (losses) on futures transactions		\$ 73,036	(768,873)	Gains (losses) on derivatives - futures

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Derivative instruments - OTC

(i) Interest rate financial derivatives

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

Financial Instruments	March 31, 2023		December 31, 2022		March 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
NT dollar interest swaps	\$ 10,600,000	-	7,000,000	-	11,400,000	-

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

2) Market risk:

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

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

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

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

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

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

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

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

(ii) Structured notes

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

Financial Instruments	March 31, 2023		December 31, 2022		March 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Equity-linked notes	\$ 324,000	-	336,000	-	414,014	-
Principal guaranteed notes	3,528,039	-	2,469,656	-	3,178,824	-
Credit-linked notes	1,131,700	-	952,300	-	850,400	-
Principal guaranteed notes (in USD thousands)	USD 1,225	-	USD 90	-	USD -	-

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

2) Market risk

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

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

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

(iii) Convertible bond asset swaps

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

Financial Instruments	March 31, 2023		December 31, 2022		March 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset swaps	\$ 2,853,600	-	2,976,300	-	2,794,000	-
Convertible bond options	13,171,100	-	13,364,000	-	10,831,500	-

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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:

<u>Financial Instruments</u>	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Equity options	\$ 606,346	-	705,123	-	159,637	-

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

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2) Market risk:

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

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

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

(v) Leverage derivatives

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

Financial Instruments	March 31, 2023		December 31, 2022		March 31, 2022	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Leverage derivatives-long position	\$ 3,263,886	-	4,078,689	-	2,860,622	-
Leverage derivatives-short position	3,279,436	-	4,059,360	-	2,851,148	-

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

2) Market risk:

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

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

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

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(vi) Presentation of derivative instruments in financial statement

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 15,764	17,807	17,595
Asset swap options-long position	254,236	205,121	558,184
Leverage derivatives - non-hedging	184,636	202,915	140,557
Structured notes	1,485	2,056	4,095
Exchange rate derivatives	17,488	9,345	79,771
Equity derivatives	<u>17,284</u>	<u>16,854</u>	<u>1,485</u>
Total	<u>\$ 490,893</u>	<u>454,098</u>	<u>801,687</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 50,118	51,106	45,776
Asset swap options-short position	1,728,939	1,140,992	2,211,630
Leverage derivatives - non-hedging	5,659	28,918	8,693
Structured notes	93,623	103,125	185,067
Exchange rate derivatives	1,138	21,123	-
Interest rate swaps	102	59	126
Equity derivatives	<u>1,233</u>	<u>1,710</u>	<u>625</u>
Total	<u>\$ 1,880,812</u>	<u>1,347,033</u>	<u>2,451,917</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 4,156,906</u>	<u>3,028,050</u>	<u>3,478,198</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 625,884</u>	<u>494,542</u>	<u>692,710</u>

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For the three months ended March 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 three months ended March 31, 2023		For the three months ended March 31, 2022	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	\$ 56	(102)	(215)	(126)
Equity derivatives	1,783	1,530	5,882	1,542
Structured notes	(17,012)	145,525	44,844	89,988
IRS asset swaps	(262)	(853)	(104)	(227)
Asset swap options	(717,231)	859,744	31,466	382,189
Exchange rate derivatives	32,908	16,350	86,274	79,771
Leverage derivatives - non-hedging	20,240	4,980	37,360	66,691
Total	\$ (679,518)	1,027,174	205,507	619,828

(vii) Interest rate benchmark reform

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	USD LIBOR			
	Total amount of unreformed contracts		Amount with appropriate fallback clause	
March 31, 2023				
Financial assets				
Corporate bonds	USD	114,000	USD	45,000
December 31, 2022				
Financial assets				
Corporate bonds	USD	103,000	USD	56,000
March 31, 2022				
Financial assets				
Corporate bonds	USD	158,500	USD	153,500
Financial liabilities				
Credit loan	USD	5,000	USD	5,000

(y) Capital management

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Capital adequacy ratio	328 %	337 %	363 %

(z) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the three months ended March 31, 2023 and 2022, were as follows:

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

	Non-cash changes					
	January 1, 2023	Cash flows	Other	Foreign exchange movement	Fair value changes	March 31, 2023
Lease liabilities	\$ 827,292	(51,810)	10,817	(366)	-	785,933
Non-cash changes						
	January 1, 2022	Cash flows	Other	Foreign exchange movement	Fair value changes	March 31, 2022
Lease liabilities	\$ 850,171	(52,233)	84,053	1,156	-	883,147

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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

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

(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 97,733	138,521
Post-employment benefits	660	664
Total	<u>\$ 98,393</u>	<u>139,185</u>

(ii) Bonds sold under repurchase agreements

	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Other related parties	\$ 13,000	13,024	13,142	13,161	8,225	8,327
	Total financial expenses				<u>For the three months ended March 31,</u>	
					<u>2023</u>	<u>2022</u>
Other related parties					\$ 69	7

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other related parties	\$ <u>103,900</u>	<u>98,200</u>	<u>75,700</u>

(iv) Futures transactions

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Future Traders' equity			
Other related parties	\$ <u>1,479</u>	<u>270</u>	<u>588</u>

(v) Brokerage and sub-brokerage

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Brokerage commissions		
Other related parties	\$ <u>9,319</u>	<u>779</u>

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Re-consigned handling commissions		
Other related parties	\$ <u>206</u>	<u>57</u>

(vi) Consultancy Fee

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Consultancy Fee		
Other related parties	\$ <u>15</u>	<u>-</u>

(vii) Other revenue

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Other revenue		
Other related parties	\$ <u>4</u>	<u>8</u>

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Advance receipts			
Other related parties	\$ <u>1</u>	<u>46</u>	<u>7</u>

(viii) Property Transactions - Dispose Equipment

	<u>For the three months ended March 31,</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Disposal proceeds</u>	<u>Gain or loss on disposal</u>	<u>Disposal proceeds</u>	<u>Gain or loss on disposal</u>
Other related parties	\$ <u>860</u>	<u>50</u>	<u>-</u>	<u>-</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	March 31, 2023		December 31, 2022		March 31, 2022	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Subsidiaries	\$ -	-	-	-	37,000	37,000
Funds issued by associate	<u>654,000</u>	<u>654,016</u>	<u>705,000</u>	<u>705,000</u>	<u>80,000</u>	<u>80,000</u>
Total	<u>\$ 654,000</u>	<u>654,016</u>	<u>705,000</u>	<u>705,000</u>	<u>117,000</u>	<u>117,000</u>

	For the three months ended March 31,	
	2023	2022
Total financial expenses		
Subsidiaries	\$ -	21
Funds issued by associate	<u>2,059</u>	<u>17</u>
Total	<u>\$ 2,059</u>	<u>38</u>

Transaction terms are the same as the general clients.

(ii) Futures transactions

Futures traders' equity	March 31, 2023	December 31, 2022	March 31, 2022
	Funds issued by associate	<u>\$ 63,572</u>	<u>270,227</u>

	For the three months ended March 31,	
	2023	2022
Total financial expenses		
Associates	<u>\$ 11</u>	<u>-</u>

Transaction terms are the same as the general clients.

(iii) Lease agreements

Lessor

Lease revenue	For the three months ended March 31,	
	2023	2022
Associates	<u>\$ 4,316</u>	<u>4,309</u>

Guarantee deposits received	March 31, 2023	December 31, 2022	March 31, 2022
	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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 \$791,508 and rent is paid monthly. For the three months ended March 31, 2023 and 2022, the refundable deposits were \$23,915.

- 2) Acquisition of right-of-use assets

There was no new acquisition of right-of-use assets of the Company in the periods for the three months ended March 31, 2023.

- 3) Lease liabilities

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Related party in substance	\$ <u>497,692</u>	<u>521,082</u>	<u>-</u>

- 4) Financial expenses

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Related party in substance	\$ <u>1,704</u>	<u>-</u>

- (iv) Custody account business

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Custody account business revenue(Account to rental income)</u>		
Related party in substance	\$ <u>30,063</u>	<u>-</u>

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Other accounts receivable</u>			
Related party in substance	\$ <u>8,379</u>	<u>8,379</u>	<u>-</u>

- (v) Insurance commission revenues

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

	<u>For the three months ended March 31,</u>		
	<u>2023</u>	<u>2022</u>	
<u>Commission revenues</u>			
Subsidiaries	\$ <u>1,366</u>	<u>3,873</u>	
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Accounts receivable</u>			
Subsidiaries	\$ <u>617</u>	<u>444</u>	<u>2,736</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Brokerage and sub-brokerage

Brokerage commissions	For the three months ended March 31,	
	2023	2022
Funds issued by associate	\$ 12,117	11,195
Subsidiaries	298	-
Related party in substance	37	-
Total	<u>\$ 12,452</u>	<u>11,195</u>

Re-consigned handling commissions	For the three months ended March 31,	
	2023	2022
Funds issued by associate	\$ 7,206	2,707
Subsidiaries	50	-
Total	<u>\$ 7,256</u>	<u>2,707</u>

(vii) Fund services business

Fund services revenue	For the three months ended March 31,	
	2023	2022
Associates	\$ <u>422</u>	<u>586</u>

Channel services revenue		
Associates	\$ <u>422</u>	<u>586</u>

Account receivable	March 31, 2023	December 31,	March 31, 2022
Associates	\$ <u>282</u>	<u>2022</u>	<u>357</u>
		277	

(viii) Wealth management business

Trust account commissions revenue	For the three months ended March 31,	
	2023	2022
Associates	\$ <u>866</u>	<u>957</u>

Trust account management fee revenue	For the three months ended March 31,	
	2023	2022
Associates	\$ <u>528</u>	<u>329</u>

(ix) Underwriting business

Stock service income	For the three months ended March 31,	
	2023	2022
Associates	\$ <u>30</u>	<u>30</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		For the three months ended March 31,	
		2023	2022
Handling fee revenues from underwriting securities on consignment			
Funds issued by associate		\$ <u>7</u>	<u>-</u>
		December 31,	March 31, 2022
Accounts receivable	March 31, 2023	2022	March 31, 2022
Associates	\$ <u>10</u>	<u>10</u>	<u>10</u>

(x) Other revenue

		For the three months ended March 31,	
		2023	2022
Other revenue			
Associates		\$ <u>1</u>	<u>1</u>

(xi) Custody account business

		For the three months ended March 31,	
		2023	2022
Custody account business revenue			
Second-level subsidiaries (note)		\$ <u>693</u>	<u>1,413</u>
		December 31,	March 31, 2022
Accounts receivable	March 31, 2023	2022	March 31, 2022
Second-level subsidiaries (note)	\$ <u>693</u>	<u>577</u>	<u>507</u>

(xii) Accrued receivable

		December 31,	
		2022	March 31, 2022
Accounts receivable/ Other receivable	March 31, 2023	2022	March 31, 2022
Subsidiaries	\$ 120	80	100
Associates	<u>1</u>	<u>-</u>	<u>1</u>
Total	\$ <u>121</u>	<u>80</u>	<u>101</u>

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Assets Pledged as security:

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>The collateral use</u>
Restricted assets - current	\$ 342,257	219,234	206,106	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	49,875	49,875	Guarantee deposit for provisional seizure
Trading securities	29,599,807	27,120,122	29,976,167	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	11,061,933	7,347,280	706,863	Repurchase agreement
Property (net amount)	1,878,062	1,882,060	1,894,052	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,422	179,171	179,154	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)	5,110,240	3,306,400	-	Repurchase agreement
Investment property (net amount)	3,328,654	3,334,212	3,350,888	Bank borrowings
Total	<u>\$ 51,550,250</u>	<u>43,438,354</u>	<u>36,363,105</u>	

(9) Significant contingent liability and unrecognized contract commitment:

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

	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities procured through margin purchase	453,723	\$ 4,537,230	481,268	4,812,680	585,814	5,858,140
Collateral for margin purchase	8,025	80,254	15,745	157,450	10,824	108,240
Lending securities to customers through short sales	25,343	253,430	53,847	538,470	22,737	227,370
Collateral for short sales	2,253	22,530	5,394	53,940	1,179	11,790

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

	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities borrowed from securities finance companies	790	\$ 7,900	203	2,030	317	3,170
Collateral for refinancing margin	9	90	-	-	-	-

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	March 31, 2023	December 31, 2022	March 31, 2022
Promissory notes	\$ 26,320,000	26,320,000	25,010,000
Promissory notes (in USD thousands)	USD 85,000	USD 85,000	USD 85,000

- (d) As of March 31, 2023, December 31, 2022 and March 31, 2022, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$9,637,978, \$9,015,293 and \$10,142,790, respectively.
- (e) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$2,798. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (f) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The first instance ruled that the company should jointly and severally compensate the plaintiff \$41 and interest. The plaintiff refused to accept and filed an appeal, and the Company also filed a side appeal. The second instance claimed the case in favor of the Company, and it is not liable for compensation, thus the Company unrecognized this amount.
- (g) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$48,034 as of March 31, 2023.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- (h) On August 10, 2022, the Taiwan High Court Criminal Division's judgment indicated that the former chairman of Taiwan International Securities, a company that was merged and eliminated, and other persons were suspected to involve illegal gains in accordance with the Securities Exchange Law, was received. It was determined that the undeducted criminal proceeds obtained by Taiwan International Securities amounted to USD 369,331.65, which shall be confiscated except for those should be returned to the victim or persons who can claim for damages. The Company has filed an appeal.
- (i) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

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

(i) March 31, 2023

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) December 31, 2022

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) March 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 :						
	TAIEX Futures	Long	151	\$ 513,791	526,014	
	TAIEX Futures	Short	429	(1,504,737)	(1,510,382)	
	Mini-TAIEX Futures	Long	61	51,178	51,475	
	Mini-TAIEX Futures	Short	922	(808,224)	(810,574)	
	Electronic Sector Index Futures	Long	35	115,133	115,345	
	Electronic Sector Index Futures	Short	69	(226,818)	(227,410)	
	Finance Sector Index Futures	Long	2	3,565	3,636	
	Finance Sector Index Futures	Short	87	(161,684)	(163,160)	
	Mini-Finance Sector Futures	Long	316	146,965	148,157	
	Single Stock Futures	Long	7,779	1,364,389	1,361,350	
	Single Stock Futures	Short	4,930	(1,122,398)	(1,130,428)	
	HSI Futures	Short	1	(1,382)	(1,375)	
	HSI Futures	Short	11	(43,984)	(44,217)	
	Mini-HSI Futures	Short	8	(6,455)	(6,432)	
	E-Mini Nasdaq Futures	Long	1	8,517	8,512	
	E-Mini Nasdaq Futures	Short	9	(78,023)	(76,611)	
	Micro E-Mini-Nasdaq Futures	Short	10	(8,406)	(8,512)	
	Copper Futures	Short	9	(29,878)	(30,599)	
	Gold Futures	Short	11	(62,003)	(61,527)	
	Silver Futures	Short	5	(17,928)	(17,986)	
	FTSE China A50 Index Futures	Long	271	106,645	106,656	
	FTSE China A50 Index Futures	Short	676	(260,819)	(266,050)	
	Micro E-mini S&P 500 Futures	Long	21	13,411	13,618	
	TOPIX Futures	Short	7	(29,277)	(32,061)	
	Crude Oil Futures	Short	27	(79,792)	(77,504)	
	Brent Crude Oil Futures	Long	1	3,466	2,997	
	Brent Crude Oil Futures	Short	184	(580,733)	(551,508)	
	Mini-Weekly Stock Index Futures	Long	121	107,008	106,831	
	SGX Nikkei 225 Index Futures	Short	11	(32,618)	(35,971)	
	Mini-TOPIX Futures	Short	40	(18,097)	(18,320)	
	2 Year U.S. T Note Futures	Short	1	(6,143)	(6,066)	
	10 Year U.S. T Note Futures	Short	2	(7,132)	(7,035)	
	30 Year U.S. Treasury Bond	Short	4	(16,963)	(17,182)	
	Ultra U.S. Treasury Bond	Short	29	(144,165)	(147,036)	
	US Dollar Index Futures	Short	17	(48,211)	(47,864)	
	Mini Electronic Futures	Long	3	1,236	1,236	
	Mini Electronic Futures	Short	185	(75,874)	(76,208)	
	E-Mini Russell 2000 Index Futures	Short	3	(8,912)	(8,873)	
	Subtotal			(2,945,352)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Long	4,030	\$ 65,540	77,920	
	TAIEX Options (Put)	Long	3,235	32,464	24,136	
	TAIEX Options (Call)	Short	3,102	(30,318)	(24,601)	
	TAIEX Options (Put)	Short	3,666	(56,348)	(47,024)	
	Stock Options (Call)	Long	54	2,109	2,501	
	Stock Options (Put)	Long	96	826	1,155	
	Stock Options (Call)	Short	17	(223)	(324)	
	TAIEX Weekly Options (Call)	Long	812	2,601	2,047	
	TAIEX Weekly Options (Put)	Long	1,055	2,731	3,032	
	TAIEX Weekly Options (Call)	Short	796	(3,416)	(2,418)	
	TAIEX Weekly Options (Put)	Short	486	(2,923)	(3,542)	
	Finance Insurance Index Options (Call)	Long	69	398	1,449	
	Finance Insurance Index Options (Put)	Long	59	339	74	
	Finance Insurance Index Options (Call)	Short	68	(152)	(454)	
	Finance Insurance Index Options(Put)	Short	59	(308)	(38)	
	Electronic Sector Index Options (Call)	Long	39	295	179	
	Electronic Sector Index Options (Put)	Long	19	266	209	
	Electronic Sector Index Options (Call)	Short	132	(1,509)	(1,256)	
	Electronic Sector Index Options (Put)	Short	62	(644)	(3)	
	Subtotal			11,728		
Total				\$ <u>(2,933,624)</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{7,015,327}{1,510,523}$	4.64	$\frac{6,430,808}{1,171,443}$	5.49	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{44,555,695}{38,974,744}$	1.14	$\frac{48,773,993}{43,642,153}$	1.12	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{7,015,327}{1,115,000}$	629.18 %	$\frac{6,430,808}{1,115,000}$	576.75 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{5,152,585}{8,525,914}$	60.43 %	$\frac{4,985,389}{9,171,615}$	54.36 %	$\geq 20\%$ $\geq 15\%$	"

- (c) Unique risk for futures trading

Transactions in futures and options carry a high degree of risk because of the amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily leveraged, the fluctuation of underlying markets is unpredictable, and the variance risk of the exchange rate is high. Futures industry thus bears higher operation risk than other industries. If the customers can't exercise the contract or maintain the proper margin, in order to dealing with such abrupt condition, the futures business needs sufficient liquidity to cover the transactions and suffer the loss may occur.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities firms” for the Group:

(i) Loans to others:

(In Thousands Dollars)

Number	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related party	Maximum Balance of the Period	Ending balance	Capital Employed	Range of interest rate	Type of Loans (Note)	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on Loans to a Single Business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	\$ 891,382	891,382	830,582	- %	2	-	Working capital	-		-	1,561,715	1,561,715
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	102,752	102,752	102,752	- %	2	-	Working capital & repayment of financing	-		-	102,752	102,752
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,631	5,631	5,631	- %	2	-	Repayment of financing	-		-	5,631	5,631
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	60,429	60,429	-	9.99 %	1	9,952		-		-	193,649	968,247
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	423,005	423,005	279,486	6.24%~7.49 %	1	160,911		-		-	423,005	968,247
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	90,644	90,644	-	8.99 %	1	19,012		-		-	193,649	968,247
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,107	15,107	-	7.99 %	1	1,835		-		-	193,649	968,247
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	7.99 %	1	385		-		-	193,649	968,247
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	60,429	60,429	-	7.99 %	1	9,481		-		-	193,649	968,247
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	45,322	45,322	-	7.99 %	1	10,263		-		-	193,649	968,247

Note: Type of Loans

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Significant transactions between parent company and subsidiaries for the three months ended March 31, 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	14,395		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	31,564		0.02 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	12,453		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	237,456		0.12 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,767		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	31,942	General transaction	1.13 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	4,478	General transaction	0.16 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	162	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	410	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	63	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	2,743	General transaction	0.10 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	4	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	7,527	General transaction	0.27 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	12,123	General transaction	0.43 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	285	General transaction	0.01 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	17,250	General transaction	0.61 %
0	Capital Securities Corp.	CSC Capital Management Co	1	Other receivables	5		- %
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	46		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	22		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	63		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	62		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Financial costs	1	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	183		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	184	General transaction	0.01 %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Revenue from securities management, distribution, and management fees	6	General transaction	- %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp.	1	Advance receipts	27		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	2,215,970		1.08 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	2,215,970		1.08 %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Other payable	2,423		- %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	7,293	General transaction	0.26 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	1,029,471		0.50 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	3,572,699		1.74 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	4,847		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	2,774	General transaction	0.10 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	24,625	General transaction	0.87 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	3,724	General transaction	0.13 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Other payable	768		- %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	768	General transaction	0.03 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	3,283,411		1.60 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	740,183		0.36 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payable	132		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	133	General transaction	- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Accumulated depreciation	1,200		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HKD 59		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HKD 217	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HKD 1	General transaction	- %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	94	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	1,216	General transaction	0.04 %

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

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on March 31, 2023	Balance on December 31, 2022	Shares	Ratio	Book value					
0	Capital- Investment Management Corp.	Taipei, Taiwan, R.O.C.	February 16, 1990		Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00 %	88,514	17,295	435	435	-	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei, Taiwan, R.O.C.	February 26, 1997	No. FSC-105004467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58 %	3,969,353	490,814	241,462	136,571	-	"
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 %	1,566,500	13,350	9,218	9,218	-	"
0	Capital Insurance Advisory Corp.	Taipei, Taiwan, R.O.C.	November 9, 2000		Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00 %	75,634	26,229	3,613	3,613	-	Subsidiary
0	Capital Insurance Agency Corp. (Note 4)	Taipei, Taiwan, R.O.C.	November 8, 2000		Liquidation in progress.	7,400	7,400	740,000	100.00 %	39,492	-	(8)	(8)	-	"
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 %	27	(705)	(705)	(705)	-	The transaction has been eliminated in the consolidated financial statements
0	CSC Venture Capital Corp.	Taipei, Taiwan, R.O.C.	January 12, 2016	No. FSC-1040034071 dated September 8, 2015	Long-term equity investment business.	1,000,000	1,000,000	100,000,000	100.00 %	848,659	-	(1,601)	(1,601)	-	"
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 %	295,485	7,917	6,909	6,909	-	"
0	Capital Investment Trust Corp.	Taipei, Taiwan, R.O.C.	October 16, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00 %	1,412,660	499,211	192,072	38,414	-	Associates
1	CSC Securities(HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931 dated January 5, 1998	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK 128,000 thousands	HK 128,000 thousands	128,000,000	100.00 %	649,232	22,188	13,350	-	-	The transaction has been eliminated in the consolidated financial statements
2	ITIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	(101,532)	-	(705)	-	-	"
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 %	(254,816)	-	(396)	-	-	"
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 %	968,247	59,819	24,254	-	-	"
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 %	24,715	768	(1,809)	-	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	2	100.00 %	-	-	-	-	-	The transaction has been eliminated in the consolidated financial statements
6	Capital Private Equity Fund I Co.	Taipei, Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business.	300,000	300,000	30,000,000	100.00 %	263,731	8,062	6,700	-	-	"

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on March 31, 2023	Balance on December 31, 2022	Shares	Ratio	Book value					
7	EnnoCap Venture Inc.	Taipei, Taiwan, R.O.C.	July 30, 2021		Investment and management consulting, venture capital and general investing.	400	400	40,000	40.00 %	185	-	(61)	-	-	Associates

Note 1: (0) Capital Securities Corp. (1) CSC International Holdings Ltd. (2) Taiwan International Securities (B.V.I) Corp. (3) TIS Securities (HK) Limited. (4) Capital Futures Corp. (5) CSC Securities (HK) Ltd. (6) CSC Capital Management Co. (7) CSC Venture Capital Corp.

Note 2: Includes the Company's investment in overseas business and its reinvestments in other businesses, etc.

Note 3: Book value is the investment balance according to equity method, including investment income (loss), cash dividends, and cumulative translation adjustment, etc.

Note 4: The board of directors of the Company resolved to dissolve the investee company on March 1, 2022. Liquidation in progress.

Note 5: The board of directors of the Company resolved to dissolve the investee company on December 30, 2011. The representative office of China dissolved in 2014 as well. According to the laws of Hong Kong, it can't be liquidated voluntarily because the total assets of TIS Securities (HK) Limited. and Taiwan International Capital (HK) Ltd. can't cover the liabilities. The company has briefed it to the accountant in Hong Kong to plan the solutions.

(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 March 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 March 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	508	28.86%	147 B(3)	7,051	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(1,296)	56.58%	(733) B(3)	3,661	-

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

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

Note 2: Investment gains and losses recognized during the period

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

		For the three months ended March 31, 2023							
		Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$	<u>1,134,560</u>	<u>62,592</u>	<u>891,498</u>	<u>256,717</u>	<u>24,364</u>	<u>523,233</u>	<u>(62,079)</u>	<u>2,830,885</u>
Segment profit or loss	\$	<u>492,720</u>	<u>23,805</u>	<u>469,237</u>	<u>203,854</u>	<u>(81,644)</u>	<u>307,103</u>	<u>(157,575)</u>	<u>1,257,500</u>
		For the three months ended March 31, 2022							
		Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$	<u>1,487,756</u>	<u>70,482</u>	<u>178,605</u>	<u>(289,847)</u>	<u>9,023</u>	<u>680,055</u>	<u>(82,065)</u>	<u>2,054,009</u>
Segment profit or loss	\$	<u>798,632</u>	<u>33,139</u>	<u>(741)</u>	<u>(355,992)</u>	<u>(141,265)</u>	<u>186,875</u>	<u>(49,465)</u>	<u>471,183</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 1: Internal segment revenues are eliminated on consolidation.

Note 2: The Group's segment assets and liabilities are not provided to the chief operating decision maker, so such items are not required to be disclosed.

(d) Information about products and services

The Group identified the reportable segments based on the type of products and service provided and the general information is already to be disclosed. Thus, no additional disclosure is required.

(e) Information about regions

Since the revenue from individual foreign customers were not significant and there was no disclosure.

(f) Information about major customers

There was no disclosure because no individual customer accounted for 10% or more of the Group's revenues for the current periods.