

**CAPITAL SECURITIES CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For The Years Ended December 31, 2024 and 2023**

Address: 11/F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei,  
Taiwan, R.O.C.  
Telephone: 886-2-87898888

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Overview	9
(2) Approval date and procedures of the consolidated financial statements	10
(3) New standards, amendments and interpretations adopted	10~12
(4) Summary of material accounting policies	13~29
(5) Major sources of significant accounting assumptions, judgments and estimation uncertainty	29
(6) Explanation of significant accounts	30~87
(7) Related-party transactions	87~93
(8) Pledged assets	94
(9) Significant contingent liability and unrecognized contract commitment	94~97
(10) Significant Catastrophic Loss	97
(11) Significant Subsequent Events	97
(12) Other	98~102
(13) Other disclosures	
(a) Information on significant transactions	103~105
(b) Related information of investee companies	106~107
(c) Information on overseas branches and representative offices	107
(d) Information on investments in the Mainland China	107~108
(e) Major shareholders	108
(f) Disclosures required for securities firm investing in countries or regions without securities authority	109~110
(14) Segment information	111~112

## **Representation Letter**

The entities that are required to be included in the consolidated financial statements of Capital Securities Corporation as of and for the year ended December 31, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Capital Securities Corporation and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Capital Securities Corporation

Chairman: Hsiu-Chen Chou

Date: March 7, 2025.



安侯建業聯合會計師事務所  
KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web kpmg.com/tw

## Independent Auditors' Report

To the Board of Directors of  
Capital Securities Corporation:

### Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the consolidated statements of comprehensive income changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

## 1. Valuation of financial instruments

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

### Risk and descriptions of the key audit matter:

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

### Procedures performed:

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

## 2. Goodwill impairment

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

### Risk and descriptions of the key audit matter:

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

### Procedures performed:

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

## **Other Matter**

We did not audit the financial statements of Capital Investment Trust Corporation and Enno Cap Venture Inc., associates of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation and Enno Cap Venture Inc., is based solely on the reports of other auditors. The investments in Capital Investment Trust Corporation and Enno Cap Venture Inc. accounted for using the equity method constituting 0.52% and 0.58% of consolidated total assets at December 31, 2024 and 2023, respectively, and the related share of profit of associates and joint ventures accounted for using the equity method constituting 5.28% and 3.66% of consolidated total profit before tax for the years then ended, respectively.

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2024 and 2023, on which we have issued an unmodified opinion with other matters paragraph.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 7, 2025

#### **Notes to Readers**

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

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

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

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

		<b>December 31, 2024</b>		<b>December 31, 2023</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>					
110000	<b>Current assets:</b>				
111100	Cash and cash equivalents (note 6(a))	\$ 9,289,189	3	8,598,180	4
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	69,363,225	22	64,089,612	26
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))	31,059,002	10	24,025,136	10
114010	Bonds purchased under resale agreements (note 6(c))	250,121	-	60,208	-
114030	Receivable for securities provided as collateral	22,406,866	7	17,397,754	7
114040	Refinancing margin	49,349	-	16,619	-
114050	Refinancing collateral receivable	41,089	-	13,847	-
114060	Receivable of securities business money lending	32,677,621	11	5,886,504	2
114070	Customers' margin account (note 6(e))	48,810,284	16	38,874,681	16
114090	Collateral for securities borrowed	542,368	-	214,766	-
114100	Security borrowing margin	14,378,972	5	12,583,951	5
114110	Notes receivable	7,458	-	6,608	-
114130	Accounts receivable (note 6(d))	13,784,088	4	16,268,453	7
114150	Prepayments	95,292	-	147,349	-
114170	Other receivables	491,011	-	199,048	-
114300	Leverage contract trading - customers' margin account	907,903	-	712,455	-
114600	Current income tax assets	1,126	-	677	-
119095	Amounts held for each customer in the account (note 6(p))	35,555,711	12	32,426,834	13
119990	Other current assets-others	3,216,222	1	2,004,140	1
		<u>282,926,897</u>	<u>91</u>	<u>223,526,822</u>	<u>91</u>
120000	<b>Non-current assets:</b>				
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	177,730	-	179,438	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))	4,710,452	2	3,731,891	2
123300	Financial assets at amortized cost - non-current (note 6(b))	6,567,032	2	5,310,086	2
124100	Investments accounted for under equity method (note 6(f))	1,668,360	1	1,473,075	1
125000	Property and equipment (notes 6(g) and 8)	3,151,015	1	3,182,785	1
125800	Right-of-use assets (note 6(h))	560,957	-	671,689	-
126000	Investment property (notes 6(i) and 8)	3,422,160	1	3,444,763	1
127000	Intangible assets (note 6(j))	3,616,766	1	3,622,839	1
128000	Deferred income tax assets(note 6(t))	-	-	15,894	-
129000	Other non-current assets	1,887,133	1	1,751,450	1
		<u>25,761,605</u>	<u>9</u>	<u>23,383,910</u>	<u>9</u>
	<b>Total assets</b>	<b>\$ 308,688,502</b>	<b>100</b>	<b>246,910,732</b>	<b>100</b>

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

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

		<b>December 31, 2024</b>		<b>December 31, 2023</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
	<b>Liabilities and Equity</b>				
210000	<b>Current liabilities:</b>				
211100	Short-term borrowings (note 6(k))	\$ 7,304,896	2	5,874,434	2
211200	Commercial paper payable (note 6(l))	41,514,617	14	13,090,169	5
212000	Financial liabilities at fair value through profit or loss - current (note 6(n))	26,097,565	9	21,090,404	9
214010	Bonds sold under repurchase agreements (note 6(o))	53,622,868	17	51,425,166	21
214040	Guarantee deposited for short sales	2,527,527	1	2,003,761	1
214050	Proceeds payable from short sales	2,874,680	1	2,294,644	1
214070	Securities lending refundable deposits	16,292,813	5	15,481,166	6
214080	Futures traders' equity (note 6(e))	48,552,145	16	38,762,176	16
214090	Equity for each customer in the account (note 6(p))	35,555,711	12	32,426,834	13
214100	Leverage contract trading - customers' equity	907,350	-	733,533	-
214110	Notes payable	152	-	166	-
214130	Accounts payable (note 6(q))	11,429,911	4	11,146,460	5
214150	Advance receipts	34,281	-	22,636	-
214160	Receipts under custody	825,388	-	327,934	-
214170	Other payables	1,414,546	-	1,733,199	1
214200	Other financial liabilities - current (note 6(y))	6,420,134	2	4,223,503	2
214600	Current income tax liabilities	655,028	-	715,565	-
215100	Provisions - current (note 6(s))	61,267	-	54,787	-
216000	Current lease liabilities (note 6(r))	199,337	-	201,566	-
219000	Other current liabilities	54,888	-	43,609	-
		<u>256,345,104</u>	<u>83</u>	<u>201,651,712</u>	<u>82</u>
220000	<b>Non-Current liabilities:</b>				
221200	Long-term borrowings (note 6(m))	4,497,142	2	-	-
222000	Financial liabilities at fair value through profit or loss -non-current (note 6(n))	112,762	-	-	-
224200	Other financial liabilities - non-current (note 6(y))	516,042	-	677,162	-
226000	Non-current lease liabilities (note 6(r))	409,190	-	522,851	-
228000	Deferred income tax liabilities(note 6(t))	836,027	-	513,134	-
229000	Other non-current liabilities	335,762	-	181,349	-
		<u>6,706,925</u>	<u>2</u>	<u>1,894,496</u>	<u>-</u>
	<b>Total liabilities</b>	<u>263,052,029</u>	<u>85</u>	<u>203,546,208</u>	<u>82</u>
	<b>Equity attributable to shareholders of the parent:</b>				
301010	Common stock (note 6(u))	21,709,081	7	21,709,081	9
302000	Capital surplus (note 6(u))	2,743,257	1	2,743,256	1
304000	Retained earnings:				
304010	Legal reserve	3,299,604	1	2,889,367	1
304020	Special reserve	6,869,685	2	6,049,211	3
304040	Unappropriated earnings (note 6(u))	4,919,483	2	4,201,815	2
305120	Exchange differences on translation of foreign operations	153,408	-	(67,856)	-
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,576,724	1	2,722,009	1
	<b>Total equity attributable to the parent company</b>	<u>42,271,242</u>	<u>14</u>	<u>40,246,883</u>	<u>17</u>
306000	<b>Non-controlling interests</b>	<u>3,365,231</u>	<u>1</u>	<u>3,117,641</u>	<u>1</u>
	<b>Total equity</b>	<u>45,636,473</u>	<u>15</u>	<u>43,364,524</u>	<u>18</u>
	<b>Total liabilities and equity</b>	<u>\$ 308,688,502</u>	<u>100</u>	<u>246,910,732</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		<b>2024</b>		<b>2023</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
	<b>Income:</b>				
401000	Brokerage commissions (note 6(w))	\$ 7,128,833	42	5,337,531	42
402000	Revenues from securities business money lending	5,037	-	1,295	-
403000	Revenue from securities lending	604,658	3	420,414	3
404000	Underwriting commissions (note 6(w))	128,998	1	90,923	1
406000	Commissions on wealth management business	103,732	1	59,001	-
410000	Net gains (losses) on sale of trading securities (note 6(w))	6,537,604	38	2,344,375	18
421100	Securities management, distribution, and management fees	169,671	1	158,329	1
421200	Interest revenue (note 6(w))	3,819,086	22	2,419,910	19
421300	Dividend revenue	1,412,477	8	2,887,473	23
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(w))	(934,128)	(5)	1,798,804	14
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(y))	(1,061,569)	(6)	(264,517)	(2)
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(63,427)	-	(687,421)	(5)
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	75,396	-	6,128	-
421800	Net gains (losses) on securities for futures margin at fair value through profit or loss	(8,305)	-	-	-
422200	Net gains (losses) on stock warrants issued (notes 6(w) and (y))	252,443	1	(170,425)	(1)
424100	Futures commission revenues (note 6(w))	319,734	2	301,191	2
424400	Net gains (losses) on derivative instruments - futures (note 6(y))	(882,448)	(5)	(699,650)	(5)
424500	Net gains (losses) on derivative instruments - OTC (note 6(y))	(440,024)	(3)	(1,415,111)	(11)
424800	Management fee revenues	9,018	-	3,377	-
424900	Consultancy fee revenue	24,774	-	9,452	-
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(x))	(4,872)	-	(7,214)	-
428000	Other operating revenues	(47,598)	-	152,321	1
		<u>17,149,090</u>	<u>100</u>	<u>12,746,224</u>	<u>100</u>
	<b>Expenses:</b>				
501000	Brokerage fees	959,087	6	659,671	5
502000	Brokerage and clearing fees - proprietary trading	74,770	-	43,272	-
503000	Clearing and exchange fees - refinancing	1,885	-	2,613	-
504000	Clearing and exchange fees - underwriting	2,230	-	992	-
521200	Financial costs	2,915,410	17	1,913,207	15
521640	Loss from securities borrowing transactions	839,876	5	324,033	3
524100	Futures commission expense (note 6(w))	330,340	2	303,734	2
524300	Cleaning and settlement expenses	214,318	1	167,457	1
528000	Other operating expenditure	87,508	1	50,259	-
531000	Employee benefits expenses (note 6(w))	3,829,558	22	3,419,309	27
532000	Depreciation and amortization expense (note 6(w))	490,947	3	463,477	4
533000	Other operating expenses (note 6(w))	<u>3,603,942</u>	<u>21</u>	<u>2,522,639</u>	<u>20</u>
		<u>13,349,871</u>	<u>78</u>	<u>9,870,663</u>	<u>77</u>
	<b>Other income (expenses):</b>				
601000	Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	385,857	2	205,376	1
602000	Other gains and losses (note 6(w))	<u>2,387,295</u>	<u>14</u>	<u>2,027,839</u>	<u>16</u>
		<u>2,773,152</u>	<u>16</u>	<u>2,233,215</u>	<u>17</u>
902001	<b>Net income before income tax</b>	<u>6,572,371</u>	<u>38</u>	<u>5,108,776</u>	<u>40</u>
701000	<b>Less: Income tax expenses (note 6(t))</b>	<u>1,170,296</u>	<u>7</u>	<u>537,783</u>	<u>4</u>
	<b>Net income</b>	<u>5,402,075</u>	<u>31</u>	<u>4,570,993</u>	<u>36</u>
805000	<b>Other comprehensive income:</b>				
805500	<b>Components that may not be reclassified to profit or loss in subsequent periods:</b>				
805510	Gains (losses) on remeasurements of defined benefit plans (note 6(s))	(203,732)	(1)	(77,468)	(1)
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	367,036	2	1,144,918	9
805550	Share of other comprehensive income of associates and joint ventures accounted for using equity method	7,675	-	(1,137)	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-
	<b>Subtotal of components that may not be subsequently reclassified into profit or loss</b>	<u>170,979</u>	<u>1</u>	<u>1,066,313</u>	<u>8</u>
805600	<b>Components that may be reclassified to profit or loss in subsequent periods:</b>				
805610	Exchange differences on translation of foreign operations	277,528	2	(13,644)	-
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(354,645)	(2)	172,066	1
805699	Less: Income tax related to components of other comprehensive income (note 6(t))	<u>22,363</u>	<u>-</u>	<u>(282)</u>	<u>-</u>
	<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	<u>(99,480)</u>	<u>-</u>	<u>158,704</u>	<u>1</u>
805000	<b>Other comprehensive income, net</b>	<u>71,499</u>	<u>1</u>	<u>1,225,017</u>	<u>9</u>
902006	<b>Total comprehensive income</b>	<u>\$ 5,473,574</u>	<u>32</u>	<u>5,796,010</u>	<u>45</u>
	<b>Net income attributable to:</b>				
913100	Shareholders of the parent	\$ 4,883,776	28	4,131,510	33
913200	Non-controlling interests	<u>518,299</u>	<u>3</u>	<u>439,483</u>	<u>3</u>
		<u>\$ 5,402,075</u>	<u>31</u>	<u>4,570,993</u>	<u>36</u>
	<b>Total comprehensive income attributable to:</b>				
914100	Shareholders of the parent	\$ 4,911,665	29	5,349,029	42
914200	Non-controlling interests	<u>561,909</u>	<u>3</u>	<u>446,981</u>	<u>3</u>
		<u>\$ 5,473,574</u>	<u>32</u>	<u>5,796,010</u>	<u>45</u>
975000	<b>Basic earnings per share (note 6(v))</b>	<u>\$ 2.25</u>		<u>1.90</u>	
985000	<b>Diluted earnings per share (note 6(v))</b>	<u>\$ 2.25</u>		<u>1.90</u>	

See accompanying notes to consolidated financial statements.

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to the parent company									
	Stock	Retained earnings				Total other equity interest		Total equity attributable to the parent company	Non-controlling interests	Total Equity
					Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
Common stocks	Capital surplus	Legal reserve	Special reserve							
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 year ended December 31, 2023	-	-	-	-	4,131,510	-	-	4,131,510	439,483	4,570,993
Other comprehensive income	-	-	-	-	(76,969)	(11,993)	1,306,481	1,217,519	7,498	1,225,017
Total comprehensive income	-	-	-	-	4,054,541	(11,993)	1,306,481	5,349,029	446,981	5,796,010
Appropriation and distribution of retained earnings: (note 6(u))										
Legal reserve	-	-	131,110	-	(131,110)	-	-	-	-	-
Special reserve	-	-	-	262,221	(262,221)	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(846,655)	-	-	(846,655)	-	(846,655)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	47,826	-	(47,826)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(275,944)	(275,944)
Balance at December 31, 2023	21,709,081	2,743,256	2,889,367	6,049,211	4,201,815	(67,856)	2,722,009	40,246,883	3,117,641	43,364,524
Net income for the year ended December 31, 2024	-	-	-	-	4,883,776	-	-	4,883,776	518,299	5,402,075
Other comprehensive income	-	-	-	-	(203,640)	221,264	10,265	27,889	43,610	71,499
Total comprehensive income	-	-	-	-	4,680,136	221,264	10,265	4,911,665	561,909	5,473,574
Appropriation and distribution of retained earnings: (note 6(u))										
Legal reserve	-	-	410,237	-	(410,237)	-	-	-	-	-
Special reserve	-	-	-	820,474	(820,474)	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(2,887,307)	-	-	(2,887,307)	-	(2,887,307)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	155,550	-	(155,550)	-	-	-
Changes in ownership interests in subsidiaries	-	1	-	-	-	-	-	1	-	1
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(314,319)	(314,319)
Balance at December 31, 2024	\$ 21,709,081	2,743,257	3,299,604	6,869,685	4,919,483	153,408	2,576,724	42,271,242	3,365,231	45,636,473

See accompanying notes to consolidated financial statements.

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

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

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 6,572,371	5,108,776
<b>Adjustments:</b>		
Income and expenses items:		
Depreciation expense	435,440	417,667
Amortization expense	55,507	45,810
Expected credit impairment losses	4,872	7,214
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,005,860	(1,111,383)
Financial cost	2,915,410	1,913,207
Net gains arising from derecognition of financial assets measured at amortized cost	-	(38)
Interest revenue (including financial revenue)	(5,361,950)	(3,809,471)
Dividend revenue	(1,500,819)	(3,223,620)
Shares of profit of associates and joint ventures accounted for using equity method	(385,857)	(205,376)
Gains on disposal and retirement of property and equipment	-	(17)
Gain on disposal of investments under equity method	(406)	-
Net gain on non-operating financial instruments at fair value through profit or loss	(13,828)	(47,051)
Impairment loss on non-financial assets	6,504	4,627
Net gains on lease modifications	(157)	(66)
Subtotal of income of non-cash activities	<u>(2,839,424)</u>	<u>(6,008,497)</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(6,200,511)	(20,508,396)
Increase in bonds purchased under resale agreements	(189,913)	(60,208)
Increase in receivable for securities provided as collateral	(5,009,112)	(5,463,778)
(Increase) decrease in refinancing margin	(32,730)	2,240
(Increase) decrease in receivable on refinancing collateral	(27,242)	1,571
Increase in receivable of securities business money lending	(26,791,117)	(1,460,171)
(Increase) decrease in customers' margin account	(9,935,603)	175,060
Decrease in margin receivable of futures trading	282	306
(Increase) decrease in collateral for securities borrowed	(327,602)	1,549,656
(Increase) decrease in security borrowing margin	(1,795,021)	1,145,065
(Increase) decrease in notes receivable	(850)	5,942
Decrease (increase) in accounts receivable	2,881,566	(10,113,867)
Decrease (increase) in prepayments	56,873	(69,033)
(Increase) decrease in other receivables	(298,174)	132,095
Increase in financial assets at fair value through other comprehensive income	(7,141,622)	(9,962,120)
(Increase) decrease in leverage contract trading-customers' margin account	(195,448)	143,566
Increase in other current assets	(1,212,082)	(1,273,020)
Increase in other non-current assets	(135,106)	(145,780)
Increase in bonds sold under repurchase agreements	2,197,702	15,389,197
Increase in financial liabilities at fair value through profit or loss	5,056,496	9,427,072
Increase (decrease) in guarantee deposited for short sales	523,766	(2,114,679)
Increase (decrease) in proceeds payable from short sales	580,036	(1,420,297)
Increase in securities lending refundable deposits	811,647	800,148
Increase (decrease) in futures traders' equity	9,789,969	(122,116)
Increase (decrease) in leverage contract trading - customers' equity	173,817	(116,354)
(Decrease) increase in notes payable	(14)	14
Increase in accounts payable	459,577	6,200,363
Increase (decrease) in advance receipts	11,852	(11,013)
Increase (decrease) in receipts under custody	497,454	(219,310)
(Decrease) increase in other payable	(322,645)	885,985
Increase in provision - current	6,480	3,210
Increase in other financial liabilities	2,035,511	1,378,073
Increase in other current liabilities	11,279	25,162
Decrease in other non-current liabilities	(49,857)	(28,099)
Total changes in assets and liabilities from operating activities	<u>(34,570,342)</u>	<u>(15,823,516)</u>
Total adjustments	<u>(37,409,766)</u>	<u>(21,832,013)</u>

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

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

	<b>2024</b>	<b>2023</b>
Cash generated from operating activities	\$ (30,837,395)	(16,723,237)
Interest received	5,004,214	3,612,799
Dividends received	1,638,579	3,388,466
Interest paid	(3,093,155)	(1,641,884)
Income taxes paid	(914,859)	(467,981)
<b>Net Cash flows used in operating activities</b>	<b>(28,202,616)</b>	<b>(11,831,837)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(862,000)	(124,382)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	48,786
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	676	571
Acquisition of financial assets at amortized cost	(1,239,300)	(2,145,097)
Proceeds from disposal of financial assets at amortized cost	-	121,662
Proceeds from capital reduction of investments accounted for under equity method	7,400	32,107
Acquisition of property and equipment	(168,980)	(263,034)
Proceeds from disposal of property and equipment	-	860
Acquisition of intangible assets	(57,795)	(57,185)
Increase in deferred debits	(498)	(562)
<b>Net cash flows used in investing activities</b>	<b>(2,320,497)</b>	<b>(2,386,274)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	1,430,462	3,003,635
Increase in commercial papers payable	28,424,448	9,891,447
Long-term borrowings	4,500,000	-
Payment of lease liabilities	(212,739)	(202,251)
Cash dividends paid	(3,201,626)	(1,122,599)
Proceed from right of inclusion options exercised	2	-
<b>Net cash flows provided by financing activities</b>	<b>30,940,547</b>	<b>11,570,232</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>273,575</b>	<b>(13,491)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>691,009</b>	<b>(2,661,370)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>8,598,180</b>	<b>11,259,550</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 9,289,189</b>	<b>8,598,180</b>

See accompanying notes to consolidated financial statements.

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2024 and 2023**

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

**(1) Overview:**

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2024, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of December 31, 2024, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

(Continued)

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

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

The consolidated financial statements were authorized for issuance by the board of directors on March 7, 2025.

**(3) New standards, amendments and interpretations adopted:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024:

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

- (b) The impact of IFRS Accounting Standards endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

- (c) The impact of IFRS Accounting Standards 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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.	January 1, 2027

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
	<ul style="list-style-type: none"> <li>• A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</li> <li>• Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.</li> <li>• Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	<p>The amendments set out:</p> <ol style="list-style-type: none"> <li>1. The company generally derecognizes its trade payable on the settlement date. However, the amendments provide an exception for the derecognition of financial liabilities. The exception allows the company to derecognize its trade payable before the settlement date, potentially, when it uses an electronic payment system that meets all of the following criteria: <ul style="list-style-type: none"> <li>• no practical ability to withdraw, stop or cancel the payment instruction;</li> <li>• no practical ability to access the</li> </ul> </li> </ol>	January 1, 2026

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
	<p>cash to be used for settlement as a result of the payment instruction; and</p> <ul style="list-style-type: none"> <li>● the settlement risk associated with the electronic payment system is insignificant.</li> </ul> <p>2. An additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract. The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:</p> <ul style="list-style-type: none"> <li>● not related directly to a change in basic lending risks or costs; and</li> <li>● are not measured at fair value through profit or loss.</li> </ul>	

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

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

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

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Firms”(hereinafter referred to as “the Regulations” ), and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”).

**(b) Basis of preparation**

**(i) Basis of measurement**

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

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

**(ii) Functional and presentation currency**

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

**(c) Basis of consolidation**

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

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership	
			December 31, 2024	December 31, 2023
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and discretionary investment services	100.00 %	100.00 %
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %
"	Taiwan International Securities (B.V.I) Corp.	Have been sold	- %	100.00 %
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00 %	100.00 %
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	51.00 %	51.00 %
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business	100.00 %	100.00 %
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Have been sold	- %	100.00 %
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Have been sold	- %	100.00 %
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	100.00 %

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

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			December 31, 2024	December 31, 2023	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	- %	100.00 %	The corporation established in November 2000. The liquidation date of the company happened on November, 2023, and the liquidation was completed registration to Financial Supervisory Commission R.O.C in January 2024. The paid-in capitals amounted to \$7,400. As of December 31, 2023, the total assets constituted 0.00% of the Group's total assets, respectively. For the year ended December 31, 2023, the operation revenue constituted 0.00% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of December 31, 2024 and 2023, the total assets constituted 0.03% and 0.03% of the Group's total assets, respectively. For the years ended December 31, 2024 and 2023, the operation revenue constituted 0.00% and 1.13% 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**

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

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

(ii) Foreign operations

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

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

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

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle.
- (ii) It is held primarily for the purpose of trading.
- (iii) It is expected to be realized within twelve months after the reporting period.
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

## **CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle.
- (ii) It is held primarily for the purpose of trading.
- (iii) It is due to be settled within twelve months after the reporting period.
- (iv) The Group does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(f) **Cash and cash equivalents**

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

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

(g) **Financial instruments**

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

(i) **Financial assets**

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

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

1) **Financial assets measured at amortized cost**

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL(e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis), including derivative financial assets. On initial recognition, the Group may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

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

(Continued)

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

4) Impairment of financial assets

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

## **CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

#### 3) Financial liabilities

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

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

#### 4) Derecognition of financial liabilities

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

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

#### 5) Offsetting of financial assets and liabilities

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

#### 6) Interest rate benchmark

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

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

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

(Continued)

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

(iii) Derivative financial instruments

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

(h) Margin loan, short sale and refinancing

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

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

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

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

(i) Bonds with resell and repurchase agreements

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

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

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

(Continued)

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

(k) Securities borrowing transactions

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

(l) Investment in associates

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

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

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

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

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

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

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

(Continued)

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

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

(m) Property and equipment

(i) Recognition and measurement

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

Land is not depreciated.

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

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

(Continued)

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

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

(n) Investment property

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

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

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

(o) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(Continued)

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

(p) Leases

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

(i) Lessee

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

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

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

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

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

#### (ii) Lessor

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

#### (q) Non-financial assets impairment

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

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

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

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

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

(Continued)

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(Continued)

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

(s) Revenue recognition

The recognition of the Group's major revenue:

- (i) Brokerage commissions, gains or loss on securities sold and related handling fees is recognized on the settlement date.
- (ii) Underwriting commissions  
 Underwriting brokerage revenue is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.
- (iii) Interest revenue and expense arising from margin loan, short sale and bonds with repurchase agreements is recognized on an accrual basis during trading.
- (iv) Futures commission revenue arising from accessory services of futures trading, collecting commission from appointed futures dealer, the revenue is recognized on an accrual basis in accordance with related agreement.
- (v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.
- (vi) Dividend revenue is recognized as the right of receiving payment confirmed.
- (vii) Gains on Futures and Options transactions: Futures transaction margins are recognized as costs and valued at daily fair value. The gains or losses arising from reverse trading or execution of the futures and options recognized as Net Profit or Loss for the period.

(t) Provisions

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

(u) Income taxes

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

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

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

(Continued)

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

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

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

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

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

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) The same taxable entity; or
  - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

(v) **Business combinations**

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(w) Earnings per share (EPS)

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

(x) Segment information

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

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

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate related risks and opportunities 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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

(a) The fair value of financial instrument:

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

(b) The impairment evaluation of goodwill:

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

(Continued)

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

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Cash	\$ 2,838	2,912
Bank deposits		
Checking accounts	129,721	112,656
Demand deposits	2,317,396	1,734,028
Subtotal	2,447,117	1,846,684
Cash equivalents		
Time deposits	3,089,350	4,501,621
Futures margin - excess margin	3,442,899	1,997,886
Commercial papers	306,985	249,077
Subtotal	6,839,234	6,748,584
Total	<b>\$ 9,289,189</b>	<b>8,598,180</b>

**(b) Financial assets**

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<b>Open-ended funds and money-market instruments</b>		
Open-ended funds and money-market instruments	\$ 1,341,074	671,856
Valuation adjustment	44,343	37,751
Subtotal	1,385,417	709,607
<b>Securities invested by securities broker</b>		
Securities invested by securities broker	32,500	6,314
Valuation adjustment	(1,605)	7
Subtotal	30,895	6,321

(Continued)

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<b>Trading securities - proprietary trading</b>		
Listed stocks	\$ 4,606,143	2,363,216
Listed funds	11,508,102	6,391,682
OTC stocks	1,119,072	642,609
OTC funds	7,246,835	7,842,384
Emerging market stocks	629,529	481,795
Convertible bonds	3,915,018	3,026,744
Government bonds	444,341	3,370,684
Corporate bonds	5,217,626	8,004,798
International bonds	4,675,185	5,195,937
Financial debentures	500,000	550,000
Foreign stocks	144,562	128,613
Foreign funds	159,550	158,539
Foreign bonds	1,192,058	741,649
Others	<u>118,556</u>	<u>113,151</u>
	41,476,577	39,011,801
Valuation adjustment	<u>(604,207)</u>	<u>(262,549)</u>
Subtotal	<u>40,872,370</u>	<u>38,749,252</u>
<b>Trading securities - underwriting</b>		
Listed stocks	17,355	15,642
OTC stocks	104,126	11,902
Convertible bonds	<u>309,130</u>	<u>12,620</u>
	430,611	40,164
Valuation adjustment	<u>5,558</u>	<u>2,526</u>
Subtotal	<u>436,169</u>	<u>42,690</u>
<b>Trading securities - hedging</b>		
Listed stocks	4,822,176	4,997,262
OTC stocks	860,552	1,583,011
Convertible bonds	17,999,139	15,837,002
Others	<u>90,789</u>	<u>172,279</u>
	23,772,656	22,589,554
Valuation adjustment	<u>(371,972)</u>	<u>255,499</u>
Subtotal	<u>23,400,684</u>	<u>22,845,053</u>

(Continued)

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<b>Derivatives</b>		
Buy options	\$ 280,311	194,501
Futures margin - security	394,650	-
Futures margin - proprietary fund	1,541,089	1,014,514
IRS asset swaps	48,834	43,403
Asset swap options - long position	785,194	315,076
Leverage derivatives - non-hedging	153,147	150,671
Structured notes	2,623	2,284
Exchange rate derivatives	27,503	-
Equity derivatives	4,096	15,890
Interest rate swaps	<u>243</u>	<u>350</u>
Subtotal	<u>3,237,690</u>	<u>1,736,689</u>
Total	<b><u>\$ 69,363,225</u></b>	<b><u>64,089,612</u></b>

As of December 31, 2024 and 2023, trading securities undertaken for repurchase agreements of the Group, please refer to note 8 for details.

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Debt instruments at fair value through other comprehensive income		
Government bonds	\$ 3,403,185	3,499,233
Corporate bonds	10,026,546	6,490,004
International bonds	1,180,260	1,105,380
Foreign bonds	<u>14,592,931</u>	<u>12,588,989</u>
	29,202,922	23,683,606
Valuation adjustment	<u>(460,102)</u>	<u>(82,559)</u>
Subtotal	<u>28,742,820</u>	<u>23,601,047</u>
Equity instrument at fair value through other comprehensive income		
Listed stocks	\$ 1,813,965	170,950
OTC stocks	154,402	17,288
Emerging market stocks	<u>316,983</u>	<u>276,809</u>
	2,285,350	465,047
Valuation adjustment	<u>30,832</u>	<u>(40,958)</u>
Subtotal	<u>2,316,182</u>	<u>424,089</u>
Total	<b><u>\$ 31,059,002</u></b>	<b><u>24,025,136</u></b>

(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 years ended December 31, 2024 and 2023, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$50,255 and \$20,981, respectively. For the years ended December 31, 2024 and 2023, the dividends were recognized from the disposing equity instrument investments amounted to \$11,238 and \$10,572, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$2,034,541 and \$1,102,868, respectively, cumulative dispose gains (losses) for the year ended December 31, 2024 and 2023, amounted to \$153,828 and \$103,237, respectively, were transferred from other equity items to retained earnings.

- 3) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(x).
- 4) For the years ended December 31, 2024 and 2023, impairment test has been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(x).
- 5) As of December 31, 2024 and 2023, financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Mandatorily measured at fair value through profit or loss:		
Government bonds	\$ 179,604	180,887
Valuation adjustment	(1,874)	(1,449)
Total	<b><u>\$ 177,730</u></b>	<b><u>179,438</u></b>

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

(Continued)

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

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	\$ 1,847,096	1,022,272
Valuation adjustment	<u>2,863,356</u>	<u>2,709,619</u>
Total	<u><b>\$ 4,710,452</b></u>	<u><b>3,731,891</b></u>

For the years ended December 31, 2024 and 2023, the dividends were recognized from the Group equity instrument investments at fair value through other comprehensive income—non-current amounted to \$81,513 and \$79,045, respectively.

For the years ended December 31, 2024 and 2023 under the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equities recognized in FVOCI non-current for a fair value \$5,222 and \$106,500, generated cumulative dispose (losses) gains \$1,722 and \$(67,305). Furthermore, for the years ended December 31, 2024 and 2023, the investee company distribution of residual property liquidation amounted to \$0 and \$12,175, refunded the proceeds of capital reduction amounted to \$676 and \$571.

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

Type of market risk	December 31, 2024	December 31, 2023	For the years ended December 31,					
			2024			2023		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	3,267,170	2,682,078	3,191,630	3,353,425	2,836,760	1,922,291	2,682,078	1,403,626

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
1) Debt Instrument at amortized cost :		
Financial debentures	\$ 500,000	500,000
Foreign currency debentures	<u>6,069,135</u>	<u>4,811,807</u>
	6,569,135	5,311,807
Less: loss allowance	<u>(2,103)</u>	<u>(1,721)</u>
Total	<u><b>\$ 6,567,032</b></u>	<u><b>5,310,086</b></u>

(Continued)

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

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

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

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Carrying amount on the date of derecognition	\$ <u>-</u>	<u>121,624</u>
	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Current profit and loss	\$ <u>-</u>	<u>38</u>

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

- (c) Bonds purchased under resale agreements

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Bonds purchased under resell agreements	\$ <u>250,121</u>	<u>60,208</u>
Agreed-upon resale amounts	\$ <u>250,154</u>	<u>60,220</u>
Interest rate	<u>1.00%</u>	<u>0.95%</u>
Date of resale	<u>2025.1.2~2025.1.6</u>	<u>2024.1.2~2024.1.3</u>

- (d) Accounts Receivable

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Receivable on securities purchased by customers	\$ 57,552	79,263
Settlement	-	667,035
Interests receivable	1,046,166	701,062
Receivables on securities sold	12,344,224	14,673,330
Others	336,146	147,763
Total	\$ <u>13,784,088</u>	<u>16,268,453</u>

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

(Continued)

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

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

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Customers' margin account		
Cash in banks	\$ 30,889,798	26,514,502
Customers' margin account - futures clearing house	10,544,939	7,039,533
Customers' margin account - other futures commission merchants	7,145,394	5,319,585
Marketable securities	<u>230,153</u>	<u>1,061</u>
Total customers' margin account	<u>48,810,284</u>	<u>38,874,681</u>
Add:		
Commission expense	1,542	3,335
Other	1,159	-
Less:		
Brokerage fee revenue	(9,133)	(11,190)
Futures transaction tax	(3,169)	(1,544)
Interest revenues	(5,941)	(3,202)
Temporary receipts	(33,377)	(812)
Remittance amount of the customers after the market closed	(13,558)	(37,268)
Other receivable	(195,662)	(61,788)
Other	<u>-</u>	<u>(36)</u>
Futures traders' equity	<u><u>\$ 48,552,145</u></u>	<u><u>38,762,176</u></u>

(f) Investments accounted for under equity method

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Subsidiaries		
Capital Insurance Advisory Corp.	\$ 64,438	44,481
Capital Insurance Agency Corp.	<u>-</u>	<u>7,400</u>
Subtotal	<u>64,438</u>	<u>51,881</u>
Associates		
Capital Investment Trust Corp.	1,603,918	1,421,092
Enno Cap Venture Inc.	<u>4</u>	<u>102</u>
Subtotal	<u>1,603,922</u>	<u>1,421,194</u>
Total	<u><u>\$ 1,668,360</u></u>	<u><u>1,473,075</u></u>

(Continued)

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

(i) Subsidiaries:

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 38,852</u>	<u>18,616</u>
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Total assets	<u>\$ 94,992</u>	<u>82,537</u>
Total liabilities	<u>\$ 30,554</u>	<u>30,656</u>
	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Revenue	<u>\$ 218,134</u>	<u>143,623</u>
Net income	<u>\$ 38,852</u>	<u>18,616</u>

(ii) Associates

<b>Name of associate</b>	<b>Nature between the Company</b>	<b>Primary business area and registered country</b>	<b>Proportion of Ownership and Voting Rights</b>	
			<b>December 31, 2024</b>	<b>December 31, 2023</b>
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %
Enno Cap Venture Inc.	Liquidation in progress.	Taiwan	40.00 %	40.00 %

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

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Total carrying amount of interests in associates that were individually immaterial	<u>\$ 1,603,922</u>	<u>1,421,194</u>

(Continued)

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
The Group's share of gains based on the associates' financial statements:		
Net gains from continuing operations	\$ 347,005	186,760
Other comprehensive income (losses)	7,675	(1,137)
Total comprehensive income (losses)	<u>\$ 354,680</u>	<u>185,623</u>

(iii) Collateral

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

(g) Property and equipment

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

	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
Cost or deemed cost					
Balance at January 1, 2024	\$ 2,045,574	1,266,014	794,986	279,705	4,386,279
Additions	-	-	158,700	10,280	168,980
Disposals and retirements	-	-	(133,218)	(92,834)	(226,052)
Effect of exchange rate changes	-	5,195	5,536	888	11,619
Balance at December 31, 2024	<u>\$ 2,045,574</u>	<u>1,271,209</u>	<u>826,004</u>	<u>198,039</u>	<u>4,340,826</u>
Balance at January 1, 2023	\$ 1,805,285	1,131,369	689,869	266,959	3,893,482
Additions	-	-	212,524	50,510	263,034
Transferred from investment property	240,289	134,658	-	-	374,947
Disposals and retirements	-	-	(107,127)	(37,739)	(144,866)
Effect of exchange rate changes	-	(13)	(280)	(25)	(318)
Balance at December 31, 2023	<u>\$ 2,045,574</u>	<u>1,266,014</u>	<u>794,986</u>	<u>279,705</u>	<u>4,386,279</u>
Depreciation and impairment loss					
Balance at January 1, 2024	\$ -	558,490	465,829	179,175	1,203,494
Depreciation	-	25,328	138,155	40,747	204,230
Disposals and retirements	-	-	(133,218)	(92,834)	(226,052)
Effect of exchange rate changes	-	2,769	4,911	459	8,139
Balance at December 31, 2024	<u>\$ -</u>	<u>586,587</u>	<u>475,677</u>	<u>127,547</u>	<u>1,189,811</u>
Balance at January 1, 2023	\$ -	501,935	448,304	169,972	1,120,211
Depreciation	-	24,174	124,102	46,926	195,202
Transferred from investment property	-	32,390	-	-	32,390
Disposals and retirements	-	-	(106,317)	(37,706)	(144,023)
Effect of exchange rate changes	-	(9)	(260)	(17)	(286)
Balance at December 31, 2023	<u>\$ -</u>	<u>558,490</u>	<u>465,829</u>	<u>179,175</u>	<u>1,203,494</u>
Carrying amount:					
December 31, 2024	<u>\$ 2,045,574</u>	<u>684,622</u>	<u>350,327</u>	<u>70,492</u>	<u>3,151,015</u>
December 31, 2023	<u>\$ 2,045,574</u>	<u>707,524</u>	<u>329,157</u>	<u>100,530</u>	<u>3,182,785</u>

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

(Continued)

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

(h) Right-of-use assets

	<b>Buildings</b>	<b>Others</b>	<b>Total</b>
Cost:			
Balance at January 1, 2024	\$ 1,324,272	28,911	1,353,183
Additions	89,560	6,518	96,078
Reductions	(48,273)	(7,236)	(55,509)
Effect of exchange rate changes	3,841	-	3,841
Balance at December 31, 2024	<u><u>\$ 1,369,400</u></u>	<u><u>28,193</u></u>	<u><u>1,397,593</u></u>
Balance at January 1, 2023	\$ 1,260,702	26,948	1,287,650
Additions	92,853	9,532	102,385
Reductions	(29,626)	(7,569)	(37,195)
Effect of exchange rate changes	343	-	343
Balance at December 31, 2023	<u><u>\$ 1,324,272</u></u>	<u><u>28,911</u></u>	<u><u>1,353,183</u></u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2024	\$ 668,226	13,268	681,494
Depreciation	200,230	7,410	207,640
Reductions	(48,273)	(7,236)	(55,509)
Effect of exchange rate changes	3,011	-	3,011
Balance at December 31, 2024	<u><u>\$ 823,194</u></u>	<u><u>13,442</u></u>	<u><u>836,636</u></u>
Balance at January 1, 2023	\$ 505,473	12,280	517,753
Depreciation	190,095	7,720	197,815
Reductions	(27,785)	(6,732)	(34,517)
Effect of exchange rate changes	443	-	443
Balance at December 31, 2023	<u><u>\$ 668,226</u></u>	<u><u>13,268</u></u>	<u><u>681,494</u></u>
Carrying amount:			
December 31, 2024	<u><u>\$ 546,206</u></u>	<u><u>14,751</u></u>	<u><u>560,957</u></u>
December 31, 2023	<u><u>\$ 656,046</u></u>	<u><u>15,643</u></u>	<u><u>671,689</u></u>

(Continued)

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

(i) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or deemed cost</u>			
Balance at January 1, 2024	\$ 2,910,133	1,155,743	4,065,876
Effect of exchange rate changes	-	2,110	2,110
Balance at December 31, 2024	<u>\$ 2,910,133</u>	<u>1,157,853</u>	<u>4,067,986</u>
Balance at January 1, 2023	\$ 3,150,422	1,290,406	4,440,828
Reclassified to Property and equipment	(240,289)	(134,658)	(374,947)
Effect of exchange rate changes	-	(5)	(5)
Balance at December 31, 2023	<u>\$ 2,910,133</u>	<u>1,155,743</u>	<u>4,065,876</u>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2024	\$ -	621,113	621,113
Depreciation	-	23,570	23,570
Effect of exchange rate changes	-	1,143	1,143
Balance at December 31, 2024	<u>\$ -</u>	<u>645,826</u>	<u>645,826</u>
Balance at January 1, 2023	\$ -	628,857	628,857
Depreciation	-	24,650	24,650
Reclassified to Property and equipment	-	(32,390)	(32,390)
Effect of exchange rate changes	-	(4)	(4)
Balance at December 31, 2023	<u>\$ -</u>	<u>621,113</u>	<u>621,113</u>
<u>Carrying Amount:</u>			
December 31, 2024	<u>\$ 2,910,133</u>	<u>512,027</u>	<u>3,422,160</u>
December 31, 2023	<u>\$ 2,910,133</u>	<u>534,630</u>	<u>3,444,763</u>
<u>Fair Value:</u>			
December 31, 2024			<u>7,300,845</u>
December 31, 2023			<u>7,302,757</u>

The Group selected to apply Cost Method to evaluate investment property. The fair value of investment property was evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations, and it belongs to level 3.

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

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

(Continued)

**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:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Within 1 year	\$ 146,370	136,676
1-5 years	356,243	449,949
Over 5 years	-	2,409
	<b><u>\$ 502,613</u></b>	<b><u>589,034</u></b>

The rental revenue from investment property for the year ended December 31, 2024 and 2023 amounted to \$181,518 and \$182,897, respectively.

(j) Intangible assets

(i) Goodwill

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

Goodwill is allocated to the operating segments as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	<u>1,557,096</u>	<u>1,557,096</u>
Total	<b><u>\$ 3,126,698</u></b>	<b><u>3,126,698</u></b>

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

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 4.15% and 4.64% in year 2024 and 2023 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2024 and 2023 exceeded the carrying amount, no impairment occurred for both years.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of December 31, 2024 and 2023, the carrying amounts of goodwill were \$0 and \$6,504, respectively. Furthermore, the Group recognized an impairment loss of \$6,504 and \$4,627 for the years ended December 31, 2024 and 2023 respectively, by using discount rate of 3.60% and 4.20% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 “Intangible Assets” endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2024 and 2023, the carrying amounts of the operation franchise were all \$389,999.

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

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 “Intangible Assets” endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of December 31, 2024 and 2023, the carrying amounts of intangible assets were \$46,421 and \$46,274, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of December 31, 2024 and 2023, the amortized book value were \$53,648 and \$53,364, respectively.

(k) Short-term borrowings

Nature of borrowings	December 31, 2024	December 31, 2023
Collateralized loan	\$ -	767,625
Credit loan	7,304,896	5,106,809
Total	<u>\$ 7,304,896</u>	<u>5,874,434</u>
Interest rate range	<u>1.700%~5.590%</u>	<u>0.95%~6.522%</u>

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

(Continued)

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

(l) Commercial paper payable

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Commercial paper payable	\$ 41,580,000	13,100,000
Less: Unamortized discount	<u>(65,383)</u>	<u>(9,831)</u>
Net amount	<b><u>\$ 41,514,617</u></b>	<b><u>13,090,169</u></b>
Interest rate range	<b><u>1.868%~2.108%</u></b>	<b><u>1.568%~1.668%</u></b>

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

(m) Long-term borrowings

The details of the long-term borrowings of the Group were as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Long-term commercial paper payable	\$ 4,500,000	-
Less: commercial paper payable discount	<u>(2,858)</u>	<u>-</u>
Total	<b><u>\$ 4,497,142</u></b>	<b><u>-</u></b>
Issuance commitments	<b><u>\$ 4,500,000</u></b>	<b><u>-</u></b>
Borrowing of interest rates	<b><u>1.97%~2.02%</u></b>	<b><u>-</u></b>

The Group has started to enter into non-guaranteed commercial papers loan agreements with maturity less than 21~90 days with several bills finance corporations from May 2024. Based on the agreements, all facilities shall be issued from the signing date of agreement and facilities shall be reissued continually once they are issued. If one party is unable to issue or purchase non-guaranteed commercial papers at the agreed upon amount, a penalty of 0.20%~0.30% of the par value at unissued or unpurchased commercial papers based on the unfulfilled number of days elapsed shall be paid to the counterparty by the default party as commitment charges. The term of contracts period is 2-years.

(Continued)

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

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

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Liabilities on sale of borrowed securities	\$ 21,799,169	17,001,985
Redeem liabilities on sale of borrowed securities	(87,291)	(243,755)
Valuation adjustment	96,180	32,752
Subtotal	<u>21,808,058</u>	<u>16,790,982</u>
Stock warrants issued	21,043,522	19,542,173
Stock warrants repurchased	<u>(19,979,491)</u>	<u>(18,199,928)</u>
Subtotal	<u>1,064,031</u>	<u>1,342,245</u>
Sale options	94,390	82,162
IRS asset swaps	292,254	56,167
Asset swap options - short position	2,781,544	2,663,494
Structured notes	42,760	41,296
Leverage derivatives - non-hedging	12,900	15,402
Exchange rate derivatives	220	98,566
Equity derivatives	<u>1,408</u>	<u>90</u>
Subtotal	<u>3,225,476</u>	<u>2,957,177</u>
Total	<u><u>\$ 26,097,565</u></u>	<u><u>21,090,404</u></u>

(ii) Financial liabilities at fair value through profit or loss - non-current

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Financial liabilities designated at fair value through profit or loss:		
Structured notes	<u><u>\$ 112,762</u></u>	<u><u>-</u></u>

(o) Bonds sold under repurchase agreements

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Bonds sold under repurchase agreements	<u><u>\$ 53,622,868</u></u>	<u><u>51,425,166</u></u>
Agreed-upon repurchase amounts	<u><u>54,594,750</u></u>	<u><u>52,334,161</u></u>
Interest rates	<u><u>1.00%~5.06%</u></u>	<u><u>0.80%~5.85%</u></u>
Date of repurchase	<u><u>2025.1.2~2025.12.24</u></u>	<u><u>2024.1.2~2024.12.17</u></u>

(Continued)

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

(p) Equity for each customer in the account

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Equity for each customer in the account	<b>\$ 35,555,711</b>	<b>32,426,834</b>
Amount of separate account ledger in NTD		
Demand deposit amount	4,949,572	7,426,830
Time deposit amount	16,500,000	17,500,000
Time deposit amount in other banks(market values)	14,100,000	7,500,000
Total	<b>\$ 35,549,572</b>	<b>32,426,830</b>

(q) Accounts payable

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Payable of securities sold by customers	\$ 56,776	50,980
Settlement	1,695,614	-
Payable of settlements	9,239,779	10,587,751
Others	437,742	507,729
Total	<b>\$ 11,429,911</b>	<b>11,146,460</b>

(r) Lease liabilities

The Group's lease liabilities are as follow:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Current	<b>\$ 199,337</b>	<b>201,566</b>
Non-current	<b>\$ 409,190</b>	<b>522,851</b>

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

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31, 2024</b>	<b>2023</b>
Interest on lease liabilities	<b>\$ 8,712</b>	<b>9,714</b>
Expenses relating to short-term leases	<b>\$ 16,879</b>	<b>12,561</b>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<b>\$ 7,162</b>	<b>4,839</b>

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

	<b>For the years ended December 31, 2024</b>	<b>2023</b>
Total cash outflow for leases	<b>\$ 245,492</b>	<b>229,365</b>

(Continued)

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

(s) Employee benefit

(i) Defined benefit plans

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Present value of defined benefit obligations	\$ (1,017,874)	(793,800)
Fair value of plan assets	<u>742,591</u>	<u>707,616</u>
Recognized liabilities for defined benefit obligations	<u><u>\$ (275,283)</u></u>	<u><u>(86,184)</u></u>

The Group's employee benefits liabilities are as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Compensated absences	\$ <u><u>61,267</u></u>	<u><u>54,787</u></u>

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

1) Composition of plan assets

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

The balance of the Group's labor pension preparatory special account in Bank of Taiwan amounted to \$741,604 and \$707,426 as of December 31, 2024 and 2023, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$987 and \$190 as of December 31, 2024 and 2023, respectively.

(Continued)

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

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2024 and 2023 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Defined benefit obligation on January 1	\$ 793,800	745,735
Current service costs and interest	10,591	9,330
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in financial assumptions	11,743	6,780
-Experience adjustments	256,248	75,180
Benefits paid by the plan	(54,508)	(43,225)
Defined benefit obligation on December 31	<b>\$ 1,017,874</b>	<b>793,800</b>

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2024 and 2023 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Fair value of plan assets on January 1	\$ 707,616	721,680
Interest revenue	8,610	9,878
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	64,259	4,492
Contributions from the employer	16,353	14,796
Benefits paid from plan assets	(54,247)	(43,230)
Fair value of plan assets on December 31	<b>\$ 742,591</b>	<b>707,616</b>

4) Expense recognized in profit or loss

The expenses recognized by the Group in 2024 and 2023 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Current service cost	\$ 977	(847)
Net interest of net defined benefit liabilities (assets)	1,004	299
Current pension cost	<b>\$ 1,981</b>	<b>(548)</b>

(Continued)

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

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

For the years ended December 31, 2024 and 2023, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ (361,216)	(283,748)
Recognized amount during the period	(203,732)	(77,468)
Balance at December 31	<u><u>\$ (564,948)</u></u>	<u><u>(361,216)</u></u>

6) Actuarial assumptions

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Discount rate	1.140%~2.000%	1.22%~1.625%
Future salary growth rate	2.750%~3.500%	2.20%~3.00%

The expected contribution to the defined benefit plan for the next year is \$269. The weighted average duration of the defined benefit obligation is 1~11.52 years.

7) Sensitivity Analysis

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

As of December 31, 2024 and 2023, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<b>Effects to Defined Benefit Obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
December 31, 2024		
Discount rate	(22,967)	23,836
Future salary growth rate	18,470	(18,023)
	<b>Effects to Defined Benefit Obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
December 31, 2023		
Discount rate	(18,507)	19,230
Future salary growth rate	15,069	(14,685)

(Continued)

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

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

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

(ii) Defined contribution plan

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

The Group contributed \$112,842 and \$94,723 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2024 and 2023, respectively.

(iii) For the years ended December 31, 2024 and 2023, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$5,931 and \$4,981, respectively.

(t) Income tax

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

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

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

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

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

(Continued)

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

(ii) Income tax expense (benefit)

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Current tax expense		
Current year	\$ 854,517	797,859
Adjustment to the prior years' income tax	(645)	55
	<u>853,872</u>	<u>797,914</u>
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	254,956	(262,921)
Unrealized gains (losses) on foreign investments under Equity Method	61,468	2,790
	<u>316,424</u>	<u>(260,131)</u>
Income tax expense from continuing operations	<u><u>\$ 1,170,296</u></u>	<u><u>537,783</u></u>

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Foreign exchange difference from translating financial statements of foreign operations	<u><u>\$ 22,363</u></u>	<u><u>(282)</u></u>

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Net income before tax	\$ 6,572,371	5,108,776
Income tax using the domestic tax rate of each Group entity	\$ 1,454,733	1,142,073
Tax exempt income	(278,653)	(579,500)
Unrecognized deferred tax assets for current-year losses	964	(262)
Changes in unrecognized temporary differences	1,245	(15,024)
Additional surtax on undistributed retained earnings	-	3,556
Adjustments to prior years' income tax	(645)	55
Others	<u>(7,348)</u>	<u>(13,115)</u>
Total	<u><u>\$ 1,170,296</u></u>	<u><u>537,783</u></u>

(Continued)

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

(iii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Unrealized losses on foreign investments under Equity Method	\$ <u>-</u>	<u>15,894</u>

2) Unrecognized deferred tax assets

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 3,411	3,272
Tax loss carried forward	<u>6,070</u>	<u>6,343</u>
Total	<u>\$ 9,481</u>	<u>9,615</u>

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

As of December 31, 2024, the subsidiaries Capital Investment Management Corp., CSC Venture Capital Corp. and second level subsidiary CSC Private Equity Fund I Co. estimated tax losses recognized under deferred income tax asset were as follows:

<u>Year or loss</u>	<u>Amount</u>	<u>Expiry date</u>
2016 (Declared)	\$ 1,256	2026
2017 (Declared)	2,480	2027
2020 (Declared)	1,342	2030
2021 (Declared)	24,735	2031
2024 (Estimated)	<u>537</u>	2034
Total	<u>\$ 30,350</u>	

3) Recognized deferred income tax liabilities

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Unrealized gains on derivative financial instruments	\$ 351,477	96,521
Gains on intercompany transactions	1,928	1,928
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Exchange differences on translation of foreign financial statement	26,661	4,298
Unrealized gains on foreign investments under Equity Method	45,574	-
Total	<u>\$ 836,027</u>	<u>513,134</u>

(Continued)

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

4) Unrecognized deferred tax liabilities

As of December 31, 2024 and 2023, the Group's temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2024	December 31, 2023
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>43,823</u>	<u>29,380</u>

The dividend policies of the Group's second level subsidiaries, CSC Futures (HK) Ltd. and Capital True Partner Technology Co., Ltd, was prescribed not to appropriate the retained earnings until December 31, 2024. Also, the Group does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

(iv) Income tax assessment status

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

(v) Income tax administrative relief

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

(u) Capital and other equity

(i) Capital stock

As of December 31, 2024 and 2023, the Company had authorized capital of \$30,000,000 and issued common stock were all 2,170,908 thousand shares, with a par value of \$10 per share.

(Continued)

**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:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Premium from stock issuance	\$ 1,661,604	1,661,604
Treasury stock transactions	486,556	486,556
Paid-in capital from merger	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,042	1,042
Changes in ownership interests in subsidiaries	<u>30,340</u>	<u>30,339</u>
	<u><b>\$ 2,743,257</b></u>	<u><b>2,743,256</b></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.

(Continued)

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

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

3) Undistributed earnings

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

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

The Company's fiscal year 2023 earnings distribution resolved by the shareholders' meeting on June 27, 2024, and fiscal year 2022 earnings distribution resolved by the shareholders' meeting on June 27, 2023. Dividends distributed to the owners were as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>Dividends per share (dollar)</b>	<b>Amount</b>	<b>Dividends per share (dollar)</b>
Cash dividends	<u>\$ 2,887,307</u>	1.33	<u>846,655</u>	0.39

(Continued)

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

(v) Earnings per share

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Net income attributable to common shareholders of the Company	\$ <u>4,883,776</u>	<u>4,131,510</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	\$ <u>2.25</u>	<u>1.90</u>
Effect of potentially dilutive common stock	<u>3,599</u>	<u>5,655</u>
- Employee remuneration (thousands of shares) (Note)		
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,174,507</u>	<u>2,176,563</u>
Dilutive earnings per share (dollar)	\$ <u>2.25</u>	<u>1.90</u>

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

(w) Items of the statements of comprehensive income

(i) Brokerage commissions

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Brokerage commission from TSE market	\$ 3,842,425	2,642,618
Brokerage commission from OTC market	1,184,016	886,185
Handling fee from security financing	32,023	28,216
Futures commission income - brokerage	1,855,796	1,597,418
Overseas subsidiaries	15,857	32,287
Others	<u>198,716</u>	<u>150,807</u>
	<u>\$ 7,128,833</u>	<u>5,337,531</u>

(ii) Underwriting commissions

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Revenue from underwriting securities on a firm commitment basis	\$ 72,432	55,587
Handling fee revenues from underwriting securities on consignment	1,227	405
Processing fee revenues from underwriting operations	42,308	27,551
Revenue from underwriting consultation	4,170	5,190
Others	<u>8,861</u>	<u>2,190</u>
	<u>\$ 128,998</u>	<u>90,923</u>

(Continued)

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

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Gains (losses) on securities sold - proprietary trading	\$ 4,085,664	803,792
Gains (losses) on securities sold - underwriting	28,120	7,993
Gains (losses) on securities sold - hedging	2,423,820	1,532,590
	<b>\$ 6,537,604</b>	<b>2,344,375</b>

(iv) Interest revenue

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Interest revenue - margin loans	\$ 1,053,598	753,323
Interest revenue - bonds	1,608,757	1,302,936
Interest revenue - each customer in the account	432,239	112,666
Interest revenue - securities business money lending	570,083	124,525
Overseas subsidiaries	26,833	19,423
Others	127,576	107,037
	<b>\$ 3,819,086</b>	<b>2,419,910</b>

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Trading securities - proprietary	\$ (309,688)	530,608
Trading securities - underwriting	3,032	9,774
Trading securities - hedging	(627,472)	1,258,422
	<b>\$ (934,128)</b>	<b>1,798,804</b>

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

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Gains on changes in fair value of stock warrants	\$ 17,219,248	10,770,274
Gains on exercise of stock warrants before maturity	73,093,737	71,408,116
Losses on changes in fair value of stock warrants repurchased	(89,628,931)	(81,954,743)
Gains on expiration of stock warrants	113,087	34,727
Stock warrants issuance expenses	(544,698)	(428,799)
	<b>\$ 252,443</b>	<b>(170,425)</b>

(vii) Futures commission revenues

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Futures commission revenues - CSC Futures (HK) Ltd.	<b>\$ 319,734</b>	<b>301,191</b>

(Continued)

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

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

(viii) Commission expenses - future

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Future trading - reconsignment	\$ 250,164	225,574
Future trading - introducing brokers	2,902	3,042
Commission expenses - CSC Futures (HK) Ltd.	77,274	75,118
	<b>\$ 330,340</b>	<b>303,734</b>

(ix) Employee benefits, depreciation, and amortization expenses

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Employee benefit expenses		
Salary expense	\$ 3,367,322	3,058,209
Health and labor insurance expense	227,994	193,374
Pension expense	120,754	99,156
Others	113,488	68,570
Depreciation expense	435,440	417,667
Amortization expense	55,507	45,810
	<b>\$ 4,320,505</b>	<b>3,882,786</b>

(x) Other operating expenses

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Rental expense	\$ 24,100	17,450
Taxes	1,060,928	725,653
Information technology expense	372,900	284,601
Postage expense	296,371	249,535
Professional service fee	38,392	22,332
Security borrowed expense	681,765	436,222
Other expenses	1,129,486	786,846
	<b>\$ 3,603,942</b>	<b>2,522,639</b>

(Continued)

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

(xi) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Financial revenue	\$ 1,542,864	1,389,561
Currency exchange gains (losses)	7,906	(516)
Net gains (losses) on disposal of investment	164,733	(274,634)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	13,828	47,051
Revenue from bank's allocation fee	202,942	279,899
Dividend revenue	88,342	336,147
Gains on reversal of prior year's liabilities	140,457	18,539
Rental income	181,518	182,897
Others	44,705	48,895
	<b>\$ 2,387,295</b>	<b>2,027,839</b>

(xii) Remuneration to employees and directors

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

For the years ended December 31, 2024 and 2023, the estimated amounts of remuneration to employees were \$88,718 and \$92,459, respectively, and to directors were \$29,285 and \$138,689, 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.

(Continued)

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

For the years ended December 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$92,459 and \$16,731, and to directors were \$138,689 and \$20,404 by the Company. The difference between actual employee remuneration of \$73,000 and \$8,197 and actual remuneration to directors of \$17,926 and \$10,930 were \$140,222 and \$18,008 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2024 and 2023. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the years ended December 31, 2024 and 2023, the estimated amounts of remuneration to employees were \$17,433 and \$14,761 and to directors were \$17,419 and \$14,767 by the domestic subsidiaries of the Group, respectively.

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2024 and 2023, the maximum credit exposure amounted to \$251,623,021 and \$201,681,173, 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 86.73%); secondly, is in Asia (accounted for 5.08%, exclusion of Taiwan); then, is in America (accounted for 4.52%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<b>Region</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Taiwan	\$ 218,229,776	170,713,461
Asia (Taiwan is excluded)	12,777,068	12,924,755
Europe	9,249,483	7,961,492
America	<u>11,366,694</u>	<u>10,081,465</u>
Total	<u><u>\$ 251,623,021</u></u>	<u><u>201,681,173</u></u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Impairment loss

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

	December 31, 2024		December 31, 2023	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 69,389,188	29,602	39,786,382	34,623
Past due 0~30 days	-	-	-	-
Past due 31~120 days	213	213	-	-
Past due 121~360 days	1,653	1,653	2,223	2,223
Past due more than 360 days	269,377	269,377	260,900	260,900
	<u>\$ 69,660,431</u>	<u>300,845</u>	<u>40,049,505</u>	<u>297,746</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 December 31, 2024 and 2023, the impairment losses of receivables were \$300,845 and \$297,746, respectively.

#### 3) Credit risk of receivables and debt securities

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

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

The loss allowance provision for the years ended December 31, 2024 and 2023 was as follows:

	12-month ECL			Lifetime ECL -not credit impaired			Lifetime ECL-credit impaired			
	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	Total
Balance on January 1, 2024	\$ -	9,682	1,721	-	-	-	297,746	-	-	309,149
Provision or reversal of Impairment loss	-	2,913	375	-	-	-	1,584	-	-	4,872
Amounts written off	-	-	-	-	-	-	(273)	-	-	(273)
Effect of exchange rate	-	-	7	-	-	-	1,788	-	-	1,795
Balance on December 31, 2024	<u>\$ -</u>	<u>12,595</u>	<u>2,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,845</u>	<u>-</u>	<u>-</u>	<u>315,543</u>

  

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

(Continued)

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2024							
Financial liabilities at fair value through profit or loss							
Liabilities on sale of borrowed securities	\$ 21,808,058	21,808,058	21,808,058	-	-	-	-
Stock warrants issued	1,064,031	1,064,031	854,432	194,900	14,699	-	-
Put options	94,390	94,390	94,390	-	-	-	-
Equity derivatives	1,408	1,408	1,408	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	292,474	292,474	2,730	7,013	100,976	181,755	-
Asset swap option - short position	2,781,544	2,781,544	160,425	340,580	1,043,668	1,236,871	-
Leverage derivatives - non- hedging	12,900	12,900	12,900	-	-	-	-
Structured notes	155,522	155,522	16,400	2,865	9,078	14,417	112,762
Short-term borrowings	7,304,896	7,304,896	7,304,896	-	-	-	-
Commercial paper payable	41,514,617	41,580,000	41,580,000	-	-	-	-
Bonds sold under repurchase agreements	53,622,868	54,594,750	35,154,961	19,439,789	-	-	-
Guarantee deposited for short sales	2,527,527	2,527,527	2,527,527	-	-	-	-
Proceeds payable from short sales	2,874,680	2,874,680	2,874,680	-	-	-	-
Securities lending refundable deposits	16,292,813	16,292,813	16,292,813	-	-	-	-
Futures traders' equity	48,552,145	48,552,145	48,552,145	-	-	-	-
Equity for each customer in the account	35,555,711	35,555,711	35,555,711	-	-	-	-
Leverage contract trading customers' equity	907,350	907,350	907,350	-	-	-	-
Notes payable and accounts payable	437,894	437,894	437,894	-	-	-	-
Receipts under custody	825,388	825,388	825,388	-	-	-	-
Other payables	1,414,546	1,414,546	1,413,476	1,070	-	-	-
Other financial liabilities	6,936,176	6,936,176	6,021,004	399,130	411,672	104,370	-
Lease liabilities	608,527	622,694	112,405	93,787	175,401	239,757	1,344
Long-term borrowings	4,497,142	4,500,000	-	-	4,500,000	-	-
	<u>\$ 250,082,607</u>	<u>251,136,897</u>	<u>222,510,993</u>	<u>20,479,134</u>	<u>6,255,494</u>	<u>1,777,170</u>	<u>114,106</u>

(Continued)

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

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

(Continued)

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

(iii) Currency risk

1) Currency risk exposure

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

		December 31, 2024		
		Foreign Currency (thousands)	Exchange Rate	Amount
<b>Financial assets</b>				
<b><u>Monetary Item</u></b>				
USD	\$	1,172,545	32.7850	38,441,888
AUD		4,337	20.3900	88,431
CAD		22	22.8200	502
CHF		333	36.2650	12,076
EUR		7,346	34.1400	250,792
GBP		1,399	41.1900	57,625
HKD		291,873	4.2220	1,232,288
JPY		2,084,495	0.2099	437,536
SGD		106	24.1300	2,558
CNY		73,371	4.4780	328,555
ZAR		2,688	1.7500	4,704
KRW		287,550	0.0225	6,470
NZD		45	18.4700	831
THB		4,504	0.9623	4,334
MYR		48	7.0655	340
VND		8,681,559	0.0013	11,286
SEK		1,273	2.9900	3,806
INR		40,176	0.3830	15,387
<b><u>Non-Monetary Item</u></b>				
USD		739,696	32.7850	24,250,933
AUD		124,292	20.3900	2,534,314
CHF		58	36.2650	2,103
EUR		27,908	34.1400	952,779
HKD		15,056	4.2220	63,566
JPY		49,254	0.2099	10,338
CNY		34,639	4.4780	155,113

(Continued)

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

		December 31, 2024		
		Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial liabilities</u></b>				
<b><u>Monetary Item</u></b>				
USD	\$	1,956,864	32.7850	64,155,786
AUD		122,088	20.3900	2,489,374
CHF		27	36.2650	979
EUR		33,901	34.1400	1,157,380
GBP		1,363	41.1900	56,142
HKD		449,178	4.2220	1,896,430
JPY		2,095,797	0.2099	439,908
SGD		140	24.1300	3,378
CNY		68,387	4.4780	306,237
ZAR		158	1.7500	277
KRW		284,314	0.0225	6,397
THB		1,533	0.9623	1,475
VND		3,158,805	0.0013	4,106
SEK		1,257	2.9900	3,758
<b><u>Non-Monetary Item</u></b>				
USD		241	32.7850	7,901
AUD		1	20.3900	20
CAD		2	22.8200	46
JPY		2,566	0.2099	539
SGD		1	24.1300	24
ZAR		3,181	1.7500	5,567
NZD		11	18.4700	203

(Continued)

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

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

(Continued)

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

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

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the years ended December 31, 2024 and 2023, the realized and unrealized currency exchange gains (losses) amounted to \$(227,231) and \$19,819, respectively.

(Continued)

**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, financial assets at amortized cost, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2024 and 2023, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the years ended December 31, 2024		For the years ended December 31, 2023	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
Net income	(681,986)	681,986	(659,568)	659,568
Other comprehensive income	615,291	(615,291)	544,090	(544,090)

(iv) Sensitivity analysis of interest rate risk

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

Market risk type	December 31, 2024	December 31, 2023	For the years ended December 31,					
			2024			2023		
			Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	3,022,542	2,620,698	2,794,749	3,159,498	2,592,498	2,153,680	2,620,698	1,781,528

(Continued)

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

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

(Continued)

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

2) Not measured at fair value

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

a) Fair value information

	<b>December 31, 2024</b>		<b>December 31, 2023</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
Financial assets:				
Cash and cash equivalents	\$ 9,289,189	9,289,189	8,598,180	8,598,180
Bonds purchased under resale agreements	250,121	250,121	60,208	60,208
Accrued receivable	119,935,659	119,935,659	85,015,061	85,015,061
Customers' margin account	48,810,284	48,810,284	38,874,681	38,874,681
Leverage contract trading - customers' margin account	907,903	907,903	712,455	712,455
Restricted assets - current	2,368,179	2,368,179	1,591,156	1,591,156
Other non-current assets	1,843,360	1,843,360	1,697,550	1,697,550
Financial liabilities:				
Short-term borrowings	7,304,896	7,304,896	5,874,434	5,874,434
Commercial paper payable	41,514,617	41,514,617	13,090,169	13,090,169
Bonds sold under repurchase agreements	53,622,868	53,622,868	51,425,166	51,425,166
Accrued payable	71,575,756	71,575,756	66,129,729	66,129,729
Futures traders' equity	48,552,145	48,552,145	38,762,176	38,762,176
Leverage contract trading - customers' equity	907,350	907,350	733,533	733,533
Other financial liabilities - current	6,420,134	6,420,134	4,223,503	4,223,503
Long-term borrowings	4,497,142	4,497,142	-	-
Other financial liabilities - non-current	516,042	516,042	677,162	677,162
Other non-current liabilities	49,165	49,165	84,640	84,640

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Debt securities at amortized cost				
December 31, 2024	\$ -	<b>6,639,189</b>	-	<b>6,639,189</b>
December 31, 2023	\$ -	<b>5,361,000</b>	-	<b>5,361,000</b>

(Continued)

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2024</b>				
Financial assets at fair value through profit or loss	\$ 33,435,793	32,766,164	101,308	66,303,265
Financial assets at fair value through other comprehensive income	5,847,994	25,363,281	4,558,179	35,769,454
Derivative financial assets	<u>2,216,050</u>	<u>1,021,640</u>	<u>-</u>	<u>3,237,690</u>
	<u><b>\$ 41,499,837</b></u>	<u><b>59,151,085</b></u>	<u><b>4,659,487</b></u>	<u><b>105,310,409</b></u>
Financial liabilities at fair value through profit or loss	\$ 22,872,089	-	-	22,872,089
Derivative financial liabilities	<u>234,335</u>	<u>3,103,903</u>	<u>-</u>	<u>3,338,238</u>
	<u><b>\$ 23,106,424</b></u>	<u><b>3,103,903</b></u>	<u><b>-</b></u>	<u><b>26,210,327</b></u>

(Continued)

**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>
<b>December 31, 2023</b>				
Financial assets at fair value through profit or loss	\$ 30,233,689	32,196,042	102,630	62,532,361
Financial assets at fair value through other comprehensive income	4,048,127	20,106,338	3,602,562	27,757,027
Derivative financial assets	<u>1,209,015</u>	<u>527,674</u>	<u>-</u>	<u>1,736,689</u>
	<u><b>\$ 35,490,831</b></u>	<u><b>52,830,054</b></u>	<u><b>3,705,192</b></u>	<u><b>92,026,077</b></u>
Financial liabilities at fair value through profit or loss	\$ 18,133,227	-	-	18,133,227
Derivative financial liabilities	<u>114,262</u>	<u>2,842,915</u>	<u>-</u>	<u>2,957,177</u>
	<u><b>\$ 18,247,489</b></u>	<u><b>2,842,915</b></u>	<u><b>-</b></u>	<u><b>21,090,404</b></u>

- b) Valuation techniques of financial instruments measured at fair value
- i) Non-derivative financial instruments

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

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

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

(Continued)

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

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

5) Fair value adjustments

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

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

(In Thousands Dollars)

For the year ended December 31, 2024									
Item	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through profit or loss	\$ 102,630	(1,322)	-	-	-	-	-	-	101,308
Financial assets at fair value through other comprehensive income	3,602,562	-	130,793	882,000	-	3,500	676	53,000	4,558,179
Total	\$ 3,705,192	(1,322)	130,793	882,000	-	3,500	676	53,000	4,659,487

For the year ended December 31, 2023									
Item	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	(1,870)	-	106,300	-	37,800	-	6,482	102,630
Financial assets at fair value through other comprehensive income	2,690,775	-	1,048,158	40,000	-	161,800	571	14,000	3,602,562
Total	\$ 2,733,257	(1,870)	1,048,158	146,300	-	199,600	571	20,482	3,705,192

(Continued)

# CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

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

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

(Continued)

# CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
<b>December 31, 2024</b>		
Financial assets at fair value through profit or loss	\$ <u>1,013</u>	<u>(1,013)</u>
Financial assets at fair value through other comprehensive income	\$ <u>45,582</u>	<u>(45,582)</u>
<b>December 31, 2023</b>		
Financial assets at fair value through profit or loss	\$ <u>1,026</u>	<u>(1,026)</u>
Financial assets at fair value through other comprehensive income	\$ <u>36,026</u>	<u>(36,026)</u>

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

### (vi) Transfer of financial assets

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

Types of financial assets	December 31, 2024				
	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ <u>55,605,652</u>	<u>53,622,868</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

December 31, 2023					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 53,843,190	51,425,166	-	-	-

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

December 31, 2024						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 1,021,640	-	1,021,640	-	-	1,021,640

December 31, 2024						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 3,243,848	-	3,243,848	-	-	3,243,848
Under repurchase agreements	53,622,868	-	53,622,868	53,622,868	-	-
Total	\$ 56,866,716	-	56,866,716	53,622,868	-	3,243,848

December 31, 2023						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 527,674	-	527,674	-	-	527,674

(Continued)

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

December 31, 2023						
	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 2,875,015	-	2,875,015	-	-	2,875,015
Under repurchase agreements	51,425,166	-	51,425,166	51,425,166	-	-
<b>Total</b>	<b>\$ 54,300,181</b>	<b>-</b>	<b>54,300,181</b>	<b>51,425,166</b>	<b>-</b>	<b>2,875,015</b>

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

(y) Financial risk management

(i) Brief

The Group is exposed to the following risks due to the usage of financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The disclosure hereby presents above-mentioned risk information, evaluation, and objectives, policies, and procedures of managing information. Further information regarding quantity disclosure please refers to related disclosures.

(ii) Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Group also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Group set up a risk management information system to assist whole risk management execute effectively.

(iii) Credit risk

- 1) Determining whether credit risk has increased significantly since initial recognition
  - a) The Group measures each financial instrument that applies under IFRS9 if the credit risk of financial asset at the reporting date has increased significantly since initial recognition. The Group considers reasonable and supportable information that is relevant and available, including forward-looking information, since initial recognition for assessment. Main factors taking into consideration include credit risk rating and information of past due condition.

(Continued)

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

- b) Low Credit Risk: A financial instrument has low credit risk at the reporting date, assumed to have no significant increase in credit risk since initial recognition. The determination criteria are the financial instrument's external credit rating is 'investment grade' or above.
- 2) Measurement of Expected Credit Losses (ECL)
- a) Methods adopted and assumptions

The Group applies 12-month ECLs to measure the impairment loss of financial instruments, which have not increased significantly since initial recognition. For those financial instruments have increased significantly after initial recognition or with credit loss, the Group adopts lifetime ECLs to measure.

In order to measure ECLs, the Group takes into the future 12 months and lifetime probability of default (PD) on the financial assets, issuer, and counterparty to the possibility of Loss given default (LGD), then multiplies the amount of exposure at default (EAD) with the consideration of time value on currency, to calculate the 12 month and lifetime ECLs respectively.

Probability of PD is the probability of defaults occurring of an issuer or the counterparty. Probability of LGD is the percentage of the amount of loss incurred when issuers or the counterparty default. The probability of PD and LGD used by the Group was referring to the information periodically release from international credit rating institutions such as S&P, Moody's and Fitch. The Group measures EAD by the amortized cost plus interest receivables of financial instruments.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Group also to diversify the financing channels for funding. The Group plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Group has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc. to address the liquidity risk of each holding position. Moreover, the Group operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

(v) Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Group's revenue or the value of its holdings of financial instruments.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group has set up the trading quotas and upper limit of Value at Risk (“VaR”) in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Group uses to measure the market risk are as follows:

- 1) Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- 2) Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 3) Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 4) Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Group can utilize approved financial hedging instruments (such as Futures, Options, Swap and etc.) to adjust the risk level to improve the risk management system implemented.

(vi) Hedging strategies (financial hedging)

The Group’s strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Group sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Group also formulates principal to conduct over or under limitations with hedging position

1) Equity securities:

As equity securities price fluctuate, the Group will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Group not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

2) Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Group will suffer losses when unfavorable variation of market rate is incurred. The Group uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

3) Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors’ exercising the stock warrants. The Group will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Group will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

(Continued)

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

4) Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Group uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Group establishes related hedged position to hedge the stock price and the volatility risk.

5) Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Group manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

(vii) Financial risk information of financial derivatives and other financial instruments as approved by the authority

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

Stock warrants

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

Financial Instruments	December 31, 2024		December 31, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Stock warrants issued	\$ 31,046,844	-	93,530,484	-

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.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

(v) Presentation of financial derivatives

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

1) For the years ended December 31, 2024 and 2023:

a) Gains (losses) on valuation

	For the years ended December 31,		Account
	2024	2023	
Stock warrants issued	\$ 29,058,735	41,057,103	Gains (losses) on stock warrants issued
Stock warrants repurchased	(28,468,679)	(40,854,770)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the years ended December 31,		Account
	2024	2023	
Security borrowing	\$ (8,226)	(110,877)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	695,473	641,503	Gains (losses) on sale of trading securities
Futures transaction	(359,762)	(325,737)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the years ended December 31,		Account
	2024	2023	
Stock warrants issued	\$ 61,367,337	41,156,014	Gains (losses) on stock warrants issued
Stock warrants repurchased	(61,160,252)	(41,099,973)	Gains (losses) on stock warrants issued

#### Futures

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

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

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

(Continued)

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

(ii) Market risk:

Market risk resulted from the purchase and sale of futures and options. Since the fair values of futures and options are available, and stop-loss points are established in order to manage risk, the 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:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>Account</b>
Futures margin - security	\$ 394,650	-	Financial assets at fair value through profit or loss - current
Futures margin - proprietary fund	1,541,089	1,014,514	Financial assets at fair value through profit or loss - current
Futures margin - excess margin	3,442,899	1,997,886	Cash and cash equivalent
Buy options	280,311	194,501	Financial assets at fair value through profit or loss - current
Sale options	94,390	82,162	Financial liabilities at fair value through profit or loss - current
	<b>For the years ended December 31, 2024</b>	<b>2023</b>	<b>Account</b>
Gains (losses) on futures transactions	(882,448)	(699,650)	Gains (losses) on derivatives - futures
Gains (losses) on futures transactions - security	(8,305)	-	Gains (losses) on securities for futures margin at fair value through profit or loss

(Continued)

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

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

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

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

2) Market risk:

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

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

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

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

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

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

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

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

(Continued)

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

(ii) Structured notes

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

Financial Instruments	December 31, 2024		December 31, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 330,000	-	266,000	-
Principal guaranteed notes	5,634,024	-	3,470,817	-
Credit-linked notes	1,046,400	-	1,138,700	-
Principal guaranteed notes (in USD thousands)	USD 1,845	-	USD 2,487	-

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

2) Market risk

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

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

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

(iii) Convertible bond asset swaps

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

Financial Instruments	December 31, 2024		December 31, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset swaps	\$ 6,127,100	-	2,744,800	-
Convertible bond options	19,454,000	-	15,354,000	-

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

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

(Continued)

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

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:

	December 31, 2024		December 31, 2023	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
<b>Financial Instruments</b>				
For trading purpose:				
Equity options	\$ 524,813	-	475,427	-

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

2) Market risk:

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

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

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

(Continued)

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

(v) Leverage derivatives

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

Financial Instruments	December 31, 2024		December 31, 2023	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Leverage derivatives-long position	\$ 5,647,635	-	4,606,396	-
Leverage derivatives-short position	5,645,208	-	4,592,219	-

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

2) Market risk:

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

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

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

(vi) Presentation of derivative instruments in financial statement

As of December 31, 2024 and 2023, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps were presented on the balance sheets as follows:

	December 31, 2024	December 31, 2023
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 48,834	43,403
Asset swap options - long position	785,194	315,076
Leverage derivatives - non-hedging	153,147	150,671
Structured notes	2,623	2,284
Exchange rate derivatives	27,503	-
Interest rate swaps	243	350
Equity derivatives	4,096	15,890
Total	<u>\$ 1,021,640</u>	<u>527,674</u>

(Continued)

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	\$ 292,254	56,167
Asset swap options - short position	2,781,544	2,663,494
Leverage derivatives - non-hedging	12,900	15,402
Structured notes	42,760	41,296
Exchange rate derivatives	220	98,566
Equity derivatives	1,408	90
Total	<b>\$ 3,131,086</b>	<b>2,875,015</b>
Financial liabilities at fair value through profit or loss - non-current		
Structured notes	<b>\$ 112,762</b>	<b>-</b>
Other financial liabilities - current		
Structured notes principal value	<b>\$ 6,420,134</b>	<b>4,223,503</b>
Other financial liabilities - non-current		
Structured notes principal value	<b>\$ 516,042</b>	<b>677,162</b>

For the years ended December 31, 2024 and 2023, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps are presented on statements of income as follows:

	<b>For the year ended December 31, 2024</b>		<b>For the year ended December 31, 2023</b>	
	<b>Gains (losses) on derivative instruments - OTC</b>	<b>Unrealized Gains (losses)</b>	<b>Gains (losses) on derivative instruments - OTC</b>	<b>Unrealized Gains (losses)</b>
Interest rate swaps	\$ 3	243	222	350
Equity derivatives	6,914	(13,174)	5,132	15,956
Structured notes	(94,202)	(17,323)	(106,641)	10,862
IRS asset swaps	(2,132)	(1,809)	(860)	(819)
Asset swap options	(728,697)	1,365,666	(1,516,870)	462,833
Exchange rate derivatives	280,699	27,324	108,395	(98,566)
Leverage derivatives - non-hedging	97,391	4,978	95,511	135,269
Total	<b>\$ (440,024)</b>	<b>1,365,905</b>	<b>(1,415,111)</b>	<b>525,885</b>

(Continued)

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

(z) Capital management

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

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Capital adequacy ratio	278 %	276 %

(aa) Financing activities not affecting current cash flow

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

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

	<b>January 1, 2024</b>	<b>Cash flows</b>	<b>Other</b>	<b>Non-cash changes Foreign exchange movement</b>	<b>Fair value changes</b>	<b>December 31, 2024</b>
Lease liabilities	\$ 724,417	(221,451)	104,464	1,097	-	608,527

  

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Other</b>	<b>Non-cash changes Foreign exchange movement</b>	<b>Fair value changes</b>	<b>December 31, 2023</b>
Lease liabilities	\$ 827,292	(211,965)	109,208	(118)	-	724,417

**(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.

<b>Names of related parties</b>	<b>Relationships</b>
Capital Insurance Advisory Corp.	Subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance
Bao Zuo Investment Corp.	Related party in substance
Sheng Hsiang Enterprise Corp.	Related party in substance
Fu Tai Construction Corp.	Related party in substance

(Continued)

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

<u>Names of related parties</u>	<u>Relationships</u>
Feng Yang Investment Corp.	Related party in substance
Chuan Yi Investment Corp.	Related party in substance
Bao Ching Investment Corp.	Related party in substance
Bao Sheng Investment Corp.	Related party in substance
Fu Ding Investment Corp.	Related party in substance
Kwang Hsing Industrial Corp.	Corporate directors
Other related parties	Key management personnel

(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 344,291	349,763
Post-employment benefits	<u>3,341</u>	<u>2,793</u>
Total	<u>\$ 347,632</u>	<u>352,556</u>

(ii) Bonds sold under repurchase agreements

	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Other related parties	\$ -	-	<u>4,000</u>	<u>4,051</u>

	<u>For the years ended December 31,</u>	
<u>Total financial expenses</u>	<u>2024</u>	<u>2023</u>
Other related parties	\$ <u>19</u>	<u>103</u>

Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Other related parties	\$ <u>67,700</u>	<u>86,800</u>

(iv) Futures transactions

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<u>Future Traders' equity</u>		
Other related parties	\$ <u>3,032</u>	<u>270</u>

(Continued)

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

(v) Brokerage and sub-brokerage

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Brokerage commissions</b>		
Other related parties	\$ <u>66,744</u>	<u>48,173</u>
<b>Re-consigned handling commissions</b>		
Other related parties	\$ <u>2,212</u>	<u>1,084</u>

(vi) Consultancy Fee

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Consultancy Fee</b>		
Other related parties	\$ <u>-</u>	<u>39</u>

(vii) Other revenue

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Other revenue</b>		
Other related parties	\$ <u>-</u>	<u>4</u>

(viii) Property Transactions - Dispose Equipment

	<b>For the years ended December 31,</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Disposal proceeds</b>	<b>Gain or loss on disposal</b>	<b>Disposal proceeds</b>	<b>Gain or loss on disposal</b>
Other related parties	\$ <u>-</u>	<u>-</u>	<u>860</u>	<u>50</u>

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	<b>December 31, 2024</b>		<b>December 31, 2023</b>	
	<b>Par value</b>	<b>Purchase price</b>	<b>Par value</b>	<b>Purchase price</b>
Funds issued by associate	\$ <u>712,000</u>	<u>712,000</u>	<u>1,056,720</u>	<u>1,056,720</u>
<b>Total financial expenses</b>				
Subsidiaries	\$ 45		35	
Funds issued by associate	13,051		12,277	
Total	\$ <u>13,096</u>		<u>12,312</u>	

Transaction terms are the same as the general clients.

(Continued)

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

(ii) Financial assets transactions

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

<u>Relationship</u>	<u>Account</u>	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
		<u>Ending shares (Note)</u>	<u>Ending amount</u>	<u>Ending shares (Note)</u>	<u>Ending amount</u>
Funds issued by associate	Financial assets at fair value through profit or loss - current	<u>117,763</u>	<u>\$ 2,376,959</u>	<u>111,489</u>	<u>2,073,630</u>

Notes: Amounts in thousand shares.

	<u>For the years ended December 31,</u>			
	<u>2024</u>		<u>2023</u>	
	<u>Gain or loss on disposal</u>	<u>Dividend</u>	<u>Gain or loss on disposal</u>	<u>Dividend</u>
Funds issued by associate	<u>\$ 399,873</u>	<u>204,716</u>	<u>82,397</u>	<u>70,212</u>

  

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b><u>Prepayments</u></b>		
Associates	<u>\$ 12,574</u>	<u>55,202</u>

Transaction terms are the same as the general clients.

(iii) Futures transactions

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b><u>Futures traders' equity</u></b>		
Funds issued by associate	<u>\$ 384,333</u>	<u>671,147</u>

  

	<u>For the years ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
<b><u>Total financial expenses</u></b>		
Funds issued by associate	<u>\$ 1,101</u>	<u>573</u>

Transaction terms are the same as the general clients.

(iv) Lease agreements

Lessor

	<u>For the years ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
<b><u>Lease revenue</u></b>		
Associates	<u>\$ 17,658</u>	<u>17,263</u>

  

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b><u>Guarantee deposits received</u></b>		
Associates	<u>\$ 4,429</u>	<u>3,811</u>

(Continued)

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

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

Lessee

- 1) The Group leases office places from related party in substance for operation, and lease period is seven to nine years. The aggregate contractual value of the lease is \$936,085 and rent is paid monthly. As of December 31, 2024 and 2023, the refundable deposits were \$29,278 and \$28,014.

- 2) Acquisition of right-of-use assets

The new acquisition of right-of-use assets of the Company in the periods for the year ended December 31, 2024 was \$18,390.

- 3) Lease liabilities

	December 31, 2024	December 31, 2023
Related party in substance	\$ <u>410,041</u>	<u>493,661</u>

- 4) Financial expenses

	For the years ended December 31, 2024	2023
Related party in substance	\$ <u>6,054</u>	<u>6,959</u>

- (v) Custody account business

Custody account business revenue(Account to rental income)	For the years ended December 31, 2024	2023
Related party in substance	\$ <u>123,859</u>	<u>120,252</u>

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

- (vi) Insurance commission revenues

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

Commission revenues	For the years ended December 31, 2024	2023
Subsidiaries	\$ <u>6,592</u>	<u>6,294</u>
Accounts receivable	December 31, 2024	December 31, 2023
Subsidiaries	\$ <u>-</u>	<u>1,453</u>

(Continued)

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

(vii) Brokerage and sub-brokerage

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

	<b>For the years ended December 31,</b>	
<b>Brokerage commissions</b>	<b>2024</b>	<b>2023</b>
Funds issued by associate	\$ 24,390	52,032
Related party in substance	458	264
Corporate directors	66	-
Total	<u>\$ 24,914</u>	<u>52,296</u>

  

	<b>For the years ended December 31,</b>	
<b>Re-consigned handling commissions</b>	<b>2024</b>	<b>2023</b>
Funds issued by associate	<u>\$ 241</u>	<u>13,366</u>

(viii) Fund services business

	<b>For the years ended December 31,</b>	
<b>Fund services revenue</b>	<b>2024</b>	<b>2023</b>
Associates	<u>\$ 183</u>	<u>1,228</u>

  

	<b>For the years ended December 31,</b>	
<b>Channel services revenue</b>	<b>2024</b>	<b>2023</b>
Associates	<u>\$ 183</u>	<u>1,228</u>

  

	<b>December 31,</b>	<b>December 31,</b>
<b>Account receivable</b>	<b>2024</b>	<b>2023</b>
Associates	<u>\$ 16</u>	<u>65</u>

(ix) Wealth management business

	<b>For the years ended December 31,</b>	
<b>Trust account commissions revenue</b>	<b>2024</b>	<b>2023</b>
Associates	<u>\$ 15,696</u>	<u>4,588</u>

  

	<b>For the years ended December 31,</b>	
<b>Trust account management fee revenue</b>	<b>2024</b>	<b>2023</b>
Associates	<u>\$ 1,623</u>	<u>2,007</u>

(x) Underwriting business

	<b>For the years ended December 31,</b>	
<b>Stock service income</b>	<b>2024</b>	<b>2023</b>
Associates	<u>\$ 122</u>	<u>122</u>

(Continued)

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

<b>Handling fee revenues from underwriting securities on consignment</b>	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Funds issued by associate	\$ <u>-</u>	<u>13</u>
<b>Accounts receivable</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Associates	\$ <u>10</u>	<u>10</u>

(xi) Other revenue and expense

	<b>For the years ended December 31,</b>	
<b>Other revenue</b>	<b>2024</b>	<b>2023</b>
Associates	\$ <u>3</u>	<u>3</u>
	<b>For the years ended December 31,</b>	
<b>Other expense</b>	<b>2024</b>	<b>2023</b>
Related party in substance	\$ <u>1,724</u>	<u>780</u>

(xii) Accrued receivable

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<b>Accounts receivable/ Other receivables</b>		
Subsidiaries	\$ <u>94</u>	<u>132</u>

(xiii) Custody account business

<b>Custody account business revenue</b>	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Second-level subsidiaries (note)	\$ <u>7,352</u>	<u>6,218</u>
<b>Accounts receivable</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Second-level subsidiaries (note)	\$ <u>677</u>	<u>607</u>

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

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

(Continued)

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

**(8) Pledged assets:**

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

	December 31, 2024	December 31, 2023	The collateral use
Restricted assets - current	\$ 2,368,179	1,591,156	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	49,875	Guarantee deposit for provisional seizure
Trading securities	32,263,584	34,337,950	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	17,468,365	14,206,648	Repurchase agreement
Property (net amount)	1,854,741	1,869,210	Bank borrowings
Financial assets at fair value through profit or loss - non-current	177,730	179,438	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Financial assets at amortized cost - non-current(par value)	6,635,873	5,397,887	Repurchase agreement
Investment property (net amount)	3,285,085	3,307,288	Bank borrowings
Total	<u>\$ 64,103,432</u>	<u>60,939,452</u>	

**(9) Significant contingent liability and unrecognized contract commitment:**

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

	December 31, 2024		December 31, 2023	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	565,843	\$ 5,658,430	496,265	4,962,650
Collateral for margin purchase	7,056	70,564	2,218	22,184
Lending securities to customers through short sales	35,765	357,650	35,482	354,820
Collateral for short sales	6,681	66,810	6,283	62,830

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

	December 31, 2024		December 31, 2023	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	434	\$ 4,340	111	1,110

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

	December 31, 2024	December 31, 2023
Promissory notes	<u>\$ 37,520,000</u>	<u>26,320,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 85,000</u>

(Continued)

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

- (d) As of December 31, 2024 and 2023, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$69,834,694 and \$13,859,923, 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) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.
- (h) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and property list of trust accounts were declared as follows:
- (i) Balance sheet of trust accounts

**Balance Sheet of Trust Accounts**

**December 31, 2024 and 2023**

<b>Trust Assets</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>Trust Liabilities</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Bank deposits	\$ 970,063	1,030,926	Accounts payable	\$ 2,783	311
Short-term investment			Trust capital	15,029,805	13,890,658
Funds	8,885,379	9,395,839	Net income	660,679	1,927,340
Stocks	1,420,008	1,985,253	Accumulated earnings or deficit	160,390	(1,459,316)
Bonds	1,566,961	1,583,186			
Structured notes	2,969,620	286,314			
Accounts receivable	41,626	77,475			
<b>Total Assets</b>	<b><u>\$ 15,853,657</u></b>	<b><u>14,358,993</u></b>	<b>Total Liabilities</b>	<b><u>\$ 15,853,657</u></b>	<b><u>14,358,993</u></b>

(Continued)

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

(ii) Income statement of trust accounts

**Income Statement of Trust Accounts**

**For the years ended December 31, 2024 and 2023**

	<b>For the years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Trust revenue		
Interest revenue	\$ 141,460	102,161
Cash dividends revenue	279,317	248,018
Rental revenue	41,252	9,843
Investment gains - realized	207,102	-
Investment gains - unrealized	594,442	1,763,628
Subtotal	<u>1,263,573</u>	<u>2,123,650</u>
Trust expense		
Management fee	2,162	606
Service fee	29,727	16,238
Investment losses - realized	-	178,428
Investment losses - unrealized	569,831	-
Other fees	126	130
Subtotal	<u>601,846</u>	<u>195,402</u>
Gain (loss) before income tax	661,727	1,928,248
Less: Income tax expense	1,048	908
Net gain (loss)	<u><u>\$ 660,679</u></u>	<u><u>1,927,340</u></u>

(Continued)

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

(iii) Property list of trust accounts

**Property list of trust accounts**

**December 31, 2024 and 2023**

<b>Investment items</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Bank deposits	\$ 970,063	1,030,926
Short-term investment		
Funds	8,885,379	9,395,839
Stocks	1,420,008	1,985,253
Bonds	1,566,961	1,583,186
Structured Notes	2,969,620	286,314
Other assets	41,626	77,475
Total	<u><u>\$ 15,853,657</u></u>	<u><u>14,358,993</u></u>

**(10) Significant Catastrophic Loss: None**

**(11) Significant Subsequent Events:**

The Board of Directors resolved to subscribe the cash capital increase of Capital Futures Corp. on January 10, 2025, and the investment amounted to \$1,112,666.

The Board of Directors of the subsidiary, Capital Futures Corp., approved to conduct cash replenishment on December 9, 2024 for \$395,000, and issued new common stock of 39,500 thousand shares with \$10 dollars par value per share. On January 14, 2025, the Board of Directors approved to issue the stock of \$52.8 per share. The cash replenishment got the approval by the FSC No. 1130367295 on January 2, 2025. The base date is February 21, 2025.

(Continued)

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

**(12) Other:**

(a) As of December 31, 2024 and 2023, the open positions of futures and option contracts were as follows:

(i) December 31, 2024

Item	Trading category	Open positions		Contract size or paid	Fair value	Note
		Long/ Short	Number of contracts	for (received from) premium		
Futures contract :						
	Single Stock Futures	Long	11,348	\$ 3,059,688	3,055,657	
	Single Stock Futures	Short	11,481	(3,767,507)	(3,790,911)	
	TAIEX Futures	Long	304	1,402,606	1,402,383	
	TAIEX Futures	Short	310	(1,437,853)	(1,428,793)	
	Mini TAIEX Futures	Long	128	148,551	147,691	
	Mini TAIEX Futures	Short	156	(180,251)	(180,538)	
	Micro TAIEX Futures	Short	1,165	(269,477)	(268,582)	
	Finance Sector Index Futures	Long	46	97,438	96,839	
	Finance Sector Index Futures	Short	8	(16,863)	(16,882)	
	Electronic Sector Index Futures	Short	34	(174,621)	(174,325)	
	Mini Electronic Futures	Long	66	42,617	42,299	
	Mini Electronic Futures	Short	71	(45,734)	(45,504)	
	10 Year U.S. T Note Futures	Long	8	28,552	28,523	
	10 Year U.S. T Note Futures	Short	85	(303,674)	(303,056)	
	10 Year U.S. T Bond Futures	Long	22	82,346	80,286	
	Ultra U.S. Treasury Bond	Long	615	2,486,734	2,397,480	
	Brent Crude Oil Futures	Short	371	(896,135)	(907,864)	
	Crude Oil Futures	Short	55	(128,221)	(129,324)	
	FTSE China A50 Index Futures	Long	5,162	2,298,765	2,278,766	
	FTSE China A50 Index Futures	Short	1,261	(561,530)	(556,668)	
	E-mini S&P 500 Futures	Long	3	29,388	29,191	
	Gold Futures	Long	1	8,900	8,659	
	Gold Futures	Short	11	(88,009)	(87,629)	
	HHI Futures	Short	289	(445,933)	(444,015)	
	HSI Futures	Long	6	25,503	25,442	
	HSI Futures	Short	10	(42,501)	(42,404)	
	TOPIX Futures	Short	19	(109,481)	(111,128)	
	JPY Futures	Long	21	56,418	55,165	
	JPY Futures	Short	13	(34,015)	(34,150)	
	Copper Futures	Short	13	(44,286)	(42,903)	
	Mini-HSI Futures	Long	10	8,513	8,481	
	Mini-HSI Futures	Short	1	(845)	(848)	
	Micro E-mini Nasdaq Futures	Long	3	4,264	4,175	
	Micro E-mini Nasdaq Futures	Short	43	(59,894)	(59,848)	
	E-mini Nasdaq Futures	Long	20	286,219	278,364	
	E-mini Nasdaq Futures	Short	13	(186,467)	(180,937)	
	E-mini Russell 2000 Index Futures	Short	1	(3,665)	(3,688)	
	SGX Nikkei 225 Index Futures	Short	17	(70,275)	(70,090)	
	E-mini Dow Futures	Short	16	(113,178)	(112,447)	
	US Dollar Index Futures	Short	106	(369,383)	(376,351)	
	Micro E-mini S&P 500 Futures	Long	4	4,033	3,892	
	Micro E-mini S&P 500 Futures	Short	12	(11,885)	(11,676)	
	Silver Futures	Short	2	(9,642)	(9,587)	
	2 Year U.S. T Note Futures	Long	97	654,045	653,868	
	2 Year U.S. T Note Futures	Short	15	(100,979)	(101,114)	
	30 Year U.S. Treasury Bond	Short	77	(287,976)	(287,392)	
	Long-Term Euro-BTP Futures	Long	20	81,827	81,922	
	Soybean Futures	Long	4	6,510	6,626	
	China Index Futures	Long	5	4,210	4,183	
	Mini Finance Sector Index Futures	Short	120	(63,689)	(63,156)	
	One Week E-mini Stock Index Futures	Long	26	29,804	29,946	
	One Week E-mini Stock Index Futures	Short	108	(124,862)	(124,378)	
	CME BTC	Short	6	(95,393)	(91,945)	
	GIN Futures	Short	20	(31,392)	(31,171)	
	Corn Futures	Long	10	7,447	7,516	
	Gas Futures	Long	7	7,922	8,338	
	Subtotal			786,684		

(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	6,291	\$ 153,730	145,689	
	TAIEX Options (Put)	Long	6,853	123,218	112,440	
	TAIEX Options (Call)	Short	4,832	(85,687)	(54,451)	
	TAIEX Options (Put)	Short	2,386	(27,694)	(24,889)	
	TAIEX Options W1 (Call)	Long	1,624	5,283	2,892	
	TAIEX Options W1 (Put)	Long	2,095	8,784	9,153	
	TAIEX Options W1 (Call)	Short	1,172	(5,291)	(3,815)	
	TAIEX Options W1 (Put)	Short	1,606	(8,701)	(10,140)	
	TAIEX Options W2 (Call)	Short	35	(320)	(275)	
	Stock Options (Call)	Long	138	1,100	822	
	Stock Options (Put)	Long	221	1,098	989	
	Stock Options (Call)	Short	123	(663)	(356)	
	Stock Options (Put)	Short	52	(216)	(187)	
	Electronic Sector Index Options (Put)	Long	2	49	37	
	Finance Insurance Index Options (Call)	Long	307	4,523	3,315	
	Finance Insurance Index Options (Put)	Long	320	3,538	3,906	
	Finance Insurance Index Options (Call)	Short	190	(375)	(198)	
	Finance Insurance Index Options (Put)	Short	110	(179)	(72)	
	Gold Options (Call)	Long	69	791	511	
	Gold Options (Put)	Long	85	935	557	
	Gold Options (Call)	Short	10	(53)	(7)	
	Subtotal			173,870		
Total				\$ 960,554		

(Continued)

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

(ii) December 31, 2023

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

(Continued)

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

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

(Continued)

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

(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	Stockholders' equity (Total liabilities - futures traders' equity)	7,740,641 2,028,778	3.82	7,173,449 1,614,588	4.44	≥ 1	Satisfactory to requirement
17	Current Assets Current Liabilities	57,276,491 51,323,632	1.12	44,754,505 39,269,119	1.14	≥ 1	"
22	Stockholders' equity Minimum paid-in capital	7,740,641 1,115,000	694.23 %	7,173,449 1,115,000	643.36 %	≥ 60% ≥ 40%	"
22	Adjusted net capital Total amount of customers' margin required for open positions of futures trader	5,002,861 13,545,637	36.93 %	5,191,652 9,654,651	53.77 %	≥ 20% ≥ 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	\$ 894,378	894,378	874,737	-	2	-	Working capital	-		-	1,700,728	1,700,728
2	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	65,113	65,113	-	9.18 %	1	1,026		-		-	221,231	1,106,156
3	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	455,794	455,794	325,567	5.43%-6.68%	1	295,400		-		-	455,794	1,106,156
4	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	97,670	97,670	-	8.18 %	1	20,308		-		-	221,231	1,106,156
5	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	16,278	326	-	7.18 %	1	-		-		-	221,231	1,106,156
6	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	7.18 %	1	116		-		-	221,231	1,106,156
7	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	65,113	-	-	7.18 %	1	162		-		-	221,231	1,106,156
8	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	48,835	326	-	7.18 %	1	370		-		-	221,231	1,106,156
9	CSC Futures (HK) Ltd.	F190416	Account receivables - Customer	No	227,897	227,897	-	5.68 %	1	15,937		-		-	227,897	1,106,156

Note: Type of Loans

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

(ii) Providing endorsements and guarantees for other parties: None

(iii) Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital: None

(iv) Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital: None

(v) Handling fee discounts on transactions with related parties exceeding NT\$5 million: None

(vi) Accounts receivables from related parties exceeding NT\$100 million or 20% of paid-in capital: None

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(vii) Significant transactions between parent company and subsidiaries for the year ended December 31, 2024:

(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	3,491		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	10,013		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	333		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	61,068		0.02 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,577		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,620		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	145,792	General transaction	0.85 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	18,636	General transaction	0.11 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	642	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	1,295	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	554	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	23,478	General transaction	0.14 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	100	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	70,649	General transaction	0.41 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	57,873	General transaction	0.34 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	520	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	115		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	88,650	General transaction	0.52 %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	1		- %
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	39		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	24		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	69		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	43	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	13		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	50	General transaction	- %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Revenue from securities management, distribution, and management fees	20	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			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	363	General transaction	- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	3,650,953		1.18 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	3,650,953		1.18 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	1,347,389		0.44 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	4,894,569		1.59 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	4,850		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	20,644	General transaction	0.12 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	102,564	General transaction	0.60 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	19,199	General transaction	0.11 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,775,714		1.55 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	1,228,530		0.40 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Other payable	5,789		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Information technology expense	47,376	General transaction	0.28 %
2	CSC Futures (HK) Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Professional service fees	5,013	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HKD 149		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HKD 1,142	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HKD 287	General transaction	0.01 %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	621	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	5,250	General transaction	0.03 %

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

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Highest Percentage of ownership	Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on December 31, 2024	Balance on December 31, 2023		Shares	Ratio	Book value					
0	Capital-Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990	Note 5	Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments	72,515	72,515	100.00 %	7,000,000	100.00 %	77,165	101,577	10	10	432	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei ,Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business	1,896,520	1,896,520	56.58 %	119,066,014	56.58 %	4,380,054	2,413,275	1,190,927	674,037	409,587	"
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business	1,339,555	1,339,555	100.00 %	45,000,000	100.00 %	1,700,728	20,399	684	684	-	"
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	November 9, 2000	Note 5	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business	3,890	3,890	100.00 %	500,000	100.00 %	64,438	218,134	38,852	38,852	18,895	Subsidiary
0	Capital Insurance Agency Corp.	Taipei ,Taiwan, R.O.C.	November 8, 2000	Note 5	Liquidation completed	-	7,400	100.00 %	-	- %	-	-	-	-	-	"
0	Taiwan International Securities (B.V.I) Corp. (Note 4)	British Virgin Island	December 10, 1996	No. FSC-53981	Have been sold	-	1,394,817	100.00 %	-	- %	-	214	214	214	-	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	Venture capital and consulting business	1,000,000	1,000,000	100.00 %	100,000,000	100.00 %	890,853	6,797	(1,638)	(1,638)	-	"
0	CSC Capital Management Co.	Taipei ,Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Investment and management consulting, venture capital and general investing	330,000	330,000	100.00 %	33,000,000	100.00 %	333,550	19,656	14,681	14,681	-	"
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 16, 1995	Note 5	Engaged in security investment and discretionary investment services	1,272,505	1,272,505	20.00 %	33,067,507	20.00 %	1,603,918	4,248,267	1,735,508	347,102	171,951	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	530,000	530,000	100.00 %	128,000,000	100.00 %	745,448	104,535	20,399	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities(HK) Limited.(Note 4)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4 ,1993	Have been sold	-	1,103,411	100.00 %	-	- %	-	-	214	-	-	"
3	Taiwan International Capital (HK)Ltd. (Note 4)	Hong Kong	July 16, 1997	No. FSC-101159	Have been sold	-	-	100.00 %	-	- %	-	-	120	-	-	"
4	CSC Futures(HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Future brokerage and other businesses permitted by local law of Hong Kong	886,284	886,284	100.00 %	220,000,000	100.00 %	1,106,156	349,590	(6,765)	-	-	"
4	Capital International Technology Co.,Ltd.	Taipei ,Taiwan, R.O.C.	December 29, 2014	No. FSC-1030038387 dated November 18, 2014	Management and consulting business Information technology software	50,000	50,000	100.00 %	5,000,000	100.00 %	12,472	-	(6,030)	-	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC- 90931 dated January 5, 1998	Agency services	-	-	100.00 %	2	100.00 %	-	-	-	-	-	"
6	Capital Private Equity Fund I Co.	Taipei ,Taiwan, R.O.C.	April 7, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business	300,000	300,000	100.00 %	30,000,000	100.00 %	300,239	21,421	14,406	-	-	"
7	Enno Cap Venture Inc.	Taipei ,Taiwan, R.O.C.	July 30, 2021	No. FSC- 1040034071 dated September 8,2015	Liquidation in progress	400	400	40.00 %	40,000	40.00 %	4	-	(244)	-	-	Associates

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

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

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

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

Note 4: On July 29, 2024, the company passed the resolution of the board of directors to sell all the shares of its subsidiary, Taiwan International Securities (B.V.I) Corp. , and was approved by the Financial Management Commission on August 26, 2024.

Note 5: According to the regulations of reinvesting domestic business issued by Financial Supervisory Commission, securities firms may invest securities finance enterprises and should file for recordation within 15 days after the investment. Therefore, this case only needs to be filed for recordation afterwards.

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

Name	Region	Date of establishment	Approval date and number of FSC	Primary business operation	Operating Revenues	Net Income	Assignment of working capital				Transactions with parent company	Note
							Beginning amount	Add	Less	Ending amount		
CSC International Holdings Ltd. Shanghai Representative Office	Shanghai	November 27, 1997	Ruling No. 16322 by FSC on Feb.22, 1997	Investigation of business, research of industrial technology and related information collection	-	-	-	-	-	-	-	

(d) Information on investments in the Mainland China:

(i) Investment in the Mainland China and related information:

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment	Accumulated remittance as of January 1, 2024	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2024	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Highest Percentage of ownership	Investment gains (losses) recognized during this period	Ending Balance of Investment	Investment income remitted back as of December 31, 2024
					Remittance amount	Recoverable amount							
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	Note 1 ( C )	24,372	-	-	24,372	2,445	28.86%	28.86 %	706	2,500	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 ( C )	18,863	-	-	18,863	(708)	56.58%	56.58 %	(401)	1,059	-

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

A. Directly invest in a company in Mainland China.

B. Through investing in an existing company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).

C. Through a subsidiary to invest in a company in Mainland China.

Note 2: Investment gains and losses recognized during the period

A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:

(1) The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

(2) The financial statements that are audited and attested by R.O.C. parent company’s CPA.

(3) The financial statements that are provided by the investee without audited by CPA.

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

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

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Capital Tip Customized Taiwan Select High Dividend ETF Account		159,138,000	7.33 %

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.

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

- (f) Disclosures required for securities firm investing in countries or regions without securities authority :

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2024 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet

Unit: US \$ thousands

<b>Company</b>	
<b>CSC International Holdings Ltd.</b>	
<b>Nature</b>	<b>December 31, 2024</b>
Current assets	8,133
Long-term investments	22,905
Property and premises	1,632
Other assets	19,394
Total assets	52,064
Current liabilities	78
Other liabilities	32
Total liabilities	110
Common stock	45,000
Retained earnings (Accumulated deficit)	7,005
Cumulative translation adjustments	(51)
Total stockholders' equity	51,954
Total liabilities and stockholders' equity	52,064

(Continued)

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

2) Income statement

Unit: US \$ thousands

<b>Company</b>	
	<b>CSC International Holdings Ltd.</b>
<b>Nature</b>	<b>For the years ended December 31, 2024</b>
Operating revenue	643
Operating expense	(731)
Non-operating revenue	110
Non-operating expense	-
Income (loss) before tax	22
Net income (loss)	22

(ii) Securities held as of December 31, 2024

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2024	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u><u>22,905</u></u>

(iii) Derivatives financial instrument transactions and the source of capital: None.

(iv) Revenue from engagement in consultation on assets management business, service contents and litigation: None.

(Continued)

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

**(14) Segment information:**

**(a) General information**

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

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

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

**(b) Measurement of segmental information**

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

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

For the year ended December 31, 2024							
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination
Segment Revenue	\$ 8,301,730	373,781	4,253,549	1,631,073	291,215	2,639,658	(341,916)
Segment profit or loss	\$ 4,596,525	203,275	594,554	1,141,453	(724,437)	1,463,185	(702,184)
For the year ended December 31, 2023							
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination
Segment Revenue	\$ 5,523,902	309,887	3,558,426	1,208,550	191,341	2,212,825	(258,707)
Segment profit or loss	\$ 2,645,264	155,197	1,190,646	852,316	(386,986)	1,276,858	(624,519)

(Continued)

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

Note 1: Internal segment revenues are eliminated on consolidation.

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

(d) Information about products and services

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

(e) Information about regions

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

(f) Information about major customers

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