Stock Code:6005

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For The Years Ended December 31, 2020 and 2019

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Capital Securities Corporation as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Capital Securities Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Capital Securities Corporation
Chairman: Jiunn-Chih Wang
Date: March 25, 2021

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Independent Auditors' Report

To the Board of Directors of Capital Securities Corporation:

Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), interpretation developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (" the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of another auditor, 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, 2020. 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(l) financial liabilities at fair value through profit or loss and Note 6(v)(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 being achieved by available quoted market prices in an active market and direct or indirect evaluation of observation. Fair value of some derivative financial products invested and issued depends on models and observably variable factors in the market, so management' s professional judgement has highly importance when using different valuation methods and assumptions. Therefore, the valuation of financial instruments is one of our key audit matters.

   Procedures performed:

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

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(i)(i). for details about measurement of goodwill impairment.

   Risk and descriptions of the key audit matter:

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

   Procedures performed:

   Our key audit procedures included evaluating tests of goodwill impairment implemented by management and related procedures of control, certifying the assumptions of management by related available external information, making professional evaluation on main parameters of predictable growth rate, discount rate, etc. adopted by management, and assessing the appropriateness of prediction by management, involve of analysing sensitivity on the assumptions related to evaluating impairment.

Other Matter

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.82% and 0.98% of consolidated total assets as of December 31, 2020 and 2019, respectively, and the recognized share of profits under using equity method constituted 3.48% and 4.12% of consolidated net income before income tax for the years ended December 31, 2020 and 2019, respectively.

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are LEE, FENG HUI and CHUNG TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2021

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 audit 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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020			December 31, 2019	
	Assets		**Amount**	**%**	**Amount**	**%**
110000	**Current assets:**					
111100	Cash and cash equivalents (note 6(a))	$	8,497,082	5	8,323,636	6
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)		35,198,904	22	31,003,268	24
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))		18,663,479	11	15,982,702	12
114030	Receivable for securities provided as collateral		15,000,045	9	12,166,194	9
114040	Refinancing margin		97,714	-	91,153	-
114050	Refinancing collateral receivable		85,261	-	137,339	-
114060	Receivable of securities business money lending		2,310,230	1	1,996,204	2
114070	Customers’margin account (note 6(d))		38,349,832	24	34,803,719	26
114080	Receivable - futures margin		-	-	2	-
114090	Collateral for securities borrowed		796,262	1	344,523	-
114100	Security borrowing margin		760,815	1	315,958	-
114110	Notes receivable		22,779	-	22,401	-
114130	Accounts receivable (note 6(c))		11,039,256	7	6,488,246	5
114150	Prepayments		37,313	-	33,609	-
114170	Other receivables		145,404	-	178,684	-
114300	Leverage contract trading - customers’ margin account		352,962	-	308,543	-
114600	Current income tax assets		23,599	-	27,957	-
119095	Amounts held for each customer in the account (note 6(n))		13,063,932	8	3,025,153	2
119990	Other current assets-others		1,813,868	1	753,210	1
			146,258,737	90	116,002,501	87
120000	**Non-current assets:**					
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)		180,929	-	180,467	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))		2,287,085	1	2,464,932	2
124100	Investments accounted for under equity method (note 6(e))		1,481,286	1	1,471,573	1
125000	Property and equipment (notes 6(f) and 8)		3,111,323	2	3,025,605	2
125800	Right-of-use assets (notes 6(g))		850,210	1	955,250	1
126000	Investment property (notes 6(h) and 8)		3,611,107	2	3,796,990	3
127000	Intangible assets (note 6(i))		3,619,563	2	3,609,740	3
128000	Deferred income tax assets (note 6(r))		78,124	-	107,846	-
129000	Other non-current assets		1,584,270	1	1,555,509	1
			16,803,897	10	17,167,912	13
	Total assets	**$**	**163,062,634**	**100**	**133,170,413**	**100**

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
210000	**Current liabilities:**				
211100	Short-term borrowings (note 6(j))	$ 3,671,111	2	6,631,002	5
211200	Commercial paper payable (note 6(k))	2,299,692	1	-	-
212000	Financial liabilities at fair value through profit or loss - current (note 6(l))	3,630,866	2	1,459,094	1
214010	Bonds sold under repurchase agreements (note 6(m))	35,265,582	22	31,847,531	24
214040	Guarantee deposited for short sales	2,631,763	2	2,390,464	2
214050	Proceeds payable from short sales	3,021,249	2	2,755,405	2
214070	Securities lending refundable deposits	1,033,425	1	336,713	-
214080	Futures traders'equity (note 6(d))	38,316,621	23	34,747,531	26
214090	Equity for each customer in the account (note 6(n))	13,063,932	8	3,025,153	2
214100	Leverage contract trading - customers' equity	352,056	-	308,590	-
214110	Notes payable	152	-	-	-
214130	Accounts payable (note 6(o))	10,746,724	7	6,236,058	5
214150	Advance receipts	35,477	-	60,867	-
214160	Receipts under custody	1,636,517	1	114,442	-
214170	Other payables	1,100,126	1	662,217	1
214200	Other financial liabilities - current (note 6(w))	4,235,829	3	3,579,951	3
214600	Current income tax liabilities	579,999	-	269,795	-
215100	Provisions - current (note 6(q))	50,169	-	52,566	-
216000	Current lease liabilities (note 6(p))	173,381	-	193,565	-
219000	Other current liabilities	19,629	-	13,717	-
		121,864,300	75	94,684,661	71
220000	**Non-Current liabilities:**				
224200	Other financial liabilities - non-current (note 6(w))	515,261	-	349,518	-
226000	Non-current lease liabilities (note 6(p))	736,969	-	819,040	1
228000	Deferred income tax liabilities (note 6(r))	427,566	-	463,963	-
229000	Other non-current liabilities(note 6(q))	843,808	1	637,102	1
		2,523,604	1	2,269,623	2
	Total liabilities	124,387,904	76	96,954,284	73
	Equity attributable to shareholders of the parent:				
301010	Common stock (note 6(s))	21,709,081	13	23,209,081	17
302000	Capital surplus (note 6(s))	2,743,430	2	2,852,299	2
304000	Retained earnings:				
304010	Legal reserve	1,922,939	1	1,658,360	1
304020	Special reserve	4,116,356	3	3,587,197	3
304040	Unappropriated earnings (note 6(s))	3,600,038	2	2,681,569	2
305120	Exchange differences on translation of foreign operations	(293,175)	-	(118,543)	-
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,087,400	1	1,696,677	1
305500	Treasury shares (note 6(s))	-	-	(1,574,000)	(1)
	Total equity attributable to the parent company	35,886,069	22	33,992,640	25
306000	**Non-controlling interests**	2,788,661	2	2,223,489	2
	Total equity	38,674,730	24	36,216,129	27
	Total liabilities and equity	**$ 163,062,634**	**100**	**133,170,413**	**100**

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, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
	Income:				
401000	Brokerage commissions (note 6(u))	$ 5,455,310	56	3,819,193	49
402000	Revenues from securities business money lending	118	-	96	-
403000	Revenue from securities lending	197,207	2	195,605	3
404000	Underwriting commissions (note 6(u))	214,290	2	82,881	1
406000	Commissions on wealth management business	75,597	1	104,054	1
410000	Net gains (losses) on sale of trading securities (note 6(u))	1,432,840	15	1,017,956	13
421100	Securities management, distribution, and management fees	149,809	2	143,183	2
421200	Interest revenue (note 6(u))	1,433,190	15	1,558,281	20
421300	Dividend revenue	185,089	2	239,509	3
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(u))	214,415	2	968,422	12
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements	104,395	1	76,491	1
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(33,068)	-	(89,531)	(1)
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	435,082	4	259,754	3
422000	Net gains (losses) from exchange traded notes (note 6(w))	(296)	-	(67)	-
422100	Management and commissions revenue from exchange traded notes (note 6(w))	8	-	6	-
422200	Net gains (losses) on stock warrants issued (note 6(u) and (w))	219,278	2	37,086	-
424100	Futures commission revenues (note 6(u))	322,130	3	209,879	3
424400	Net gains (losses) on derivative instruments - futures (note 6(w))	(71,282)	(1)	(661,537)	(8)
424500	Net gains (losses) on derivative instruments - OTC (note 6(w))	(793,315)	(8)	(305,945)	(4)
424800	Management fee revenues	732	-	476	-
424900	Consultancy fee revenue	12,465	-	16,126	-
425300	Impairment losses and reversal gains (note 6(v))	(33,677)	-	3,790	-
428000	Other operating revenues	203,778	2	121,243	2
		9,724,095	100	7,796,951	100
	Expenses:				
501000	Brokerage fees	661,845	7	452,539	6
502000	Brokerage and clearing fees - proprietary trading	16,474	-	14,999	-
503000	Clearing and exchange fees - refinancing	3,696	-	2,275	-
504000	Clearing and exchange fees - underwriting	2,151	-	1,049	-
507000	Issuance and management fees on exchange traded notes (note 6(w))	62	-	145	-
521200	Financial costs	374,311	4	642,796	8
521640	Loss from securities borrowing transactions	1,874	-	193	-
524100	Futures commission expense (note 6(u))	341,860	3	301,737	4
524300	Cleaning and settlement expenses	180,753	2	149,055	2
528000	Other operating expenditure	14,539	-	4,292	-
531000	Employee benefits expenses (note 6(u))	2,901,750	30	2,464,159	32
532000	Depreciation and amortization expense (note 6(u))	447,303	5	423,962	5
533000	Other operating expenses (note 6(u))	1,525,282	16	1,346,504	17
		6,471,900	67	5,803,705	74
	Other income (expenses):				
601000	Share of profits of associates and joint ventures accounted for using equity method (note 6(e))	180,924	2	192,631	2
602000	Other gains and losses (note 6(u))	949,581	10	1,042,220	13
		1,130,505	12	1,234,851	15
902001	**Net income before income tax**	4,382,700	45	3,228,097	41
701000	**Less: Income tax expenses (note 6(r))**	542,021	6	398,863	5
	Net income	3,840,679	39	2,829,234	36
805000	**Other comprehensive income:**				
805500	**Components that may not be reclassified to profit or loss in subsequent periods:**				
805510	Gains (losses) on remeasurements of defined benefit plans	(217,219)	(2)	53,757	1
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	235,976	2	543,023	7
805550	Share of other comprehensive income of associates and joint ventures accounted for using equity method	2,494	-	6,164	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-
	Subtotal of components that may not be subsequently reclassified into profit or loss	21,251	-	602,944	8
805600	**Components that may be reclassified to profit or loss in subsequent periods:**				
805610	Exchange differences on translation of foreign operations	(210,366)	(2)	(93,621)	(1)
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	249,289	3	430,568	5
805699	Less: Income tax related to components of other comprehensive income (note 6(r))	(15,801)	-	(7,322)	-
	Subtotal of items that may be subsequently reclassified into profit or loss	54,724	1	344,269	4
805000	**Other comprehensive income, net**	75,975	1	947,213	12
902006	**Total comprehensive income**	**$ 3,916,654**	**40**	**3,776,447**	**48**
	Net income attributable to:				
913100	Shareholders of the parent	$ 3,569,529	36	2,566,823	33
913200	Non-controlling interests	271,150	3	262,411	3
		$ 3,840,679	**39**	**2,829,234**	**36**
	Total comprehensive income attributable to:				
914100	Shareholders of the parent	$ 3,665,024	38	3,523,011	45
914200	Non-controlling interests	251,630	2	253,436	3
		$ 3,916,654	**40**	**3,776,447**	**48**
975000	**Basic earnings per share (note 6(t))**	**$**	**1.64**		**1.11**
985000	**Diluted earnings per share (note 6(t))**	**$**	**1.64**		**1.11**

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company										
	Stock		Retained earnings			Total other equity interest					
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to the parent company	Non-controlling interests	Total Equity
Balance at January 1, 2019	$ 23,209,081	2,852,299	1,519,635	3,302,811	1,387,250	(41,068)	741,984	-	32,971,992	2,232,744	35,204,736
Net income for the year ended December 31, 2019	-	-	-	-	2,566,823	-	-	-	2,566,823	262,411	2,829,234
Other comprehensive income	-	-	-	-	54,190	(77,475)	979,473	-	956,188	(8,975)	947,213
Total comprehensive income	-	-	-	-	2,621,013	(77,475)	979,473	-	3,523,011	253,436	3,776,447
Appropriation and distribution of retained earnings: (note 6(s))											
Legal reserve	-	-	138,725	-	(138,725)	-	-	-	-	-	-
Special reserve	-	-	-	284,386	(284,386)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(928,363)	-	-	-	(928,363)	-	(928,363)
Purchase of treasury stocks	-	-	-	-	-	-	-	(1,574,000)	(1,574,000)	-	(1,574,000)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	24,780	-	(24,780)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(262,691)	(262,691)
Balance at December 31, 2019	23,209,081	2,852,299	1,658,360	3,587,197	2,681,569	(118,543)	1,696,677	(1,574,000)	33,992,640	2,223,489	36,216,129
Net income for the year ended December 31, 2020	-	-	-	-	3,569,529	-	-	-	3,569,529	271,150	3,840,679
Other comprehensive income	-	-	-	-	(216,868)	(174,632)	486,995	-	95,495	(19,520)	75,975
Total comprehensive income	-	-	-	-	3,352,661	(174,632)	486,995	-	3,665,024	251,630	3,916,654
Appropriation and distribution of retained earnings: (note 6(s))											
Legal reserve	-	-	264,579	-	(264,579)	-	-	-	-	-	-
Special reserve	-	-	-	529,159	(529,159)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(1,736,726)	-	-	-	(1,736,726)	-	(1,736,726)
Purchase of treasury shares	-	-	-	-	-	-	-	(30,387)	(30,387)	-	(30,387)
Retirement of treasury shares	(1,500,000)	(104,387)	-	-	-	-	-	1,604,387	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	96,272	-	(96,272)	-	-	-	-
Capital surplus changes in ownership interests in subsidiaries	-	(4,482)	-	-	-	-	-	-	(4,482)	-	(4,482)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	313,542	313,542
Balance at December 31, 2020	**$ 21,709,081**	**2,743,430**	**1,922,939**	**4,116,356**	**3,600,038**	**(293,175)**	**2,087,400**	**-**	**35,886,069**	**2,788,661**	**38,674,730**

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020	2019
Cash flows from operating activities:			
Net income before tax	$	4,382,700	3,228,097
Adjustments:			
Income and expenses items:			
Depreciation expense		411,796	389,552
Amortization expense		35,507	34,410
Impairment loss(reversal gains)		33,677	(3,790)
Net gains on financial assets or liabilities at fair value through profit or loss		(181,347)	(878,891)
Financial cost		374,311	642,796
Interest revenue (including financial revenue)		(1,816,908)	(2,127,648)
Dividend revenue		(267,845)	(304,957)
Cash dividend received from investments under equity method		172,822	159,431
Share of profit of associates and joint ventures accounted for using equity method		(180,924)	(192,631)
Gains on disposal and retirement of property and equipment		(11,317)	(13,801)
Net gains on non-operating financial instruments at fair value through profit or loss		(4,504)	(28,906)
Gains on lease modifications		(24)	(2)
Impairment loss		1,204	-
Subtotal of income of non-cash activities		(1,433,552)	(2,324,437)
Changes in operating assets and liabilities:			
Decrease (increase) in financial assets at fair value through profit or loss		(4,011,311)	971,176
Increase in financial assets at fair value through other comprehensive income		(2,177,680)	(4,583,290)
Increase in receivable for securities provided as collateral		(2,833,425)	(2,168,255)
Increase in refinancing margin		(6,561)	(51,539)
Decrease (increase) in receivable on refinancing collateral		52,078	(102,920)
Increase in receivable of securities business money lending		(314,026)	(47,099)
Increase in customers' margin account		(3,546,113)	(1,528,089)
Decrease (increase) in margin receivable of futures trading		(411)	2,388
Decrease (increase) in collateral for securities borrowed		(451,739)	109,677
Decrease (increase) in security borrowing margin		(444,857)	96,190
Increase in notes receivable		(378)	(5,220)
Increase in accounts receivable		(4,645,365)	(1,898,351)
Decrease (increase) in prepayments		(3,704)	4,097
Increase in other receivables		(10,623)	(87,148)
Increase in leverage contract trading - customers' margin account		(44,419)	(79,979)
Decrease (increase) in other current assets		(1,056,337)	96,262
Increase in guarantee deposited for business operations		(507)	(57,303)
Decrease (increase) in settlement fund		(17,257)	9,287
Decrease in refundable deposits		15,196	6,090
Increase in other non-current assets		(26,711)	(74,400)
Increase in financial liabilities at fair value through profit or loss		2,172,881	255,771
Increase in bonds sold under repurchase agreements		3,418,051	3,815,007
Increase in guarantee deposited for short sales		241,299	73,720
Increase in proceeds payable from short sales		265,844	152,090
Increase (decrease) in securities lending refundable deposits		696,712	(308,130)
Increase in futures traders' equity		3,569,090	1,588,705
Increase in leverage contract trading - customers' equity		43,466	82,691
Increase (decrease) in notes payable		152	(481)
Increase in accounts payable		4,539,546	2,359,985
Increase (decrease) in advance receipts		(25,390)	23,778
Increase (decrease) in receipts under custody		1,522,075	(5,883)
Increase (decrease) in other payable		440,026	(111,016)
Increase in other financial liabilities - current		655,878	222,064
Increase (decrease) in provision - current		(2,397)	7,092
Increase in other current liabilities		5,912	2,065
Increase in other financial liabilities - non-current		165,743	39,486
Increase (decrease) in other non-current liabilities		(10,533)	29,568
Total changes in assets and liabilities from operating activities		(1,825,795)	(1,161,914)
Total cash generated from operation		(3,259,347)	(3,486,351)

(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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash generated from operating activities	$ 1,123,353	(258,254)
Interest received	1,923,310	2,152,518
Dividends received	268,363	302,510
Interest paid	(405,951)	(626,356)
Income taxes paid	(222,647)	(581,801)
Net Cash flows provided by operating activities	2,686,428	988,617
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(97,880)	(134,384)
Proceeds from disposal of financial assets at fair value through other comprehensive income	48,822	12,632
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	207,270	6,800
Increase in deferred debits	(45)	(728)
Acquisition of property and equipment	(116,387)	(299,752)
Proceeds from disposal of property and equipment	20,287	14,608
Acquisition of intangible assets	(46,035)	(19,812)
Net cash flows provided by (used in) investing activities	16,032	(420,636)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(2,959,891)	2,757,496
Increase in commercial papers payable	2,299,692	-
Payment of lease liabilities	(204,206)	(138,908)
Cash dividends paid	(1,910,332)	(1,191,054)
Issuance of common stock for cash	482,278	-
Purchase of treasury shares	(30,387)	(1,574,000)
Change in non-controlling interests	(10)	-
Disgorgement	398	-
Net cash flows used in financing activities	(2,322,458)	(146,466)
Effect of exchange rate changes on cash and cash equivalents	(206,556)	(91,298)
Increase in cash and cash equivalents	173,446	330,217
Cash and cash equivalents, beginning of period	8,323,636	7,993,419
Cash and cash equivalents, end of period	**$ 8,497,082**	**8,323,636**

See accompanying notes to consolidated financial statements.

(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, 2020, the composition of the consolidated financial statements includes the Company and the subsidiaries (the "Group"). As of December 31, 2020, 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) Securities business money lending;

(l) Managing the unexpended balance of clients' securities accounts within their authorization;

(m) Securities lending business (except book-entry central government securities)；

(n) Trust business;

(o) Offshore securities business;

(p) Other relevant services as approved by the authority in charge.

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 issue by the board of directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) 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, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform－Phase 2”

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Effective date to be determined by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the " Regulations Governing the Preparation of Financial Reports by Securities Firms" (hereinafter referred to as "the Regulations"), and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial assets at fair value through profit or loss are measured at fair value (including derivaive 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's financial statement item is determined based on the primary economic environment in which the entity operates. The consolidated financial statements' functional currency is New Taiwan dollars. 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.

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, 2020	Ratio of Equity Ownership December 31, 2019	Note
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and securities investment consultancy.	100.00 %	100.00 %	The corporation established in February, 1990. As of December 31, 2020, the paid-in capitals amounted to $70,000.
〃	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	The corporation established in March, 1996. As of December 31, 2020, the paid-in capitals amounted to US$45,000 thousands.
〃	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.21 %	The corporation established in February, 1997 and conducted a cash capital increase on March, 2020. The Company's ratio of equity ownership increased from 56.21% to 56.58%. As of December 31, 2020, the paid-in capitals amounted to $2,104,376.
〃	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	The corporation established in December, 1996. As of December 31, 2020, the paid-in capitals amounted to US$9,516 thousands.
〃	Taiwan International Securities Investment Consulting Corp.	Investment consultancy	- %	99.92 %	Completion of liquidation.
〃	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	The corporation established in January, 2016. As of December 31, 2020, the paid-in capitals amounted to $1,000,000.
〃	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	- %	The corporation was established in December 2020. As of December 31, 2020, the paid-in capitals amounted to $330,000.
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %	The corporation established in December, 1998. As of December 31, 2020, the paid-in capitals amounted to HK$220,000 thousands.
〃	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	The corporation established in December, 2014. As of December 31, 2020, the paid-in capitals amounted to $50,000.
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	The corporation established in August 20, 2008. Acquired 51% of the equity on February 9, 2015 and held controlling interest. As of December 31, 2020, the paid-in capitals amounted to CNY$1,000 thousands.
〃	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	The corporation established in October, 2016. As of December 31, 2020, the paid-in capitals amounted to CNY$4,000 thousands.
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	The corporation established in May, 1994.
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	The corporation established in April, 1995.
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	Liquidation in progress.
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	Liquidation in progress.

(Continued)

(iii) Subsidiaries not listed in the consolidated financial statements

			Ratio of Equity Ownership		
Name of the investor	**Subsidiaries**	**Business type**	**December 31, 2020**	**December 31, 2019**	**Note**
The Company	Capital Insurance Agency Corp.	Manages personal insurance agent business.	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to $7,400. As of December 31, 2020 and 2019, the total assets constituted 0.03% and 0.04% of the Group's total assets. For the years ended December 31, 2020 and 2019, the operation revenue were merely 0.51% and 1.15% of the consolidated revenue which were so immaterial, thus they were excluded from the financial consolidated statement.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance brokerage and property insurance brokerage and manages personal 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, 2020 and 2019, the total assets constituted 0.05% and 0.09% of the Group's total assets. For the years ended December 31, 2020 and 2019, the operation revenue were merely 1.12% and 2.34% of the consolidated revenue which were so immaterial, thus they were excluded from the financial consolidated statement.

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

1) An investment in equity securities designated as at fair value through other comprehensive income;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

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

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

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

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

(i) Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) Assets held for the trading purposes;

(iii) Assets that are expected to be realized within twelve months after the reporting period;

(iv) Cash and cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

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

(i) Liabilities arising from operating activities that are expected to be settled in the normal operating cycle;

(ii) Liabilities incurred for the trading purposes;

(iii) Liabilities that are to be settled within twelve months after the reporting period;

(iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(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. An account receivable without a significant financing

(Continued)

component is initially measured at the transaction price.

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

4) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(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 recorded through memo entries and are returned when the loans are repaid.

(Continued)

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. These securities lent to customers for short sales are recorded through memo entries. 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”.

(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 on which significant influence commences until the date on which significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the 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 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 no remeasure the retained equity.

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

(Continued)

(m) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, 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.

(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.

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.

(Continued)

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.

(p) Leases

(i) Identifying a lease

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(Continued)

– the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

– the customer has the right to direct the use of the asset throughout the period of use only if either:

1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

2) the relevant decisions about how and for what purpose the asset is used are predetermined and:

   – the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

   – the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) 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;

(Continued)

– amounts expected to be payable under a residual value guarantee; and

– payments for purchase or termination options that are reasonably certain to be exercised.

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

– there is a change in future lease payments arising from the change in an index or rate; or

– there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

– there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

– there is a change of its assessment on whether it will exercise a extension or termination option; or

– there is any lease modifications

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

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

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

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

(iii) Lessor

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

(Continued)

(q) Non-financial assets impairment

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

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

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

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(Continued)

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(s) Revenue recognition

The recognition of the Company’s major revenue:

(i) Brokerage commissions, gains or loss on securities sold and related handling fees is recoginized 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 futrues dealer, the revenue is recognized on an accrual basis in accordance with related agreement.

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(v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.

(vi) Dividend revenue is recognized as the right of receiving payment confirmed.

(vii) Gains on futures and options transactions: Futures margins is recognized at cost and measured at fair value each day. The income arising from futures margins daily evaluation, reverse trading and execution of the futures and options is recognized as net gains or losses.

(t) Provisions

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

(u) Income tax

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

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

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

(i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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

(Continued)

(ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) The same taxable entity; or

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

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

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

(v) Business combinations

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

(w) Earnings per share (EPS)

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

(x) Segment information

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

(Continued)

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

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

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

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

(a) The fair value of financial instrument:

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

(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.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	$ 2,723	2,781
Bank deposits		
Checking accounts	34,481	38,143
Demand deposits	643,966	581,921
Foreign currency deposits	1,117,880	1,219,527
Subtotal	1,796,327	1,839,591
Cash equivalents		
Time deposits	5,238,883	5,286,174
Futures margin - excess margin	1,365,163	1,184,098
Commercial papers	93,986	10,992
Subtotal	6,698,032	6,481,264
Total	**$ 8,497,082**	**8,323,636**

(b) Financial assets

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

	December 31, 2020	December 31, 2019
Open-ended funds and money-market instruments		
Open-ended funds and money-market instruments	$ 187,563	251,541
Valuation adjustment	14,275	15,091
Subtotal	201,838	266,632
Securities invested by securities broker		
Securities invested by securities broker	48,166	146,849
Valuation adjustment	934	(1,589)
Subtotal	49,100	145,260

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	December 31, 2020	December 31, 2019
Trading securities - proprietary trading		
Listed stocks	$ 907,307	1,810,032
Listed funds	666,617	796,400
OTC stocks	252,856	387,666
OTC funds	149,083	200,580
Emerging market stocks	617,219	532,189
Convertible bonds	921,050	889,088
Government bonds	3,328,813	3,317,485
Corporate bonds	8,266,818	7,641,557
International bonds	5,149,292	4,536,910
Financial debentures	957,778	200,000
Foreign stocks	159,732	519,279
Foreign bonds	191,652	233,297
Others	7,500	300
	21,575,717	21,064,783
Valuation adjustment	211,927	165,577
Subtotal	21,787,644	21,230,360
Trading securities - underwriting:		
Listed stocks	203,906	37,424
OTC stocks	700	38,716
Convertible bonds	39,845	85,097
	244,451	161,237
Valuation adjustment	4,393	26,053
Subtotal	248,844	187,290
Trading securities - hedging		
Listed stocks	2,371,659	2,816,447
OTC stocks	751,136	773,913
Convertible bonds	6,864,305	4,948,227
Others	1,826,385	-
	11,813,485	8,538,587
Valuation adjustment	468,042	279,305
Subtotal	12,281,527	8,817,892

(Continued)

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		December 31, 2020	December 31, 2019
Derivatives			
Call options	$	40,215	3,482
Futures margin - proprietary fund		348,012	233,624
IRS asset swaps		13,100	16,053
Asset swap options - long position		157,459	37,684
Leverage derivatives - non-hedging		63,380	39,066
Structured notes		7,785	25,925
Subtotal		629,951	355,834
Total	$	**35,198,904**	**31,003,268**

As of December 31, 2020 and 2019, trading securities and financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

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

		December 31, 2020	December 31, 2019
Debt instruments at fair value through other comprehensive income			
Government bonds	$	2,220,744	2,225,249
International bonds		797,101	1,198,147
Foreign bonds		14,607,024	12,054,824
		17,624,869	15,478,220
Valuation adjustment		593,315	366,972
Subtotal		18,218,184	15,845,192
Equity instrument at fair value through other comprehensive income			
Listed stocks		272,065	118,428
OTC stocks		48,478	10,756
Emerging market stocks		59,622	24,130
		380,165	153,314
Valuation adjustment		65,130	(15,804)
Subtotal		445,295	137,510
Total	$	**18,663,479**	**15,982,702**

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, 2020 and 2019, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments measured at fair value through other comprehensive income – current amounted to $18,855 and $11,651, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold shares of stocks for a fair value $447,158 and $691,488, respectively, cumulative dispose gains for the years ended December 31, 2020 and 2019, amounted to $69,951 and $22,648, 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(v).

4) For the years ended December 31, 2020 and 2019, impairment test have 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(v).

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

		December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:			
Government bonds	$	180,329	180,329
Valuation adjustment		600	138
Total	**$**	**180,929**	**180,467**

As of December 31, 2020 and 2019, the Group took advantage of government bonds as margins of bills, interest rate swaps, structured notes transaction, settlement fund guarantee deposits, and compensation reserve of trust business (for details please refer to note 8).

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

		December 31, 2020	December 31, 2019
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	$	945,135	1,181,752
Valuation adjustment		1,341,950	1,283,180
Total	$	**2,287,085**	**2,464,932**

For the years ended December 31, 2020 and 2019, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to $82,756 and $68,384, respectively.

For the years ended December 31, 2020 and 2019, 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 $27,422 and $12,632, generated cumulative dispose gains $4,921 and $2,132, and the gains were transferred from other equity items to retained earnings. Furthermore, the Group acquired proceeds from capital reduction amounted to $207,270, and the distribution of residual property from liquidation amounted to $21,400 for the year ended December 31, 2020.

(v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the years ended December 31, 2020 and 2019 VaR (99%, per 10-day) of equity stocks are as follows:

			For the years ended December 31,					
			2020			2019		
Type of market risk	December 31, 2020	December 31, 2019	Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,351,429	1,364,147	1,237,326	1,378,457	1,066,520	1,122,594	1,364,147	932,006

(c) Accounts Receivable

		December 31, 2020	December 31, 2019
Receivable on securities purchased by customers	$	40,983	21,368
Settlement		1,426,058	-
Interests receivable		434,085	527,952
Receivables on securities sold		9,066,249	5,859,407
Others		72,122	81,225
Subtotal		11,039,497	6,489,952
Less: allowance for doubtful accounts		(241)	(1,706)
Total	$	**11,039,256**	**6,488,246**

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(i) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(v).

(ii) For the years ended December 31, 2020 and 2019, impairment test have been applied by the Group, the variation of loss allowance in receivables, please refer to note 6(v).

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

As of December 31, 2020 and 2019, a reconciliation of the customers' margin account and the futures traders' equity was as follows:

	December 31, 2020	December 31, 2019
Customers' margin account		
Cash in banks	$ 28,320,264	26,292,763
Customers' margin account - futures clearing house	6,038,034	4,874,988
Customers' margin account - other futures commission merchants	3,990,936	3,635,783
Marketable securities	598	185
Total customers' remaining balance	38,349,832	34,803,719
Add:		
Commission expense	2,352	1,248
Other	26	(66)
Less:		
Commission revenue	(11,746)	(7,426)
Futures transaction tax	(2,289)	(1,342)
Interest revenues	(789)	(5,699)
Temporary receipts	(3,034)	(1,817)
Remittance amount of the customers after the market closed	(11,879)	(9,235)
Other receivables	(5,848)	-
Other	(4)	(31,851)
Futures traders' equity	**$ 38,316,621**	**34,747,531**

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(e) Investments under equity method

As of December 31, 2020 and 2019, investments under equity method consisted of the following:

	December 31, 2020	December 31, 2019
Subsidiaries		
Capital Insurance Advisory Corp.	$ 51,986	78,906
Capital Insurance Agency Corp.	39,190	43,447
Subtotal	91,176	122,353
Associates		
True Partner Advisor Hong Kong Ltd.	49,281	47,860
Capital Investment Trust Corp.	1,340,829	1,301,360
Subtotal	1,390,110	1,349,220
Total	**$ 1,481,286**	**1,471,573**

(i) Subsidiaries:

For the years ended December 31, 2020 and 2019, the Group's share of gains or losses of the subsidiaries were as follows:

	For the years ended December 31, 2020	For the years ended December 31, 2019
The Group's share of gains based on the subsidiaries' financial statements	**$ 25,908**	**57,093**

	December 31, 2020	December 31, 2019
Total assets	**$ 120,492**	**167,994**
Total liabilities	**$ 29,316**	**45,641**

	For the years ended December 31, 2020	For the years ended December 31, 2019
Revenue	**$ 158,956**	**271,953**
Net income	**$ 25,908**	**57,093**

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(ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights December 31, 2020	December 31, 2019
True Partner Advisor Hong Kong Ltd.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Hong Kong	49.00 %	49.00 %
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %

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 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 was judged to have significant influence on it.

Summarized financial information of associates accounted for under equity method that was not individually material to the Group was as follows:

	December 31, 2020	December 31, 2019
Total carrying amount of the associates that were not individually material	$ 1,390,110	1,349,220

	For the years ended December 31, 2020	2019
The Group's share of gains based on the associates' financial statements:		
Net gains from continuing operations	$ 155,016	135,538
Other comprehensive income (losses)	1,789	5,902
Total comprehensive income (losses)	$ 156,805	141,440

(iii) Collateral

As of December 31, 2020 and 2019, none of the investment accounted for under equity method of the Group were pledged for collateral.

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(f) Property and equipment

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

		Land	Buildings	Equipment	Leasehold improvements	Total
Cost or deemed cost						
Balance at January 1, 2020	$	1,881,232	1,182,520	667,875	265,792	3,997,419
Additions		-	-	93,880	22,507	116,387
Transferred from investment property		449,616	294,230	-	-	743,846
Reclassified to investment property		(339,995)	(155,423)	-	-	(495,418)
Disposals and retirements		-	(255)	(149,614)	(19,369)	(169,238)
Effect of exchange rate changes		-	(5,268)	(4,432)	(620)	(10,320)
Balance at December 31, 2020	**$**	**1,990,853**	**1,315,804**	**607,709**	**268,310**	**4,182,676**
Balance at January 1, 2019	$	3,929,272	1,790,730	574,812	157,462	6,452,276
Additions		-	-	181,955	117,797	299,752
Transferred from investment property		29,358	8,314	-	-	37,672
Reclassified to investment property		(2,077,398)	(613,943)	-	-	(2,691,341)
Disposals and retirements		-	-	(86,942)	(9,200)	(96,142)
Effect of exchange rate changes		-	(2,581)	(1,950)	(267)	(4,798)
Balance at December 31, 2019	**$**	**1,881,232**	**1,182,520**	**667,875**	**265,792**	**3,997,419**
Depreciation and impairment loss						
Balance at January 1, 2020	$	-	460,046	394,091	117,677	971,814
Depreciation		-	26,695	104,244	51,100	182,039
Transferred from investment property		-	129,155	-	-	129,155
Reclassified to investment property		-	(35,618)	-	-	(35,618)
Disposals and retirements		-	(255)	(149,614)	(19,369)	(169,238)
Effect of exchange rate changes		-	(2,396)	(3,855)	(548)	(6,799)
Balance at December 31, 2020	**$**	**-**	**577,627**	**344,866**	**148,860**	**1,071,353**
Balance at January 1, 2019	$	-	642,432	386,219	82,665	1,111,316
Depreciation		-	28,990	96,544	44,101	169,635
Transferred from investment property		-	3,595	-	-	3,595
Reclassified to investment property		-	(213,848)	-	-	(213,848)
Disposals and retirements		-	-	(86,942)	(8,858)	(95,800)
Effect of exchange rate changes		-	(1,123)	(1,730)	(231)	(3,084)
Balance at December 31, 2019	**$**	**-**	**460,046**	**394,091**	**117,677**	**971,814**
Carrying amount:						
December 31, 2020	**$**	**1,990,853**	**738,177**	**262,843**	**119,450**	**3,111,323**
December 31, 2019	**$**	**1,881,232**	**722,474**	**273,784**	**148,115**	**3,025,605**

As of December 31, 2020 and 2019, the property and equipment which are provided as collateral or pledge, please refer to note 8 for details.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(g) Right-of-use assets

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

		Buildings	Equipment	Total
Cost:				
Balance at January 1, 2020	$	1,116,803	22,336	1,139,139
Additions		101,925	4,944	106,869
Reductions		(50,667)	(3,714)	(54,381)
Effect of changes in foreign exchange rates		(2,426)	-	(2,426)
Balance at December 31, 2020	$	**1,165,635**	**23,566**	**1,189,201**
Balance at January 1, 2019	$	-	-	-
Effects of retrospective application		1,062,820	8,049	1,070,869
Additions		79,188	14,287	93,475
Reductions		(24,017)	-	(24,017)
Effect of changes in foreign exchange rates		(1,188)	-	(1,188)
Balance at December 31, 2019	$	**1,116,803**	**22,336**	**1,139,139**
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	$	176,718	7,171	183,889
Depreciation		199,483	8,252	207,735
Reductions		(47,745)	(3,566)	(51,311)
Effect of changes in foreign exchange rates		(1,322)	-	(1,322)
Balance at December 31, 2020	$	**327,134**	**11,857**	**338,991**
Balance at January 1, 2019	$	-	-	-
Depreciation		192,771	7,171	199,942
Reductions		(15,857)	-	(15,857)
Effect of changes in foreign exchange rates		(196)	-	(196)
Balance at December 31, 2019	$	**176,718**	**7,171**	**183,889**
Carrying amount:				
December 31, 2020	$	**838,501**	**11,709**	**850,210**
December 31, 2019	$	**940,085**	**15,165**	**955,250**

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(h) Investment property

Movements in investment property of the Group are as follows:

		Land	Buildings	Total
Cost or deemed cost				
Balance at January 1, 2020	$	3,083,445	1,238,683	4,322,128
Transferred from property and equipment		339,995	155,423	495,418
Reclassified to Property and equipment		(449,616)	(294,230)	(743,846)
Disposals and retirements		(8,970)	(263)	(9,233)
Balance at December 31, 2020	$	**2,964,854**	**1,099,613**	**4,064,467**
Balance at January 1, 2019	$	1,035,870	633,054	1,668,924
Transferred from property and equipment		2,077,398	613,943	2,691,341
Reclassified to property and equipment		(29,358)	(8,314)	(37,672)
Disposals and retirements		(465)	-	(465)
Balance at December 31, 2019	$	**3,083,445**	**1,238,683**	**4,322,128**
Depreciation and impairment loss				
Balance at January 1, 2020	$	-	525,138	525,138
Depreciation		-	22,022	22,022
Transferred from property and equipment		-	35,618	35,618
Reclassified to property and equipment		-	(129,155)	(129,155)
Disposals and retirements		-	(263)	(263)
Balance at December 31, 2020	$	**-**	**453,360**	**453,360**
Balance at January 1, 2019	$	-	294,910	294,910
Depreciation		-	19,975	19,975
Transferred from property and equipment		-	213,848	213,848
Disposals and retirements		-	(3,595)	(3,595)
Balance at December 31, 2019	$	**-**	**525,138**	**525,138**
Carrying Amount:				
December 31, 2020	$	**2,964,854**	**646,253**	**3,611,107**
December 31, 2019	$	**3,083,445**	**713,545**	**3,796,990**
Fair Value:				
December 31, 2020				**7,295,403**
December 31, 2019				**7,577,872**

(Continued)

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

As of December 31, 2020 and 2019, 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 consulted with lessee, and no contingent rent payment. Related information (including rental revenue and direct operation expense), please refer to note 6(u).

Lessor

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

	December 31, 2020	December 31, 2019
Within 1 year	$ 141,942	140,696
1-5 years	452,023	462,794
Over 5 years	301,791	402,354
	$ 895,756	**1,005,844**

The rental revenue from investment property for the years ended December 31, 2020 and 2019 amounted to $159,425 and $121,073 respectively.

(i) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized as goodwill. As of December 31, 2020 and 2019, the book value was all $3,126,698.

Goodwill is allocated to the operating segments as follows:

	December 31, 2020	December 31, 2019
Brokerage segment	$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	1,557,096	1,557,096
Total	**$ 3,126,698**	**3,126,698**

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 2.77% and 5.24% in year 2020 and 2019 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 2020 and 2019 exceeded the carrying amount, no impairment occurred for both years.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd in order to expand operations. The Group recognized the differences between investment costs and identifiable assets as goodwill. As of December 31, 2020 and 2019, the book value of goodwill were $20,884 and $22,088 respectively. Furthermore, the Group recognized an impairment loss of $1,204 in the year of 2020, according to discount rate of 4.65% on the basis of the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation of securities corporation operation franchise 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, 2020 and 2019, the book value of the operation franchise was 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, 2020 and 2019, the book values of intangible assets were $46,146 and $46,235, 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, 2020 and 2019, the amortized book value were $35,836 and $24,720, respectively.

(j) Short-term borrowings

Nature of borrowings	**December 31, 2020**	**December 31, 2019**
Collateralized loan	$ 1,449,632	709,780
Credit loans	2,221,479	5,921,222
Total	**$ 3,671,111**	**6,631,002**
Interest rate range	**0.44%~1.45%**	**0.95%~3.37%**

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As of December 31, 2020 and 2019, the Group had provided the land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(k) Commercial paper payable

	December 31, 2020	December 31, 2019
Commercial paper payable	$ 2,300,000	-
Less: Unamortized discount	(308)	-
Net amount	**$ 2,299,692**	**-**
Interest rate range	**0.358%~0.418%**	**-**

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

	December 31, 2020	December 31, 2019
Liabilities on sale of borrowed securities	$ 947,588	386,818
Valuation adjustment	(17,227)	(50,296)
Subtotal	930,361	336,522
Exchange Traded Notes	868	699
Valuation adjustment	260	30
Subtotal	1,128	729
Stock warrants issued	9,668,055	14,997,622
Stock warrants repurchased	(8,941,544)	(14,444,316)
Subtotal	726,511	553,306
Put options	59,577	11,902
IRS asset swaps	10,968	2,436
Asset swap options - short position	1,267,802	529,328
Structured notes	619,483	11,583
Leverage derivatives - non-hedging	1,772	7,574
Currency swaps	12,759	4,745
Interest rate swaps	505	969
Subtotal	1,972,866	568,537
Total	**$ 3,630,866**	**1,459,094**

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(m) Bonds sold under repurchase agreements

	December 31, 2020	December 31, 2019
Bonds sold under repurchase agreements	$ 35,265,582	31,847,531
Agreed-upon repurchase amounts	35,315,617	32,022,184
Interest rates	0.10%~2.60%	0.20%~3.20%
Date of repurchase	2021.1.4~2021.12.16	2020.1.2~2020.12.30

(n) Equity for each customer in the account

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

	December 31, 2020	December 31, 2019
Equity for each customer in the account	$ 13,063,932	3,025,153

(o) Accounts payable

	December 31, 2020	December 31, 2019
Payable of securities sold by customers	$ 65,929	11,136
Settlement	-	248,937
Payable of settlements	10,333,791	5,072,389
Others	347,004	903,596
Total	$ 10,746,724	6,236,058

(p) Lease liabilities

The Group's lease liabilities are as follow:

	December 31, 2020	December 31, 2019
Current	$ 173,381	193,565
Non-current	$ 736,969	819,040

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

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The amounts recognized in profit or loss were as follows:

	For the years ended December 31, 2020	2019
Interest on lease liabilities	$ 13,052	14,274
Expenses relating to short-term leases	$ 6,293	18,353
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 19,011	24,223

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

	For the years ended December 31, 2020	2019
Total cash outflow for leases	$ 242,562	195,758

(q) Employee benefit

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ (1,046,957)	(877,621)
Fair value of plan assets	303,061	343,634
Recognized liabilities for defined benefit obligations	$ (743,896)	(533,987)

The Group's employee benefits liabilities are as follows:

	December 31, 2020	December 31, 2019
Compensated absences	$ 50,169	52,566

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.

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The balance of the Group's labor pension preparatory special account in Bank of Taiwan amounted to $307,229 and $300,402 as of December 31, 2020 and 2019, 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 $1,782 and $48,848 as of December 31, 2020 and 2019, respectively.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	**2019**
Defined benefit obligation on January 1	$ 877,621	972,838
Current service costs and interest	10,079	14,918
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in financial assumptions	30,369	13,720
-Experience adjustments	196,531	(58,162)
Benefits paid by the plan	(67,643)	(65,693)
Defined benefit obligation on December 31	**$ 1,046,957**	**877,621**

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	**2019**
Fair value of plan assets on January 1	$ 343,634	383,030
Interest revenue	2,300	3,562
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	9,681	9,315
Contributions from the employer	15,089	11,558
Benefits paid from plan assets	(67,643)	(63,831)
Fair value of plan assets on December 31	**$ 303,061**	**343,634**

(Continued)

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4) Expense recognized in profit or loss

The expenses recognized by the Group in 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Current service cost	$ 4,245	5,938
Net interest of net defined benefit liabilities (assets)	3,534	5,418
Current pension cost	**$ 7,779**	**11,356**

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

For the years ended December 31, 2020 and 2019, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	For the years ended December 31,	
	2020	2019
Balance at January 1	$ (114,769)	(168,526)
Recognized amount during the period	(217,219)	53,757
Balance at December 31	**$ (331,988)**	**(114,769)**

6) Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	0.41%~0.42%	0.67%
Future salary growth rate	2.50%~3.00%	2.00%~2.50%

The expected contribution to the defined benefit plan for the next year is $11,988. The weighted average duration of the defined benefit obligation is 1 year.

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, 2020 and 2019, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	Effects to Defined Benefit Obligations	
	Increase 0.5%	Decrease 0.5%
December 31, 2020		
Discount rate	(26,117)	22,763
Future salary growth rate	21,334	(20,752)

(Continued)

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	Effects to Defined Benefit Obligations	
	Increase 0.5%	**Decrease 0.5%**
December 31, 2019		
Discount rate	(22,314)	23,258
Future salary growth rate	18,483	(17,962)

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 $89,431 and $81,864 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2020 and 2019, respectively.

(iii) For the years ended December 31, 2020 and 2019, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were $3,259 and $4,732, respectively.

(r) Income tax

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

The Company and its subsidiaries including Capital Investment Management Corp., Capital Futures Corp., Taiwan International Securities Investment Consulting Corp., CSC Venture Capital Corp., and CSC Capital Management Corp. are founded in Taiwan. The corporate income tax rate are both 20% for the years ended December 31, 2020 and 2019.

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, 2020 and 2019.

The tax rate of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the years ended December 31, 2020 and 2019.

The tax rate of reinvestment business of subsidiaries which founded in Mainland are all 25% for the years ended December 31, 2020 and 2019.

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(ii) Income tax expense (benefit)

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

	For the years ended December 31, 2020	2019
Current tax expense		
Current year	$ 543,968	328,215
Adjustment to the prior years' income tax	(11,073)	61,057
	532,895	389,272
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	19,827	(64,320)
Unrealized gains (losses) on foreign investments under Equity Method	703	1,372
Amortization on operation franchise	(42,881)	-
Decrease in tax loss carried forward	-	108,204
Adjustments of deferred income tax assets and liabilities	31,477	(35,665)
	9,126	9,591
Income tax expense from continuing operations	**$ 542,021**	**398,863**

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

	For the years ended December 31, 2020	2019
Foreign exchange difference from translating financial statements of foreign operations	**$ (15,801)**	**(7,322)**

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

	For the years ended December 31, 2020	2019
Net income before tax	$ 4,382,700	3,228,097
Income tax using the Company's domestic tax rate	$ 941,886	711,044
Tax exempt income	(434,764)	(345,072)
Alternative minimum tax	31,833	3,585
Unrecognized deferred tax assets for current-year losses	3,533	863
Unrecognized temporary differences for current years	2,607	(220)
Additional surtax on undistributed retained earnings	5,815	382
Amortization of operation franchise	(42,881)	-
Adjustments to prior years' income tax	(3,780)	61,057
Unrecognized temporary differences for prior years	31,477	(35,665)
Others	6,295	2,889
Total	**$ 542,021**	**398,863**

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	December 31, 2020	December 31, 2019
Tax loss carried forward	$ -	31,476
Unrealized losses on foreign investments under Equity Method	5,421	5,663
Foreign exchange difference from translating financial statements of foreign operations	18,426	2,626
Unrecognized loss in derivative financial instruments	54,277	68,081
Total	**$ 78,124**	**107,846**

2) Unrecognized deferred tax assets

	December 31, 2020	December 31, 2019
Aggregate amount of temporary differences related to investments in subsidiaries	$ 620	275
Tax loss carried forward	5,851	2,591
Total	**$ 6,471**	**2,866**

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, 2020, the Group's estimated tax losses recognized under deferred income tax asset were as follows:

Year or loss	Amount	Expiry date
2016 (Declared)	$ 1,431	2026
2017 (Declared)	3,621	2027
2018 (Declared)	1,564	2028
2019 (Reported/Declared)	4,667	2029
2020 (Estimated)	17,973	2030
Total	**$ 29,256**	

3) Recognized deferred income tax liabilities

	December 31, 2020	December 31, 2019
Unrealized gains on derivative financial instruments	12,321	6,298
Unrealized gains on foreign investments under Equity Method	2,930	2,469
Losses on intercompany transactions	1,928	1,928
Amortization of operation franchise	-	42,881
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Deferred income tax liabilities	$ 427,566	463,963

4) Unrecognized deferred tax liabilities

As of December 31, 2020 and 2019, the Group' s temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2020	December 31, 2019
Aggregate amount of temporary differences related to investments in subsidiaries	$ 3,605	14,845

The dividend policies of Capital Futures Corp.' s subsidiaries, CSC Futures (HK) Ltd. and Capital True Partner Co., Ltd, were prescribed not to appropriate the retain earning until December 31, 2020. 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 2018 were assessed by the Tax Authority.

2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2018 were assessed by the Tax Authority.

3) Subsidiary - Capital Futures Corp.'s income tax returns through 2018 were assessed by the Tax Authority.

4) Subsidiary - Taiwan International Securities Investment Consulting Corp.'s income tax returns for the liquidation date as of June 30, 2012 and July 1, 2012 to September 16, 2019 were assessed by the Tax Authority. And on June 15, 2020, the entity was been admitted the completion of liquidation by the court.

5) Subsidiary - Capital International Technology Corp.'s income tax returns through 2019 were assessed by the Tax Authority.

6) Subsidiary - CSC Venture Capital Corp.’ s income tax returns through 2018 were assessed by the Tax Authority.

7) Subsidiary - CSC Capital Management Corp. was established on December 3, 2020, and have not had a case of profit-seeking enterprise income tax.

(v) Income tax administrative relief

Since the tax loss carried forward from year 2015 were assessed differently from those reported by the Company, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

(s) Capital and other equity

(i) Capital stock

As of December 31, 2020 and 2019, the Company had authorized capital of $30,000,000 and issued common stock of 2,170,908 thousand shares and 2,320,908 thousand shares, respectively, with a par value of $10 per share.

(ii) Capital surplus

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

The followings are the capital surplus of the Company:

	December 31, 2020	December 31, 2019
Premium from stock issuance	$ 1,661,604	1,776,413
Treasury stock transactions	486,556	437,096
Paid-in capital from merger	563,715	602,665
Difference between consideration and carrying amount of subsidiaries acquired and disposed	1,251	1,338
Changes in ownership interests in subsidiaries	30,304	34,787
	$ 2,743,430	**2,852,299**

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

In accordance with Article 41 of the "Securities and Exchange Act", 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 1010028514 issued by the Financial Supervisory Commission on June 29, 2012, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative deduction in stockholders' equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

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

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 2019 and 2018 earnings distribution resolved by the shareholders' meeting on June 22, 2020 and June 24, 2019, respectively, were as follows:

	2019		2018	
	Amount	Dividends per share	Amount	Dividends per share
Cash dividends	$ 1,736,726	0.8	928,363	0.4

On March 25, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	2020	
	Amount	Dividends per share
Cash dividends	$ 2,387,999	1.1

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

(iv) Treasury stocks

Pursuant to Article 28-2 of the "Securities and Exchange Act", the Company repurchased 150,000 thousand shares as treasury shares to maintain the Company's credit standing and shareholders' equity from November, 2019 to January 31, 2020, and retired all shares on February, 2020.

Based on the "Securities and Exchange Act" of the ROC, the number of reacquired shares should not exceed 10% of a company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par and realized capital surplus. Under the "Securities and Exchange Act", the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

On November 11, 2019, the Company's board meeting resolved a share buyback plan, which was based on the latest reviewed financial report on September 30, 2019. The cap of the repurchase was 232,090 thousand shares which were amounted to $9,861,897. The Company repurchased 150,000 thousand shares in total and all the repurchased shares were retired and the registration of capital reduction was completed on February 21, 2020.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(t) Earnings per share

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

	For the years ended December 31, 2020	2019
Net income attributable to common shareholders of the Company	$ **3,569,529**	**2,566,823**
Weighted-average number of common stock shares outstanding (thousands of shares)	**2,170,916**	**2,314,284**
Basic earnings per share (dollar)	$ **1.64**	**1.11**
Effect of potentially dilutive common stock		
- Employee remuneration (thousands of shares) (Note)	**3,363**	**2,912**
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	**2,174,279**	**2,317,196**
Dilutive earnings per share (dollar)	$ **1.64**	**1.11**

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

(u) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the years ended December 31, 2020	2019
Brokerage commission from TSE market	$ 2,523,123	1,539,188
Brokerage commission from OTC market	847,544	567,295
Handling fee from security financing	34,006	23,878
Futures commission income - brokerage	1,891,408	1,567,795
Overseas subsidiaries	50,199	46,031
Others	109,030	75,006
	$ **5,455,310**	**3,819,193**

(ii) Underwriting commissions

	For the years ended December 31, 2020	2019
Revenue from underwriting securities on a firm commitment basis	$ 86,283	52,495
Handling fee revenues from underwriting securities on best efforts basis	531	4,942
Processing fee revenues from underwriting operations	117,575	18,444
Revenue from underwriting consultation	8,290	5,260
Others	1,611	1,740
	$ **214,290**	**82,881**

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

	For the years ended December 31, 2020	2019
Gains (losses) on securities sold - proprietary trading	$ 696,182	452,383
Gains (losses) on securities sold - underwriting	78,546	60,428
Gains (losses) on securities sold - hedging	658,112	505,145
Total	**$ 1,432,840**	**1,017,956**

(iv) Interest revenue

	For the years ended December 31, 2020	2019
Interest revenue - margin loans	$ 613,935	592,790
Interest revenue - bonds	646,278	836,503
Overseas subsidiaries	51,658	51,727
Others	121,319	77,261
	$ 1,433,190	**1,558,281**

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

	For the years ended December 31, 2020	2019
Trading securities - proprietary	$ 47,338	423,243
Trading securities - underwriting	(21,660)	34,364
Trading securities - hedging	188,737	510,815
	$ 214,415	**968,422**

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

	For the years ended December 31, 2020	2019
Gains on changes in fair value of stock warrants	$ 10,507,461	21,714,001
Gains on exercise of stock warrants before maturity	42,355,800	21,160,960
Losses on changes in fair value of stock warrants repurchased	(52,489,556)	(42,699,393)
Gains on expiration of stock warrants	43,514	15,602
Stock warrants issuance expenses	(197,941)	(154,084)
	$ 219,278	**37,086**

(vii) Futures commission revenues

	For the years ended December 31, 2020	2019
Futures commission revenues - CSC Futures (HK) Ltd.	**$ 322,130**	**209,879**

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

(viii) Commission expenses - future

	For the years ended December 31, 2020	2019
Future trading - reconsignment	$ 266,087	246,008
Future trading - introducing brokers	1,530	697
Commission expenses - CSC Futures (HK) Ltd.	74,243	55,032
	$ 341,860	**301,737**

(ix) Employee benefits, depreciation, and amortization expenses

	For the years ended December 31, 2020	2019
Employee benefit expenses		
Salary expense	$ 2,571,187	2,150,037
Health and labor insurance expense	167,792	158,368
Pension expense	100,469	97,952
Others	62,302	57,802
Depreciation expense	411,796	389,552
Amortization expense	35,507	34,410
	$ 3,349,053	**2,888,121**

(x) Other operating expenses

	For the years ended December 31, 2020	2019
Rental expense	$ 25,278	42,555
Taxes	421,345	344,570
Information technology expense	235,734	214,041
Postage expense	212,178	180,430
Professional service fee	24,462	21,028
Other expenses	606,285	543,880
	$ 1,525,282	**1,346,504**

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(xi) Other gains and losses

	For the years ended December 31,	
	2020	**2019**
Financial revenue	$ 383,718	569,367
Currency exchange gains (losses)	(5,751)	(8,259)
Net gains (losses) on disposal of investment	73,800	7,431
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	4,504	28,906
Revenue from bank's allocation fee	173,071	139,968
Net gains (losses) on disposal of property and equipment	11,317	13,801
Dividend revenue	82,756	65,448
Gains on reversal of prior year's liabilities	21,856	52,211
Rental income	159,425	121,073
Others	44,885	52,274
	$ 949,581	**1,042,220**

(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, 2020 and 2019, the estimated amounts of remuneration to employees were $45,574 and $32,756, and to directors were $76,446 and $54,594, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2019 and 2018, the estimated amounts of remuneration to employees were $32,756 and $20,971, and to directors were $54,594 and $34,951 by the Company. The difference between actual employee remuneration of $27,027 and $14,587 and actual remuneration to directors of $45,335 and $24,248 were $14,988 and $17,087 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2020 and 2019. The information about the appropriations is available at the website of the Market Observation Post System.

For the years ended December 31, 2020 and 2019, the estimated amounts of remuneration to employees were $9,071 and $8,714 and to directors were $9,071 and $8,714 by the domestic subsidiaries of the Group, respectively.

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2020 and 2019, the maximum credit exposure amounted to $127,764,174 and $100,461,622, 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 (77.40%); secondly, is in Asia (12.35%, exclusion of Taiwan); then, is in America (6.57%). Compare to the same period of last year, there is no significant change in proportion of region of investments. The subsidiary Capital Futures Corp. only reveals the regional distribution in cash and cash equivalent and customers' margin account.

Region	December 31, 2020	December 31, 2019
Taiwan	$ 98,356,189	74,762,540
Asia (Taiwan is excluded)	15,697,768	13,582,675
Europe	3,761,769	4,010,808
America	8,348,552	7,523,511
Other	903,821	77,525
Total	**$ 127,068,099**	**99,957,059**

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2) Impairment loss

The Group's ageing analysis of receivables at reporting date is as follows:

	December 31, 2020		December 31, 2019	
	Total amount	**Allowance**	**Total amount**	**Allowance**
Not past due	$ 28,531,443	36,508	20,845,564	9,373
Past due 0~30 days	182	182	275	275
Past due 31~120 days	399	399	127	127
Past due 121~360 days	841	841	8	8
Past due more than 360 days	276,004	276,004	305,771	305,771
	$ 28,808,869	313,934	21,151,745	315,554

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2020 and 2019, the impairment losses of accrued receivables were recognized $313,934 and $315,554, respectively.

3) Credit risk of accrued 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, 2020 and 2019 was as follows:

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		
	Accrued receivables	**Debt securities at FVOCI**	**Accrued receivables**	**Debt securities at FVOCI**	**Accrued receivables**	**Debt securities at FVOCI**	**Total**
Balance on January 1, 2020	$ -	7,567	-	-	315,554	-	323,121
Provision of Impairment loss	-	1,824	-	-	31,853	-	33,677
Amounts written off	-	-	-	-	(30,415)	-	(30,415)
Effect of exchange rate	-	-	-	-	(3,058)	-	(3,058)
Balance on December 31, 2020	$ -	9,391	-	-	313,934	-	323,325

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	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Total
Balance on January 1, 2019	-	5,861	-	-	338,517	-	344,378
Provision or reversal of Impairment loss	-	1,706	-	-	(5,496)	-	(3,790)
Amounts written off	-	-	-	-	(20,803)	-	(20,803)
Effect of exchange rate	-	-	-	-	3,336	-	3,336
Balance on December 31, 2019	$ -	7,567	-	-	315,554	-	323,121

(ii) Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Group predicts the cash flow occurring point or the actual amount of this maturity analysis will not be significantly earlier or different.

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2020							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	$ 930,361	930,361	930,361	-	-	-	-
Stock warrants issued	726,511	726,511	644,819	81,692	-	-	-
Put options - futures	59,577	59,577	59,577	-	-	-	-
Exchange traded notes	1,128	1,128	1,128	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	24,232	24,232	13,298	(1,809)	4,829	7,914	-
Put options	1,267,802	1,267,802	280,120	137,993	399,655	450,034	-
Leverage derivatives - non-hedging	1,772	1,772	1,772	-	-	-	-
Short-term borrowings	3,671,111	3,671,111	3,671,111	-	-	-	-
Commercial paper payable	2,299,692	2,300,000	2,300,000	-	-	-	-
Bonds sold under repurchase agreements	35,265,582	35,315,617	26,903,159	8,412,458	-	-	-
Guarantee deposited for short sales	2,631,763	2,631,763	2,631,763	-	-	-	-
Proceeds payable from short sales	3,021,249	3,021,249	3,021,249	-	-	-	-
Securities lending refundable deposits	1,033,425	1,033,425	1,033,425	-	-	-	-
Futures traders' equity	38,316,621	38,316,621	38,316,621	-	-	-	-
Leverage contract trading customers' equity	352,056	352,056	352,056	-	-	-	-
Notes payable and accounts payable	384,516	384,516	384,516	-	-	-	-
Receipts under custody	1,636,517	1,636,517	1,636,517	-	-	-	-
Other payables	1,100,126	1,100,126	1,096,990	3,136	-	-	-
Structured notes	5,370,573	5,370,573	3,980,110	266,846	171,945	951,672	-
Lease liabilities	910,350	950,943	104,433	79,719	143,812	361,069	261,910
	$ 99,004,964	99,095,900	87,363,025	8,980,035	720,241	1,770,689	261,910

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December 31, 2019	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	$ 336,522	336,522	336,522	-	-	-	-
Stock warrants issued	553,306	553,306	465,459	87,847	-	-	-
Put options - futures	11,902	11,902	11,902	-	-	-	-
Exchange traded notes	729	729	-	-	-	729	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	8,150	8,150	4,592	822	(711)	3,447	-
Put options	529,328	529,328	41,762	67,521	208,340	211,705	-
Leverage derivatives - non-hedging	7,574	7,574	7,574	-	-	-	-
Short-term borrowings	6,631,002	6,631,002	6,631,002	-	-	-	-
Bonds sold under repurchase agreements	31,847,531	32,022,184	32,022,184	-	-	-	-
Guarantee deposited for short sales	2,390,464	2,390,464	2,390,464	-	-	-	-
Proceeds payable from short sales	2,755,405	2,755,405	2,755,405	-	-	-	-
Securities lending refundable deposits	336,713	336,713	336,713	-	-	-	-
Futures traders' equity	34,747,531	34,747,531	34,747,531	-	-	-	-
Leverage contract trading customers' equity	308,590	308,590	308,590	-	-	-	-
Notes payable and accounts payable	948,074	948,074	948,074	-	-	-	-
Receipts under custody	114,442	114,442	114,442	-	-	-	-
Other payables	662,217	662,217	662,208	9	-	-	-
Structured notes	3,941,052	3,941,052	3,296,957	294,709	241,782	107,604	-
Lease liabilities	1,012,605	1,063,979	109,793	96,531	162,309	335,250	360,096
	$ 87,143,137	87,369,164	85,191,174	547,439	611,720	658,735	360,096

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(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, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial assets			
Monetary Item			
USD	$ 706,900	28.4800	20,132,512
AUD	3,532	21.9500	77,527
CAD	74	22.3500	1,654
CHF	52	32.3050	1,680
EUR	7,745	35.0200	271,230
GBP	2,569	38.9000	99,934
HKD	112,234	3.6730	412,235
JPY	888,657	0.2763	245,536
SGD	544	21.5600	11,729
CNY	94,309	4.3770	412,790
ZAR	66	1.9490	129
KRW	384,841	0.0264	10,160
NZD	43	20.5800	885
THB	3,468	0.9556	3,314
MYR	180	6.7895	1,222
Non-Monetary Item			
USD	585,631	28.4800	16,678,771
AUD	105,749	21.9500	2,321,191
EUR	33,014	35.0200	1,156,150
GBP	2	38.9000	78
HKD	1,031	3.6730	3,787
JPY	10,105	0.2763	2,792
CNY	238,236	4.3770	1,042,759
NZD	1	20.5800	21
Investments under equity method			
HKD	13,417	3.6730	49,281

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	December 31, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial liabilities			
Monetary Item			
USD	$ 1,259,306	28.4800	35,865,035
AUD	98,768	21.9500	2,167,958
CAD	67	22.3500	1,497
CHF	53	32.3050	1,712
EUR	39,104	35.0200	1,369,422
GBP	2,460	38.9000	95,694
HKD	221,137	3.6730	812,236
JPY	894,512	0.2763	247,154
SGD	631	21.5600	13,604
CNY	168,410	4.3770	737,131
KRW	381,095	0.0264	10,061
THB	2,572	0.9556	2,458
MYR	166	6.7895	1,127
Non-Monetary Item			
USD	12	28.4800	342
CAD	4	22.3500	89
JPY	1,023	0.2763	283
CNY	240	4.3770	1,050
ZAR	1	1.9490	2

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	December 31, 2019		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial assets			
Monetary Item			
USD	$ 643,458	29.9800	19,290,871
AUD	3,907	21.0050	82,067
CAD	79	22.9900	1,816
CHF	62	30.9250	1,917
EUR	8,250	33.5900	277,118
GBP	3,724	39.3600	146,577
HKD	121,561	3.8490	467,888
JPY	791,762	0.2760	218,526
SGD	262	22.2800	5,837
CNY	76,826	4.3050	330,736
ZAR	6	2.1200	13
KRW	327,087	0.0262	8,570
NZD	63	20.1900	1,272
THB	3,514	1.0098	3,548
MYR	27	7.0330	190
Non-Monetary Item			
USD	480,419	29.9800	14,402,962
AUD	143,304	21.0050	3,010,101
EUR	1,185	33.5900	39,804
HKD	338	3.8490	1,301
JPY	3,884	0.2760	1,072
CNY	256,294	4.3050	1,103,346
NZD	8	20.1900	162
Investments under equity method			
HKD	12,434	3.8490	47,860

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	December 31, 2019		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial liabilities			
Monetary Item			
USD	$ 1,093,707	29.9800	32,789,336
AUD	134,397	21.0050	2,823,009
CHF	62	30.9250	1,917
EUR	9,096	33.5900	305,535
GBP	3,655	39.3600	143,861
HKD	219,471	3.8490	844,744
JPY	846,953	0.2760	233,759
SGD	281	22.2800	6,261
CNY	195,801	4.3050	842,923
KRW	172,660	0.0262	4,524
THB	1,766	1.0098	1,783
MYR	26	7.0330	183
Non-Monetary Item			
USD	175	29.9800	5,247
CNY	539	4.3050	2,320

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, 2020 and 2019, the realized and unrealized currency exchange gains (losses) amounted to $89,023 and $(395), respectively.

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2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2020 and 2019, given other factors remain the same, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will changes as follows:

	For the years ended December 31, 2020		For the years ended December 31, 2019	
	Appreciated 5%	**Depreciated 5%**	**Appreciated 5%**	**Depreciated 5%**
Net income	(575,927)	575,927	(489,190)	489,190
Other comprehensive income	640,346	(640,346)	546,716	(546,716)

(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.

			For the years ended December 31,					
			2020			2019		
Market risk type	**December 31, 2020**	**December 31, 2019**	**Average**	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest risk	1,560,150	1,409,781	1,574,731	1,758,733	1,378,218	1,497,257	1,572,243	1,409,781

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of December 31, 2020 and 2019, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	December 31, 2020		December 31, 2019	
	Book value	Fair value	Book value	Fair value
Financial assets :				
Cash and cash equivalents	$ 8,497,082	8,497,082	8,323,636	8,323,636
Accrued receivable	43,345,297	43,345,297	24,793,814	24,793,814
Customers' margin account	38,349,832	38,349,832	34,803,719	34,803,719
Leverage contract trading - customers' margin account	352,962	352,962	308,543	308,543
Restricted assets - current	87,357	87,357	673,926	673,926
Other non-current assets	1,469,407	1,469,407	1,473,700	1,473,700
Financial liabilities :				
Short-term borrowings	3,671,111	3,671,111	6,631,002	6,631,002
Commercial paper payable	2,299,692	2,299,692	-	-
Bonds sold under repurchase agreements	35,265,582	35,265,582	31,847,531	31,847,531
Accrued payable	33,813,887	33,813,887	15,790,247	15,790,247
Futures traders' equity	38,316,621	38,316,621	34,747,531	34,747,531
Leverage contract trading - customers' equity	352,056	352,056	308,590	308,590
Other financial liabilities - current	4,235,829	4,235,829	3,579,951	3,579,951
Other financial liabilities - non-current	515,261	515,261	349,518	349,518
Other non-current liabilities	99,911	99,911	103,115	103,115

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

	Level 1	Level 2	Level 3	Total
Investment property				
December 31, 2020	$ -	-	7,295,403	7,295,403
December 31, 2019	$ -	-	7,577,872	7,577,872

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. The method is applied to cash and cash equivalents, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading - customers' equity, other financial liabilities - current, other financial liabilities - non-current, and other non-current liabilities.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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ii) The investment properties were evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

3) Measured at fair value

a) Hierarchy information of fair value

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

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets at fair value through profit or loss	$ 11,862,682	22,887,200	-	34,749,882
Financial assets at fair value through other comprehensive income	2,704,200	15,959,279	2,287,085	20,950,564
Derivative financial assets	388,227	241,724	-	629,951
	$ 14,955,109	**39,088,203**	**2,287,085**	**56,330,397**
Financial liabilities at fair value through profit or loss	$ 1,658,000	-	-	1,658,000
Derivative financial liabilities	667,933	1,304,933	-	1,972,866
	$ 2,325,933	**1,304,933**	**-**	**3,630,866**
December 31, 2019				
Financial assets at fair value through profit or loss	$ 12,128,552	18,699,349	-	30,827,901
Financial assets at fair value through other comprehensive income	2,362,801	13,619,901	2,464,932	18,447,634
Derivative financial assets	237,106	118,728	-	355,834
	$ 14,728,459	**32,437,978**	**2,464,932**	**49,631,369**
Financial liabilities at fair value through profit or loss	$ 890,557	-	-	890,557
Derivative financial liabilities	11,902	556,635	-	568,537
	$ 902,459	**556,635**	**-**	**1,459,094**

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2020 and 2019, 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, 2020								
		Gains and losses on valuation		Addition		Reduction			
Item	Beginning Balance	Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	Ending Balance
Financial assets at fair value through other comprehensive income	$ 2,464,932	-	103,023	97,880	-	48,822	207,270	122,658	2,287,085

	For the year ended December 31, 2019								
		Gains and losses on valuation		Addition		Reduction			
Item	Beginning Balance	Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	Ending Balance
Financial assets at fair value through other comprehensive income	$ 1,911,577	-	438,403	134,384	-	19,432	-	-	2,464,932

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

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

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

Item	Valuation technique	Significant unobservable inputs	Correlation between inputs and fair value
Financial assets at fair value through other comprehensive income - equity instruments without an active market	Market approach	· Price-to-Book Ratio · Discount for lack of marketability	· The higher the multiple, the higher fair value. · The higher the discount for lack of marketability, the lower the fair value.
Financial assets at fair value through other comprehensive income - equity instruments without an active market - venture capital corporation	Net Asset Value Method	·Net Asset Value	Not applicable

(Continued)

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**
December 31, 2020		
Financial assets fair value through other comprehensive income	$ 22,871	(22,871)
December 31, 2019		
Financial assets fair value through other comprehensive income	$ 24,649	(24,649)

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

	December 31, 2020				
Types of financial assets	**Book value of the transferred financial assets**	**Book value of relevant financial liabilities**	**Fair value of the transferred financial assets (Note)**	**Fair value of relevant financial liabilities (Note)**	**Fair value net position (Note)**
Under repurchase agreements	$ 37,366,476	35,265,582	-	-	-

	December 31, 2019				
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	$ 33,447,074	31,847,531	-	-	-

(Continued)

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

(vii) Offsetting financial assets and financial liabilities

The Group did not hold any financial instruments contracts which meet Section 42 of IAS 32 endorsed by the FSC therefore, the financial assets and financial liabilities will 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, 2020					
	Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d) Financial instruments (Note)	Related amount not offset in the balance sheet (d) Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 241,724	-	241,724	-	-	241,724

	December 31, 2020					
	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d) Financial instruments (Note)	Related amount not offset in the balance sheet (d) Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 1,913,289	-	1,913,289	-	-	1,913,289
Under repurchase agreements	35,265,582	-	35,265,582	35,265,582	-	-
Total	$ 37,178,871	-	37,178,871	35,265,582	-	1,913,289

	December 31, 2019					
	Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d) Financial instruments (Note)	Related amount not offset in the balance sheet (d) Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 118,728	-	118,728	-	-	118,728

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	December 31, 2019					
	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	$ 556,635	-	556,635	-	-	556,635
Under repurchase agreements	31,847,531	-	31,847,531	31,847,531	-	-
Total	**$ 32,404,166**	**-**	**32,404,166**	**31,847,531**	**-**	**556,635**

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

(w) 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)

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.

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 utilizes 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 bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

(Continued)

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, 2020 and 2019, 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

	December 31, 2020		December 31, 2019	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
Stock warrants issued	$ 14,988,329	-	18,302,776	-

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.

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

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

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

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

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

(v) Presentation of financial derivatives

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

1) For the years ended December 31, 2020 and 2019:

a) Gains (losses) on valuation

	For the years ended December 31, 2020	2019	Account
Stock warrants issued	$ 17,825,096	11,359,166	Gains (losses) on stock warrants issued
Stock warrants repurchased	(17,761,848)	(11,382,768)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the years ended December 31, 2020	2019	Account
Security borrowing	$ 48,780	55,194	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	61,457	340,093	Gains (losses) on sale of trading securities
Futures transaction	(132,451)	(319,856)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the years ended December 31, 2020	2019	Account
Stock warrants issued	$ 35,081,679	31,531,397	Gains (losses) on stock warrants issued
Stock warrants repurchased	(34,727,708)	(31,316,625)	Gains (losses) on stock warrants issued

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Exchange traded notes

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

Financial Instruments		December 31, 2020 Notional principal / Nominal amount	December 31, 2020 Credit Risk	December 31, 2019 Notional principal / Nominal amount	December 31, 2019 Credit Risk
For trading purpose:					
Exchange traded notes issued	$	1,128	-	729	-

Index-related products trading (futures or other derivative products) will take certain credit risk from counterparties. The Group determines those with international credit rating BBB- (inclusive) or above, and therefore, no default is expected and credit risk is accordingly remote.

(ii) Market risk:

There is no tracking error on exchange traded notes (ETN). Issuers hedge and manage the position via stocks or other products (futures or other derivative products) which are related to the index.

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

Stocks with small market cap or transaction volume will be replaced by other stocks in case the liquidity risk affects the index performance.

The duration of exchange traded notes issued is three years from the issue date. Except for cash flows from hedging transactions, there is no additional cash demand.

(iv) Type, purpose, and strategy of other financial derivatives approved by the authority held:

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

(v) Presentation of other financial derivatives approved by the authority:

		December 31, 2020	December 31, 2019	Account
Margin - exchange traded notes	$	25	25	Other non-current assets
Outstanding liabilities - exchange traded notes		1,128	729	Financial liabilities at fair value through profit or loss - current

		For the years ended December 31, 2020	For the years ended December 31, 2019	Account
Gains (losses) on exchange traded notes	$	(296)	(67)	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes		8	6	Management and commissions revenue from exchange traded notes
Issue and management fees on exchange traded notes		(62)	(145)	Issue and management fees on exchange traded notes

(Continued)

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, 2020 and 2019.

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

(ii) Market risk:

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

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

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

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

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

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

(iv) Presentation of financial derivatives:

	December 31, 2020	December 31, 2019	Account
Futures margin - proprietary fund	$ 348,012	233,624	Financial assets at fair value through profit or loss - current
Excess futures margin	1,365,163	1,184,098	Cash and cash equivalent
Buy options	40,215	3,482	Financial assets at fair value through profit or loss - current
Sale options	59,577	11,902	Financial liabilities at fair value through profit or loss - current

	For the years ended December 31,		
	2020	2019	Account
Gains (losses) on futures transactions	$ (71,282)	(661,537)	Gains (losses) on derivatives - futures

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Derivative instruments - OTC

(i) Interest rate financial derivatives

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

	December 31, 2020		December 31, 2019	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
NT dollar interest swaps	$ 10,900,000	-	21,300,000	-

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)

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(ii) Structured notes

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

	December 31, 2020		December 31, 2019	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
Equity-linked notes	$ 1,311,000	-	215,789	-
Principal guaranteed notes	3,264,693	-	2,935,907	-
Credit-linked notes	783,100	-	669,900	-
Principal guaranteed notes (in USD thousands)	USD 100	-	USD 3,690	-

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:

	December 31, 2020		December 31, 2019	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
Convertible bond asset swaps	$ 1,109,900	-	886,900	-
Convertible bond options	7,035,300	-	4,452,000	-

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

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

2) Market risk:

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

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

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

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

(iv) Options

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

	December 31, 2020		December 31, 2019	
Financial Instruments	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Equity options	$ 839	-	200,000	-

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

2) Market risk:

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

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

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

(v) Leverage derivatives

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

Financial Instruments	December 31, 2020 Notional principal/ Nominal amount	December 31, 2020 Credit Risk	December 31, 2019 Notional principal/ Nominal amount	December 31, 2019 Credit Risk
For trading purpose:				
Leverage derivatives-long position	$ 1,321,887	-	2,700,301	-
Leverage derivatives-short position	1,282,847	-	2,448,322	-

The Group does the Know-Your-Customer (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, 2020 and 2019, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps were presented on the balance sheets as follows:

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss - current		
IRS asset swaps	$ 13,100	16,053
Asset swap options-long position	157,459	37,684
Leverage derivatives - non-hedging	63,380	39,066
Structured notes	7,785	25,925
Total	**$ 241,724**	**118,728**

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	December 31, 2020	December 31, 2019
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	$ 10,968	2,436
Asset swap options-short position	1,267,802	529,328
Leverage derivatives - non-hedging	1,772	7,574
Structured notes	619,483	11,583
Currency swaps	12,759	4,745
Interest rate swaps	505	969
Total	$ 1,913,289	556,635
Other financial liabilities - current		
Structured notes principal value	$ 4,235,829	3,579,951
Other financial liabilities - non-current		
Structured notes principal value	$ 515,261	349,518

For the years ended December 31, 2020 and 2019, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps are presented on statements of income as follows:

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	$ (1,065)	(505)	(517)	(969)
Equity derivatives	(21)	38	(232)	51
Structured notes	(27,345)	(8,650)	(67,731)	(16,490)
IRS asset swaps	86	2,131	218	13,617
Asset swap options	(803,808)	(251,220)	(264,473)	11,817
Currency swaps	(23,764)	(12,759)	(9,634)	(4,745)
Leverage derivatives - non-hedging	62,602	30,158	36,424	(6,412)
Total	$ (793,315)	(240,807)	(305,945)	(3,131)

(x) Capital management

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

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

	December 31, 2020	December 31, 2019
Capital adequacy ratio	369 %	390 %

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(y) 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, 2020 and 2019, were as follows:

(i) For Short-term borrowings, please refer to note 6(j).

(ii) For Commercial papers payable, please refer to note 6(k).

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

	January 1, 2020	Cash flows	Non-cash changes Other	Non-cash changes Foreign exchange movement	Non-cash changes Fair value changes	December 31, 2020
Short-term borrowings	$ 6,631,002	(2,959,891)	-	-	-	3,671,111
Commercial papers payable	-	2,299,692	-	-	-	2,299,692
Lease liabilities	1,012,605	(217,258)	116,715	(1,712)	-	910,350
Total liabilities from financing activities	**$ 7,643,607**	**(877,457)**	**116,715**	**(1,712)**	**-**	**6,881,153**

	January 1, 2019	Cash flows	Non-cash changes Other	Non-cash changes Foreign exchange movement	Non-cash changes Fair value changes	December 31, 2019
Short-term borrowings	$ 3,873,506	2,757,496	-	-	-	6,631,002
Lease liabilities	1,070,869	(153,182)	95,265	(347)	-	1,012,605
Total liabilities from financing activities	**$ 4,944,375**	**2,604,314**	**95,265**	**(347)**	**-**	**7,643,607**

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the parent company and the ultimate controlling party of the consolidated company.

(b) Names of related parties and relationships

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp	Subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
San Ho Enterprise Co., Ltd. (Note)	Juristic-person director
Other related parties	Key management personnel

Note : The corporation was discharged on June 24, 2019.

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(c) Key management personnel transactions

(i) Key management personnel compensation

	For the years ended December 31, 2020	2019
Short-term employee benefits	$ 256,544	218,948
Post-employment benefits	2,760	2,722
Total	**$ 259,304**	**221,670**

(ii) Bonds sold under repurchase agreements

	December 31, 2020 Par value	December 31, 2020 Purchase price	December 31, 2019 Par value	December 31, 2019 Purchase price
Key management personnel	**$ 8,262**	**8,267**	**22,500**	**22,670**

Total financial expenses	For the years ended December 31, 2020	2019
Key management personnel	**$ 120**	**182**

(iii) Structured notes transactions

	December 31, 2020	December 31, 2019
Key management personnel	**$ 106,800**	**71,393**

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	December 31, 2020 Par value	December 31, 2020 Purchase price	December 31, 2019 Par value	December 31, 2019 Purchase price
Subsidiaries	$ 27,000	27,000	-	-
Funds issued by associate	31,178	30,871	-	-
Total	**$ 58,178**	**57,871**	**-**	**-**

Total financial expenses	For the years ended December 31, 2020	2019
Subsidiaries	$ 9	-
Funds issued by associate	135	472
Juristic-person directors	-	56
Total	**$ 144**	**528**

Transaction terms are the same as the general clients.

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(ii) Futures transactions

Futures traders' equity	December 31, 2020	December 31, 2019
Funds issued by associate	$ 335,742	142,376

Total financial expense	For the years ended December 31, 2020	2019
Funds issued by associate	$ 149	422

Transaction terms are the same as the general clients.

(iii) Lease agreements

Lease revenue	For the years ended December 31, 2020	2019
Subsidiaries	$ -	346
Associates	17,247	17,247
Total	$ 17,247	17,593

Guarantee deposits received	December 31, 2020	December 31, 2019
Associates	$ 3,811	3,811

(iv) Insurance commission revenues

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

Commission revenue	For the years ended December 31, 2020	2019
Subsidiaries	$ 8,158	12,931

Accounts receivable	December 31, 2020	December 31, 2019
Subsidiaries	$ 811	1,877

(v) Brokerage and sub-brokerage

Brokerage commissions	For the years ended December 31, 2020	2019
Funds issued by associate	$ 45,629	24,886
Other related parties	2,517	1,044
Total	$ 48,146	25,930

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Re-consigned handling commissions	For the years ended December 31, 2020	2019
Funds issued by associate	$ 6,703	8,696
Other related parties	559	193
Total	**$ 7,262**	**8,889**

(vi) Fund services business

Fund services revenue	For the years ended December 31, 2020	2019
Associates	**$ 2,108**	**-**

Channel services revenue	2020	2019
Associates	**$ 2,108**	**-**

Account receivable	December 31, 2020	December 31, 2019
Associates	**$ 870**	**-**

(vii) Wealth management business

Trust account commissions revenue	For the years ended December 31, 2020	2019
Associates	**$ 5,708**	**-**

Trust account management fee revenue	2020	2019
Associates	**$ 605**	**229**

(viii) Underwriting business

Stock service income	For the years ended December 31, 2020	2019
Associates	**$ 122**	**124**

Underwriting commissions	2020	2019
Funds issued by associate	**$ 1**	**4,406**

Account receivable	December 31, 2020	December 31, 2019
Associates	**$ 10**	**10**

(ix) Others

Other revenue	For the years ended December 31, 2020	2019
Associates	**$ 3**	**3**

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(x) Custody account business

Custody account business revenue	For the years ended December 31, 2020	2019
Second-level subsidiaries	$ 6,600	-

(xi) Accrued receivables

Other receivable	December 31, 2020	December 31, 2019
Second-level subsidiaries	$ 680	-
Subsidiaries	114	154
Total	$ 794	154

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

(8) Pledged assets:

The following assets were pledged as collateral or restricted in use as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019	The collateral use
Restricted assets - current	$ 87,357	673,926	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	35,557,111	32,506,236	Repurchase agreement
Property and equipment	1,758,898	1,832,513	Bank borrowings
Financial assets at fair value through profit or loss - non - current	180,929	180,467	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property	2,787,973	2,974,772	Bank borrowings
Total	$ 40,372,268	38,167,914	

(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, 2020		December 31, 2019	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	595,559	$ 5,955,590	520,214	5,202,140
Collateral for margin purchase	10,578	105,780	8,868	88,680
Lending securities to customers through short sales	67,810	678,100	57,750	577,500
Collateral for short sales	13,284	132,840	6,900	69,000

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

	December 31, 2020		December 31, 2019	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	2,117	$ 21,170	3,594	35,940
Collateral for refinancing margin	83	830	969	9,690

(c) Information of issuing promissory notes in connection with guaranty for segregated error accounts, bank loans, and issuance of commercial paper are as follows:

	December 31, 2020	December 31, 2019
Promissory notes	$ 21,980,000	25,510,000
Promissory notes (in USD thousands)	USD 65,000	USD 60,000

(d) As of December 31, 2020 and 2019, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were $7,031,255 and $5,687,926, respectively.

(e) Securities and Futures Investors Protection Center claims against the Company for compensation of $2,004; due to the fact that the Company, being the underwriter of client's year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The first instance claimed the case in favor of the Company. Plaintiff appealed against the judgement. The case is under the trial of Taiwan High Count. According to the opinion from the attorney of the Company, the case had no impact to the Company.

(f) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of $2,798. The case is under the trial of Taiwan Taipei District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.

(g) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of $16,375. The case is under the trial of Taiwan Taipei District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.

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(h) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US$7,956,873 dollars (including claim amount US$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is $173,000, thus the Company recognized this amount as other liabilities and the balance was $48,034 as of December 31, 2020.

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

(j) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and property list of trust accounts were declared as follows:

(i) Balance sheet of trust accounts

Balance Sheet of Trust Accounts

December 31, 2020 and 2019

Trust Assets	**December 31, 2020**	**December 31, 2019**	**Trust Liabilities**	**December 31, 2020**	**December 31, 2019**
Bank deposits	$ 1,459,272	1,123,650	Accounts payable	$ 72	44
Short-term investment			Trust capital	12,097,468	13,751,705
Funds	9,959,655	12,115,260	Accumulated earnings or deficit	298,641	(103,139)
Stocks	252,364	177,628			
Bonds	57,995	31,715			
Structured notes	610,954	10,013			
Accounts receivable	55,941	190,344			
Total Assets	**$ 12,396,181**	**13,648,610**	**Total Liabilities**	**$ 12,396,181**	**13,648,610**

(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, 2020 and 2019

	For the years ended December 31, 2020	2019
Trust revenue		
Interest revenue	$ 35,710	5,626
Cash dividends revenue	405,516	522,595
Rental revenue	7,319	6,674
Investment gains - unrealized	102,158	938,923
Currency exchange gains	-	94,949
Subtotal	550,703	1,568,767
Trust expense		
Management fee	371	679
Service fee	39,599	60,976
Investment losses - realized	109,012	46,561
Currency exchange losses - unrealized	-	1,702,347
Other fees	31	92
Subtotal	149,013	1,810,655
Gain (loss) before income tax	401,690	(241,888)
Income tax expense	(190)	(319)
Net gain (loss)	**$ 401,500**	**(242,207)**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Property list of trust accounts

Property list of trust accounts

December 31, 2020 and 2019

Investment items	December 31, 2020	December 31, 2019
Bank deposits	$ 1,459,272	1,123,650
Short-term investment		
Funds	9,959,655	12,115,260
Stocks	252,364	177,628
Bonds	57,995	31,715
Structured notes	610,954	10,013
Account receivables	55,941	190,344
Total	$ 12,396,181	13,648,610

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) As of December 31, 2020 and 2019, the open positions of futures and option contracts were as follows:

(i) December 31, 2020

Item	Trading category	Open positions: Long/ Short	Open positions: Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Futures contract：						
	TAIEX Futures	Long	53	$ 152,446	154,812	
	TAIEX Futures	Short	127	(363,477)	(371,538)	
	Mini-TAIEX Futures	Long	354	254,049	259,165	
	Mini-TAIEX Futures	Short	10	(6,770)	(7,040)	
	Single Stock Futures	Long	1,721	314,059	336,332	
	Single Stock Futures	Short	1,496	(236,471)	(239,651)	
	HSI Futures	Short	9	(44,464)	(44,989)	
	Mini-Nasdaq Futures	Short	1	(7,129)	(7,340)	
	Wheat Futures	Long	3	2,732	2,736	
	Soybean Futures	Long	4	7,499	7,467	
	Soybean Futures	Short	6	(10,636)	(11,201)	
	Gold Futures	Long	10	53,681	53,972	
	Gold Futures	Short	45	(240,756)	(242,876)	
	FTSE China A50 Index Futures	Long	66	32,370	33,293	
	FTSE China A50 Index Futures	Short	546	(267,827)	(275,423)	
	Mini-S&P 500 Futures	Short	10	(52,133)	(53,383)	
	SGX Nikkei 225 Index Futures	Short	5	(18,423)	(18,989)	
	10 Year U.S. Treasury Bond Futures	Short	28	(109,920)	(110,109)	
	Tokyo Stock Price Index Futures	Short	7	(34,977)	(34,901)	
	U.S.dollar Index Futures	Short	15	(38,497)	(38,403)	
	Japanese Yen Futures	Short	1	(3,429)	(3,449)	
	Long-term Euro-BTP Futures	Long	55	292,916	292,786	
	Euro-Bond Futures	Short	10	(62,338)	(62,210)	
	VIX Futures	Long	391	281,920	273,810	
	Brent Crude Oil Futures	Long	3	4,316	4,426	
	Subtotal			(101,259)		
Options contract：						
	TAIEX Options (Call)	Long	858	9,293	27,885	
	TAIEX Options (Put)	Long	1,376	12,285	6,320	
	TAIEX Options (Call)	Short	1,494	(23,968)	(51,486)	
	TAIEX Options (Put)	Short	748	(11,981)	(7,066)	
	Stock Options (Put)	Long	15	62	51	
	TAIEX Weekly Options (Call)	Long	144	1,007	1,836	
	TAIEX Weekly Options (Put)	Long	222	1,085	923	
	TAIEX Weekly Options (Call)	Short	231	(688)	(753)	
	TAIEX Weekly Options (Put)	Short	98	(274)	(195)	
	CSI 300 Index Call Options (Call)	Long	30	2,803	3,194	
	CSI 300 Index Put Options (Put)	Long	18	11	6	
	CSI 300 Index Put Options (Put)	Short	18	(122)	(77)	
	Subtotal			(10,487)		
Total				$ **(111,746)**		

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) December 31, 2019

Item	Trading category	Open positions Long/ Short	Open positions Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Futures contract：						
	TAIEX Futures	Long	10	$ 24,105	23,988	
	TAIEX Futures	Short	206	(495,233)	(494,153)	
	Mini-TAIEX Futures	Long	7	4,198	4,194	
	Mini-TAIEX Futures	Short	10	(5,998)	(5,997)	
	Electronic Sector Index Futures	Short	2	(4,258)	(4,218)	
	Finance Sector Index Futures	Long	100	135,817	135,840	
	Single Stock Futures	Long	400	80,919	85,272	
	Single Stock Futures	Short	5,763	(964,987)	(990,418)	
	HSI Futures	Short	1	(5,379)	(5,441)	
	Mini-HSI Futures	Short	11	(11,921)	(11,969)	
	FTSE China A50 Index Futures	Long	2	862	864	
	FTSE China A50 Index Futures	Short	558	(237,783)	(241,063)	
	VIX Futures	Long	46	21,568	21,308	
	VIX Futures	Short	4	(1,775)	(1,754)	
	SGX Nikkei 225 Index Futures	Short	5	(16,488)	(16,129)	
	10 Year U.S. T-Note Futures	Short	5	(19,421)	(19,250)	
	Ultra U.S. Treasury Bond Futures	Short	3	(16,889)	(16,338)	
	Crude Oil Futures	Short	17	(30,513)	(31,120)	
	Japanese Yen Futures	Long	3	10,326	10,394	
	Japanese Yen Futures	Short	5	(17,355)	(17,324)	
	Long-term Euro-BTP Futures	Long	7	33,538	33,497	
	Euro-Bond Futures	Long	3	17,265	17,180	
	Subtotal			(1,499,402)		
Options contract：						
	TAIEX Options (Call)	Long	377	454	357	
	TAIEX Options (Put)	Long	160	284	332	
	TAIEX Options (Call)	Short	588	(2,298)	(1,728)	
	TAIEX Options (Put)	Short	556	(2,332)	(2,779)	
	Stock Options (Call)	Long	10	1	1	
	Stock Options (Put)	Long	14	1	1	
	Stock Options (Call)	Short	10	(96)	(127)	
	Stock Options (Put)	Short	1	(3)	(1)	
	TAIEX Weekly Options (Call)	Long	2,487	621	221	
	TAIEX Weekly Options (Put)	Long	2,494	1,943	2,548	
	TAIEX Weekly Options (Call)	Short	1,148	(1,109)	(680)	
	TAIEX Weekly Options (Put)	Short	2,714	(3,813)	(6,527)	
	Electronic Sector Index Options (Call)	Long	10	51	22	
	Electronic Sector Index Options (Put)	Short	20	(76)	(33)	
	Finance Sector Index Options (Call)	Short	20	(10)	(3)	
	Gold Option (Put)	Long	2	3	-	
	Gold Option (Call)	Short	10	(20)	(19)	
	Crude Oil Options (Put)	Short	1	(4)	(5)	
	Subtotal			(6,403)		
Total				**$ (1,505,805)**		

(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 Calculation	Current Period Ratio	Last Period Calculation	Last Period Ratio	Standard	Enforcement
17	Stockholders' equity / (Total liabilities - futures traders' equity)	6,359,664 / 869,294	7.32	5,012,996 / 652,322	7.68	≧1	Satisfactory to requirement
17	Current Assets / Current Liabilities	43,978,617 / 39,018,015	1.13	38,683,882 / 35,119,902	1.10	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	6,359,664 / 1,115,000	570.37 %	5,012,996 / 1,115,000	449.60 %	≧60% ≧40%	〃
22	Adjusted net capital / Total amount of customers' margin required for open positions of futures trader	4,868,930 / 7,366,955	66.09 %	3,630,546 / 6,542,582	55.49 %	≧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.

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	US 29,322	US 29,322	US 28,322	- %	2	-	Operations	-		-	US 53,762	US 53,762
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	US 3,380	US 3,380	US 3,380	- %	2	-	Operations & repayment of financing	-		-	US 3,380	US 3,380
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	HK 1,463	HK 1,463	HK 1,463	- %	2	-	Repayment of financing	-		-	HK 1,463	HK 1,463
4	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables - Customer	No	39,540	39,540	14,121	5 %	2	-	Trading	-		-	181,681	908,403
5	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables - Customer	No	169,456	169,456	41,234	3.23 %	2	-	Trading	-		-	181,681	908,403
6	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables - Customer	No	84,728	84,728	-	1.23 % ~ 3.23 %	2	-	Trading	-		-	181,681	908,403
7	CSC Futures (HK) Ltd.	Alpha Rnd Singapore Pte Ltd.	Account receivables - Customer	No	79,080	79,080	-	3.23 %	2	-	Trading	-		-	181,681	908,403
8	CSC Futures (HK) Ltd.	Derivatives China Alpha Fund	Account receivables - Customer	No	79,080	79,080	-	3.23 %	2	-	Trading	-		-	181,681	908,403
9	CSC Futures (HK) Ltd.	Perfect Hexagon Limited	Account receivables - Customer	No	84,728	84,728	-	3.23 %	2	-	Trading	-		-	181,681	908,403

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

(vii) Significant transactions between parent company and subsidiaries for the year ended December 31, 2020:

(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	2,687		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	14,679		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivable	4,759		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	244,530		0.15 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payables	3,832		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %

(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 Futures Corp.	1	Futures commission revenue	183,659	General transaction	1.89 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	17,703	General transaction	0.18 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	502	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	373	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	68	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	9,738	General transaction	0.10 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	158	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	4,876	General transaction	0.05 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	51,243	General transaction	0.53 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Information technology expense	552	General transaction	0.02 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	169		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fee	63,000	General transaction	0.65 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other operating revenue	191	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	55		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payables	16		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	58		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	2,547	General transaction	0.03 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	69		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	183		- %
1	Capital Securities Corp.	Capital International Technology Corp.	1	Other operating revenue	561	General transaction	0.01 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	824,368		0.51 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	824,368		0.51 %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Other payables	1,088		- %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Professional service fees	10,777	General transaction	0.11 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	737,812		0.45 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	3,717,106		2.28 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payables	7,421		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	6,893	General transaction	0.07 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	70,227	General transaction	0.72 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	2,881	General transaction	0.03 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair and maintenance expense	2,304	General transaction	0.02 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	3,268,407		2.00 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	289,113		0.18 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Prepayments	74		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payables	138		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Accumulated depreciation	1,200		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	132	General transaction	- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Professional service fees	9,195	General transaction	0.09 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HK 33		- %

(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
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK	3,960	General transaction	0.15 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HK	452	General transaction	0.02 %
3	CSC Securities (HK) Ltd.	CSC International Holdings Ltd.	3	Other payables	HK	219,773		0.49 %
3	CSC Venture Capital Corp.	CSC Capital Management Corp.	3	Guarantee deposits received		20		- %
3	CSC Venture Capital Corp.	CSC Capital Management Corp.	3	Receipts in advance		1		- %
3	CSC Venture Capital Corp.	CSC Capital Management Corp.	3	Lease revenue		6	General transaction	- %
4	Taiwan International Securities (B.V.I.) Corp.	TIS Securities (HK) Limited	3	Other receivables	HK	26,051		0.06 %

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.

(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: Balance on December 31, 2020	Original investment amount: Balance on December 31, 2019	Highest: Percentage of ownership	Equity Ownership by company (note 3): Shares	Equity Ownership by company (note 3): Ratio	Equity Ownership by company (note 3): Book value	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
0	Capital Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990		Engaged in providing research, analysis and recommendations pertaining to securities investment, organize seminars and publish materials on securities investments.	72,515	72,515	100.00 %	7,000,000	100.00 %	75,880	63,913	(16,565)	(16,565)	-	The transaction has been written off 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	1,212,539	56.58 %	119,066,014	56.58 %	3,598,396	2,132,302	622,166	351,228	226,225	〃
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 %	1,528,445	23,047	766	766	-	〃
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	November 9, 2000		Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	100.00 %	500,000	100.00 %	51,986	109,144	26,125	26,125	53,045	Subsidiary
0	Capital Insurance Agency Corp.	Taipei ,Taiwan, R.O.C.	November 8, 2000		Manages personal insurance agent business.	7,400	7,400	100.00 %	740,000	100.00 %	39,190	49,812	(217)	(217)	4,040	〃
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	100.00 %	300	100.00 %	20	446	446	446	-	The transaction has been written off in the consolidated financial statements
0	Taiwan International Securities Investment Consulting Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	March 3, 1994		Completion of liquidation.	-	9,992	99.92 %	-	- %	-	-	(6)	(6)	-	〃
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 %	841,121	2,546	(3,597)	(3,597)	-	〃

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount: Balance on December 31, 2020	Original investment amount: Balance on December 31, 2019	Highest: Percentage of ownership	Equity Ownership by company (note 3): Shares	Equity Ownership by company (note 3): Ratio	Equity Ownership by company (note 3): Book value	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
0	CSC Capital Management Corp.	Taipei ,Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Engaged in investment, consulting management, venture and general investment business	330,000	-	100.00 %	33,000,000	100.00 %	329,742	-	(258)	(258)	-	〃
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 16, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	20.00 %	33,067,507	20.00 %	1,340,829	1,918,834	763,559	152,712	115,737	Associates
1	CSC Securities (HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931 dated January 5, 1998	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK 128,000 thousands	HK 128,000 thousands	100.00 %	128,000,000	100.00 %	HK 172,829 thousands	HK 38,653 thousands	HK 6,126 thousands	-	-	The transaction has been written off in the consolidated financial statements
2	TIS Securities (HK) Limited. (Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	100.00 %	265,000,000	100.00 %	HK (26,051) thousands	HK -	HK 119 thousands	-	-	〃
3	Taiwan International Capital (HK) Ltd. (Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	100.00 %	2	100.00 %	HK (66,020) thousands	HK -	HK 66 thousands	-	-	〃
4	CSC Futures (HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Future brokerage and other businesses permitted by local law of Hong Kong.	862,631	862,631	97.27 %	214,000,000	97.27 %	883,604	370,616	(13,999)	-	-	〃
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 %	41,028	2,304	(1,548)	-	-	〃
4	True Partner Advisor Hong Kong Ltd	Hong Kong	May 31, 2010	No. FSC-1040027513 dated July 16, 2015	Asset Management	36,701	36,701	49.00 %	245,000	49.00 %	49,281	147,943	4,702	-	-	Associates
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	100.00 %	2	100.00 %	HK -	HK -	HK -	-	-	The transaction has been written off in 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.

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

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

Note 4: The stockholders' special meeting resolved to dissolve on June 27, 2012, and the company was liquidated as approved by the court on June 15, 2020.

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

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

Name	Region	Date of establishment	Approval date and number of FSC	Primary business operation	Operating Revenues	Net Income	Assignment of working capital: Beginning amount	Assignment of working capital: Add	Assignment of working capital: Less	Assignment of working capital: Ending amount	Transactions with parent company	Note
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	-	-	-	-	-	-	-	

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(d) Information on investments in the Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2020	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2020	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Highest Percentage of ownership	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of December 31, 2020
					Remittance amount	Recoverable amount							
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	1,144	28.86%	28.86 %	330 B(2)	13,286	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(2,321)	56.58%	56.58 %	(1,313) B(2)	8,920	-

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

A. Directly invest in a company in Mainland China.

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

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

Note 2: Investment gains and losses recognized during the period

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

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

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

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

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

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

(ii) Limitation on investment in the Mainland China:

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

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

(e) Major shareholders:

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

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

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

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

According to article 1, paragragh 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, 2020 are as follows:

(i) Balance sheet and income statement:

1) Balance sheet

Unit: US $ thousands

Company / Nature	CSC International Holdings Ltd. December 31, 2020	Taiwan International Securities (B.V.I) Corp. December 31, 2020
Current assets	10,214	1
Long-term investments	22,294	-
Property and premises	1,926	-
Other assets	19,395	3,380
Total assets	53,829	3,381
Current liabilities	67	20
Other liabilities	-	3,360
Total liabilities	67	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	8,780	(9,431)
Cumulative translation adjustments	(18)	(84)
Total stockholders' equity	53,762	1
Total liabilities and stockholders' equity	53,829	3,381

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2) Income statement

Unit: US $ thousands

Nature \ Company	CSC International Holdings Ltd. For the years ended December 31, 2020	Taiwan International Securities (B.V.I) Corp. For the years ended December 31, 2020
Operating revenue	788	15
Operating expense	(761)	-
Non-operating revenue	5	-
Non-operating expense	(6)	-
Income (loss) before tax	26	15
Net income (loss)	26	15

(ii) Securities held as of December 31, 2020

Unit: shares / US$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2020	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	$ 22,294
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	$ (3,360)

(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.

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(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 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

(Continued)

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	For the year ended December 31, 2020							
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	$ 4,665,261	461,664	2,033,609	207,200	211,875	2,425,823	(281,337)	9,724,095
Segment profit or loss	$ 2,287,685	295,051	1,665,221	(11,572)	(306,210)	784,506	(331,981)	4,382,700

	For the year ended December 31, 2019							
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	$ 3,331,720	369,509	1,800,633	384,101	231,977	1,919,015	(240,004)	7,796,951
Segment profit or loss	$ 1,350,826	228,595	1,201,096	170,687	(135,463)	746,614	(334,258)	3,228,097

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 foreign customers were not significant and there was no disclosure.

(f) Information about major customers

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