Stock Code:6005

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For The Years Ended December 31, 2019 and 2018

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Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Overview	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	10～12
(4) Summary of significant accounting policies	13～34
(5) Major sources of significant accounting assumptions, judgments and estimation uncertainty	34
(6) Explanation of significant accounts	35～91
(7) Related party transactions	91～94
(8) Pledged assets	94
(9) Significant contingent liability and unrecognized contract commitment	95～98
(10) Significant catastrophic loss	98
(11) Significant subsequent events	98
(12) Other	99～102
(13) Other disclosures	
(a) Information on significant transactions	103～105
(b) Related information of investee companies	105～106
(c) Information on overseas branches or representative offices	106
(d) Information on investments in the Mainland China	107
(e) Disclosures required for securities firm investing in countries or regions without securities authority	108～109
(14) Segment information	110～111

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, 2019 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 26, 2020

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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, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), interpretation developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (" the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of 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, 2019. 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:

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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(k) 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 0.98% and 1.07% of consolidated total assets as of December 31, 2019 and 2018, respectively, and the recognized share of profits under using equity method constituted 4.12% and 3.75% of consolidated net income before income tax for the years ended December 31, 2019 and 2018, respectively.

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, 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.

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Taipei, Taiwan (Republic of China)
March 26, 2020

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
110000	**Current assets:**				
111100	Cash and cash equivalents (note 6(a))	$ 8,323,636	6	7,993,419	7
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	31,003,268	24	31,060,874	26
113200	Financial assets at fair value through other comprehensive income- current (note 6(b))	15,982,702	12	10,865,929	9
114030	Receivable for securities provided as collateral (notes 6(c) and 8)	12,166,194	9	9,994,568	9
114040	Refinancing margin	91,153	-	39,614	-
114050	Refinancing collateral receivable	137,339	-	34,419	-
114060	Receivable of securities business money lending	1,996,204	2	1,949,105	2
114070	Customers' margin account (note 6(d))	34,803,719	26	33,275,630	29
114080	Receivable - futures margin	2	-	1	-
114090	Collateral for securities borrowed	344,523	-	454,200	-
114100	Security borrowing margin	315,958	-	412,148	-
114110	Notes receivable	22,401	-	17,181	-
114130	Accounts receivable (note 6(c))	6,488,246	5	4,607,173	4
114150	Prepayments	33,609	-	37,751	-
114170	Other receivables	178,684	-	95,994	-
114300	Leverage contract trading - customers' margin account	308,543	-	228,564	-
114600	Current income tax assets	27,957	-	26,609	-
119000	Other current assets	753,210	1	849,472	1
119095	Amounts held for each customer in the account (note 6(m))	3,025,153	2	26,969	-
		116,002,501	87	101,969,620	87
120000	**Non-current assets:**				
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	180,467	-	185,109	-
123200	Financial assets at fair value through other comprehensive income- non-current (note 6(b))	2,464,932	2	1,911,577	2
124100	Investments accounted for under equity method (note 6(e))	1,471,573	1	1,432,537	1
125000	Property and equipment (notes 6(f) and 8)	3,025,605	2	5,340,960	5
125800	Right-of-use assets (notes 6(g))	955,250	1	-	-
126000	Investment property(notes 6(h) and 8)	3,796,990	3	1,374,014	1
127000	Intangible assets (note 6(i))	3,609,740	3	3,621,070	3
128000	Deferred income tax assets (notes 6(r))	107,846	-	115,770	-
129000	Other non-current assets	1,555,509	1	1,439,250	1
		17,167,912	13	15,420,287	13
	Total assets	**$ 133,170,413**	**100**	**117,389,907**	**100**

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
210000	**Current liabilities:**				
211100	Short-term borrowings (note 6(j))	$ 6,631,002	5	3,873,506	3
212000	Financial liabilities at fair value through profit or loss - current (note 6(k))	1,459,094	1	1,202,215	1
214010	Bonds sold under repurchase agreements (note 6(l))	31,847,531	24	28,032,524	24
214040	Guarantee deposited for short sales	2,390,464	2	2,316,744	2
214050	Proceeds payable from short sales	2,755,405	2	2,603,315	2
214070	Securities lending refundable deposits	336,713	-	644,843	1
214080	Futures traders’equity(note 6(d))	34,747,531	26	33,158,826	28
214090	Equity for each customer in the account (note 6(m))	3,025,153	2	26,969	-
214100	Leverage contract trading - customers’ equity	308,590	-	225,899	-
214110	Notes payable	-	-	481	-
214130	Accounts payable (note 6(n))	6,236,058	5	3,857,893	4
214150	Advance receipts	60,867	-	37,089	-
214160	Receipts under custody	114,442	-	120,325	-
214170	Other payables	662,217	1	765,572	1
214200	Other financial liabilities - current (note 6(w))	3,579,951	3	3,357,887	3
214600	Current income tax liabilities	269,795	-	452,432	-
215100	Provisions - current (note 6(q))	52,566	-	50,666	-
216000	Current lease liabilities (note 6(p))	193,565	-	-	-
219000	Other current liabilities	13,717	-	11,652	-
		94,684,661	71	80,738,838	69
220000	**Non-Current liabilities:**				
224200	Other financial liabilities - non-current (note 6(w))	349,518	-	310,032	-
226000	Non-current lease liabilities (note 6(p))	819,040	1	-	-
228000	Deferred income tax liabilities (note 6(r))	463,963	-	478,035	-
229000	Other non-current liabilities (note 6(q))	637,102	1	658,266	1
		2,269,623	2	1,446,333	1
	Total liabilities	96,954,284	73	82,185,171	70
	Equity attributable to shareholders of the parent:				
301010	Common stock (note 6(s))	23,209,081	17	23,209,081	20
302000	Capital surplus (note 6(s))	2,852,299	2	2,852,299	2
304000	Retained earnings:				
304010	Legal reserve	1,658,360	1	1,519,635	1
304020	Special reserve	3,587,197	3	3,302,811	3
304040	Unappropriated earnings (note 6(s))	2,681,569	2	1,387,250	1
305120	Exchange differences on translation of foreign operations	(118,543)	-	(41,068)	-
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	1,696,677	1	741,984	1
305500	Treasury shares (note 6(s))	(1,574,000)	(1)	-	-
	Total equity attributable to the parent company	33,992,640	25	32,971,992	28
306000	**Non-controlling interests**	2,223,489	2	2,232,744	2
	Total equity	36,216,129	27	35,204,736	30
	Total liabilities and equity	**$ 133,170,413**	**100**	**117,389,907**	**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, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
	Income:				
401000	Brokerage commissions (note 6(u))	$ 3,819,193	49	4,460,877	58
402000	Revenues from securities business money lending	96	-	264	-
403000	Revenue from securities lending	195,605	3	137,401	2
404000	Underwriting commissions (note 6(u))	82,881	1	92,602	1
406000	Commissions on wealth management business	104,054	1	107,619	2
410000	Net gains (losses) on sale of trading securities (note 6(u))	1,017,956	13	(1,473,896)	(19)
421100	Securities management, distribution, and management fees	143,183	2	140,394	2
421200	Interest revenue (note 6(u))	1,558,281	20	1,978,434	26
421300	Dividend revenue	239,509	3	247,080	3
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss(note 6(u))	968,422	12	(601,871)	(8)
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements	76,491	1	177,866	2
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(89,531)	(1)	45,706	1
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	259,754	3	(386,551)	(5)
422000	Net gains (losses) from exchange traded notes (note 6(w))	(67)	-	-	-
422200	Net gains (losses) on stock warrants issued (note 6(u) and (w))	37,086	-	1,683,041	22
424100	Futures commission revenues (note 6(u))	209,879	3	453,195	6
424400	Net gains (losses) on derivative instruments - futures (note 6(w))	(661,537)	(8)	476,053	6
424500	Net gains (losses) on derivative instruments - OTC (note 6(w))	(305,945)	(4)	112,452	2
424800	Management fee revenues	476	-	323	-
424900	Consultancy fee revenue	16,126	-	29,695	-
425300	Impairment losses and reversal gains (note 6(v))	3,790	-	(64,837)	(1)
428000	Other operating revenues	121,249	2	22,798	-
		7,796,951	100	7,638,645	100
	Expenses:				
501000	Brokerage fees	452,539	6	557,399	7
502000	Brokerage and clearing fees - proprietary trading	14,999	-	19,616	-
503000	Clearing and exchange fees - refinancing	2,275	-	2,127	-
504000	Clearing and exchange fees - underwriting	1,049	-	1,093	-
521200	Financial costs	642,796	8	714,798	10
521640	Loss from securities borrowing transactions	193	-	-	-
524100	Futures commission expense (note 6(u))	301,737	4	468,227	6
524300	Cleaning and settlement expenses	149,055	2	173,218	2
528000	Other operating expenditure	4,437	-	6,726	-
531000	Employee benefits expenses (note 6(u))	2,464,159	32	2,581,484	34
532000	Depreciation and amortization expense (note 6(u))	423,962	5	207,465	3
533000	Other operating expenses (note 6(u))	1,346,504	17	1,733,324	23
		5,803,705	74	6,465,477	85
	Other income (expenses):				
601000	Share of profits of associates and joint ventures accounted for using equity method (note 6(e))	192,631	2	151,205	2
602000	Other gains and losses (note 6(u))	1,042,220	13	1,002,157	13
		1,234,851	15	1,153,362	15
902001	**Net income before income tax**	3,228,097	41	2,326,530	30
701000	**Less: Income tax expenses (note 6(r))**	398,863	5	549,020	7
	Net income	2,829,234	36	1,777,510	23
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	53,757	1	(43,421)	(1)
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	543,023	7	(248,859)	(3)
805550	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6,164	-	872	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-
	Subtotal of components that may not be subsequently reclassified into profit or loss	602,944	8	(291,408)	(4)
805600	**Components that may be reclassified to profit or loss in subsequent periods:**				
805610	Exchange differences on translation of foreign operations	(93,621)	(1)	90,803	1
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	430,568	5	(222,349)	(3)
805699	Less: Income tax related to components of other comprehensive income (note 6(r))	(7,322)	-	19,234	-
	Subtotal of items that may be subsequently reclassified into profit or loss	344,269	4	(150,780)	(2)
805000	**Other comprehensive income, net**	947,213	12	(442,188)	(6)
902006	**Total comprehensive income**	**$ 3,776,447**	**48**	**1,335,322**	**17**
	Net income attributable to:				
913100	Shareholders of the parent	$ 2,566,823	33	1,408,865	18
913200	Non-controlling interests	262,411	3	368,645	5
		$ 2,829,234	**36**	**1,777,510**	**23**
	Total comprehensive income attributable to:				
914100	Shareholders of the parent	$ 3,523,011	45	957,751	12
914200	Non-controlling interests	253,436	3	377,571	5
		$ 3,776,447	**48**	**1,335,322**	**17**
975000	**Basic earnings per share (note 6(t))**	**$**	**1.11**		**0.61**
985000	**Diluted earnings per share (note 6(t))**	**$**	**1.11**		**0.61**

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, 2019 and 2018

(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	Unrealized gains (losses) on financial assets available for sale	Treasury shares	Total equity attributable to the parent company	Non-controlling interests	Total Equity
Balance at January 1, 2018	$ 21,690,730	2,852,299	1,230,275	2,709,623	2,850,553	(103,566)	-	191,716	-	31,421,630	2,056,370	33,478,000
Effects of retrospective application	-	-	-	-	12,367	-	1,205,775	(191,716)	-	1,026,426	400	1,026,826
Balance at January 1, 2018 after adjustments	21,690,730	2,852,299	1,230,275	2,709,623	2,862,920	(103,566)	1,205,775	-	-	32,448,056	2,056,770	34,504,826
Net income for the year ended December 31, 2018	-	-	-	-	1,408,865	-	-	-	-	1,408,865	368,645	1,777,510
Other comprehensive income	-	-	-	-	(43,183)	62,498	(470,429)	-	-	(451,114)	8,926	(442,188)
Total comprehensive income	-	-	-	-	1,365,682	62,498	(470,429)	-	-	957,751	377,571	1,335,322
Appropriations of prior year's earnings: (note 6(s))												
Legal reserve	-	-	289,360	-	(289,360)	-	-	-	-	-	-	-
Special reserve	-	-	-	593,188	(593,188)	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(433,815)	-	-	-	-	(433,815)	(201,584)	(635,399)
Stock dividends of ordinary shares	1,518,351	-	-	-	(1,518,351)	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(6,638)	-	6,638	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(13)	(13)
Balance at December 31, 2018	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
Appropriations of prior year's earnings: (note 6(s))												
Legal reserve	-	-	138,725	-	(138,725)	-	-	-	-	-	-	-
Special reserve	-	-	-	284,386	(284,386)	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(928,363)	-	-	-	-	(928,363)	(262,691)	(1,191,054)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(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)	-	-	-	-	-
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**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Net income before tax	$ 3,228,097	2,326,530
Adjustments:		
Income and expenses items:		
Depreciation expense	389,552	173,545
Amortization expense	34,410	33,920
Impairment loss (reversal gains)	(3,790)	64,837
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	(878,891)	556,165
Interest expense	642,796	714,798
Interest revenue (including financial revenue)	(2,127,648)	(2,368,257)
Dividend revenue	(304,957)	(296,631)
Cash dividend received from investments under equity method	159,431	165,999
Share of profits of associates and joint ventures accounted for using equity method	(192,631)	(151,205)
Losses (gains) on disposal and retirement of property and equipment	(13,801)	122
Gains on disposal of investments under equity method	-	(69,645)
Net losses (gains) on non-operating financial instruments at fair value through profit or loss	(28,906)	13,052
Gains on lease modification	(2)	-
Subtotal of income of non-cash activities	(2,324,437)	(1,163,300)
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	971,176	3,101,586
Decrease (increase) in financial assets at fair value through other comprehensive income	(4,583,290)	21,632,321
Decrease (increase) in receivable for securities provided as collateral	(2,168,255)	4,873,250
Decrease (increase) in refinancing margin	(51,539)	6,481
Decrease (increase) in receivable on refinancing collateral	(102,920)	4,469
Increase in receivable of securities business money lending	(47,099)	(416,874)
Increase in customers’ margin account	(1,528,089)	(5,972,918)
Decrease (increase) in margin receivable of futures trading	2,388	(33,370)
Decrease in collateral for securities borrowed	109,677	460,143
Decrease in security borrowing margin	96,190	519,720
Decrease (increase) in notes receivable	(5,220)	4,630
Decrease (increase) in accounts receivable	(1,898,351)	2,036,879
Decrease (increase) in prepayments	4,097	(6,110)
Increase in other receivables	(87,148)	(38,630)
Increase in leverage contract trading - customers’ margin account	(79,979)	(77,024)
Decrease (increase) in other current assets	(2,901,922)	84,071
Decrease (increase) in guarantee deposited for business operations	(57,303)	50,763
Decrease in settlement fund	9,287	5,589
Decrease (increase) in refundable deposits	6,090	(2,650)
Decrease (increase) in other non-current assets	(74,400)	91,681
Increase (decrease) in financial liabilities at fair value through profit or loss	255,771	(1,700,978)
Increase (decrease) in bonds sold under repurchase agreements	3,815,007	(19,023,788)
Increase in guarantee deposited for short sales	73,720	90,480
Increase in proceeds payable from short sales	152,090	102,462
Decrease in securities lending refundable deposits	(308,130)	(545,434)
Increase in futures traders’ equity	1,588,705	5,890,600
Increase in equity for each customer in the account	2,998,184	13,490
Increase in leverage contract trading - customers’ equity	82,691	73,059
Decrease in notes payable	(481)	(398)
Increase (decrease) in accounts payable	2,359,985	(1,902,319)
Increase (decrease) in advance receipts	23,778	(18,455)
Decrease in receipts under custody	(5,883)	(225,698)
Decrease in other payable	(111,016)	(228,608)
Increase in other current liabilities	2,065	4,926
Increase (decrease) in other financial liabilities - current	222,064	(1,152,096)
Increase in provision - current	7,092	1,540
Increase in other financial liabilities - non-current	39,486	43,995
Increase (decrease) in other non-current liabilities	29,568	(185,129)
Total changes in assets and liabilities from operating activities	(1,161,914)	7,561,656
Total cash generated from operation	(3,486,351)	6,398,356

(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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash generated from operating activities	$	(258,254)	8,724,886
Interest received		2,152,518	2,443,078
Dividends received		302,510	296,636
Interest paid		(626,356)	(735,367)
Income taxes paid		(581,801)	(286,767)
Net Cash flows provided by operating activities		988,617	10,442,466
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(134,384)	(288,030)
Proceeds from disposal of financial assets at fair value through other comprehensive income		12,632	9,767
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		6,800	1,085
Acquisition of investments accounted for using equity method		-	(1,272,505)
Increase in deferred debits		(728)	(912)
Acquisition of property and equipment		(299,752)	(123,026)
Proceeds from disposal of property and equipment		14,608	-
Acquisition of intangible assets		(19,812)	(26,773)
Proceeds from disposal of intangible assets		-	1,932
Net cash flows used in investing activities		(420,636)	(1,698,462)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		2,757,496	(3,208,192)
Decrease in commercial papers payable		-	(4,099,184)
Payment of lease liabilities		(138,908)	-
Cash dividends paid		(1,191,054)	(635,399)
Purchase of treasury shares		(1,574,000)	-
Net cash flows used in financing activities		(146,466)	(7,942,775)
Effect of exchange rate changes on cash and cash equivalents		(91,298)	88,113
Increase in cash and cash equivalents		330,217	889,342
Cash and cash equivalents, beginning of period		7,993,419	7,104,077
Cash and cash equivalents, end of period	$	**8,323,636**	**7,993,419**

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

(1) Overview:

Capital Securities Corporation (the "Company") was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company's registered office is 11/F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei, Taiwan, R.O.C. As of December 31, 2019, the composition of the consolidated financial statements includes the Company and the subsidiaries (the "Group"). As of December 31, 2019, 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) Futures trading on a proprietary basis;

(l) Securities business money lending;

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

(n) Trust business;

(o) Offshore securities business;

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

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

The consolidated financial statements were authorized for issue by the board of directors on March 26, 2020.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in opening balance on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(p).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities on balance sheet.

The Group decided to apply recognition exemptions to short-term leases of office equipment and leases of transportation equipment.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  — their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee' s incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or

  — an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

  In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

  — Applied a single discount rate to a portfolio of leases with similar characteristics.

  — Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

  — Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

  — Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

  — Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional $1,070,869 of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.36%.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 1,068,369
Recognition exemption for:	
short-term leases	(3,642)
leases of low -value assets	(2,174)
Extension and termination options reasonably certain to be exercised	57,616
	1,120,169
Discounted using the incremental borrowing rate at January 1, 2019	1,070,869
Lease liabilities recognized at January 1, 2019	**$ 1,070,869**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	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"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Group assessed that the above IFRSs may not be relevant to the Group.

(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 deravitive 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, limited as explained in Note 4(r).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial statements are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership December 31, 2019	Ratio of Equity Ownership December 31, 2018	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, 2019, 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, 2019, the paid-in capitals amounted to US$45,000 thousands.
〃	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.21 %	56.21 %	The corporation established in February, 1997. As of December 31, 2019, the paid-in capitals amounted to $1,764,376.
〃	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, 2019, the paid-in capitals amounted to US$9,516 thousands.
〃	Taiwan International Securities Investment Consulting Corp.	Investment consultancy	99.92 %	99.92 %	Liquidation in progress.
〃	CSC Venture Capital Corp.	Venture Capital and consulting business	100.00 %	100.00 %	The corporation established in January, 2016. As of December 31, 2019, the paid-in capitals amounted to $1,000,000.
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %	The corporation established in December, 1998. As of December 31, 2019, 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, 2019, 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, 2019, 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, 2019, 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 %	〃

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership December 31, 2019	Ratio of Equity Ownership December 31, 2018	Note
The Company	Capital Insurance Agency Corp.	Manages personal insurance agent business.	100.00 %	100.00 %	The corporation established in November 2000. The Company acquired 100% of the equity and gained a controlling interest. The paid-in capitals amounted to $7,400. As of December 31, 2019 and 2018, both of the total assets constituted 0.04% of the Group's total assets. For the year ended December 31, 2019 and 2018, the operation revenue were merely 1.15% and 0.88% 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 Company acquired 100% of the equity and gained a controlling interest. The paid-in capitals amounted to $5,000. As of December 31, 2019 and 2018, both of the total assets constituted 0.09% of the Group's total assets. For the year ended December 31, 2019 and 2018, the operation revenue were merely 2.34% and 2.36% 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 hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency at the 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 differencess arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

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

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

(ii) Assets held for the trading purposes;

(iii) Assets that are expected to be realized within twelve months from the balance sheet date;

(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 balance sheet date.

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

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

(ii) Liabilities incurred for the trading purposes;

(iii) Liabilities that are to be settled within twelve months from the balance sheet date;

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

(f) Cash and cash equivalents

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Financial instruments

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

(i) Financial assets

All regular way purchases or sales 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 cash and cash equivalents, financial assets at amortized costs, notes and accounts receivable, other receivables, refundable deposits and other financial assets), debt instrument investments measured at FVOCI and contract assets.

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

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

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

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

(Continued)

12-month ECLs are the portion of ECLs that result from default events are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered in estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or within 30 days but breached the contract. The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets measured at amortized cost and debt instruments at FVOCI are credit-impaired. A financial asset is ' credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial assets is credit-impaired includes the following observable data:

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 90 days past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower' s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is probable that the borrower will enter into bankruptcy or other financial reorganization; or

· the disappearance of an active market for a financial asset because of financial difficulties.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 2 years past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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 quity 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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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.

1) Interest rate swaps

Since there is no physical transfer of principal, only memo entries of notional principals are made of interest rate swaps. For non-trading swaps, differences in interest are included in current earnings. Trading swaps are recognized on the balance sheet in their fair value. Realized and unrealized changes in their fair value are included in current earnings at the time of occurrence.

2) Convertible bond asset- backed swaps

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The contract amount for the counter-parties receiving the convertible bond is the notional principal. The Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counter-parties. The Company also receives the right to call the convertible bond prior to the expiration of the contract.

The rights to call the convertible bond can be sold to third parties and counter-parties, are reflected under asset-backed options.

3) Structured instruments

The portfolio of structured instruments contract contains fixed income products and financial derivatives instruments, as well as main-contract of non-derivatives and embedded derivatives, which shall be recognized separately. The principal value of structured instruments is the present value of fixed income products, measured at amortized cost, and recognized imputed interest with effective interest rate over the duration of contracts. Embedded derivatives are measured at fair value, and the changes in fair value are recognized through profit or loss.

On the settlement date with physical delivery, the fair value of the acquired securities are stated at cost. The difference between fair value and the cost of the delivered securities are recognized as gains (losses) on sale of securities.

When hedging positions are securities held for trading (including stocks, bonds and warrants) or options contracts, the accounting policy is referred to stock warrants hedging transactions; when hedging positions are futures contracts, the accounting policy is referred to futures hedging transactions.

4) Interest options

On the contract date, the premium received from the counterparty is recognized and gains or losses on interest options is valued using the fair value method.

5) Bond options

Over the duration of contracts, the notional principal can be executed is recorded as memo entry. Option contracts are valued at fair market value on the balance sheet date and current gain or loss is recorded. If the options are exercised and underlying bonds are been acquired or delivered, bond selling revenue or purchase costs are recorded at their fair market value. The exercise prices calculated in accordance with interest rate are recorded as receivables or payables.

6) Equity options

The buyer and seller of equity options recognized equity derivatives assets and liabilities at trading date according to fair value. Equity options are valued at fair value and the difference between book value and fair value are recognized through profit or loss over the duration of contracts.

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On the settlement date with physical delivery, the fair value of the acquired securities are stated at cost. The difference between fair value and the cost of the delivered securities are recognized as gains (losses) on sale of securities.

When hedging positions are stocks, the accounting policy is referred to stock warrants hedging transactions; when hedging positions are stock index options or stock options, the accounting policy is referred to those hedging transactions.

7) Forward rate agreement

As there is no principal is transferred, forward rate agreement is only recorded as memo entry on the contract date. Forward rate agreement contract is valued at fair value and recognized the gain or loss on forward rate agreement.

8) Futures contracts and options

Margins are required when trading futures or options. Changes in the margin balance of futures and options due to daily valuation are reflected under “futures margin-proprietary trading" and "call options" or "put options." When offsetting a futures or options position, the settlement difference is included in current earnings, and the difference between the settlement prices and average prices of open positions at the balance sheet date is also included in current earnings.

9) Stock warrants

Issuance of stock warrants should be recognized as a liability according to amounts actually received, and amounts paid in the repurchase of stock warrants previously issued should be listed as a deduction from liabilities.

(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.

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.

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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 interest expense. 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.

When bonds purchased under resell agreements are resold, the amounts are recognized under "bonds purchased under resell agreements-short sales". Unrealized gain or loss arising from the valuation at the balance sheet date is recognized under "gain or loss on valuation of borrowed securities and bonds with resell agreements". Gain or loss arising from covering at maturity is recognized under "gain or loss on covering of borrowed securities and bonds with resell agreements".

(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.

(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, 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.

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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 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.

(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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

Land is not depreciated.

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

1)	Buildings	3~55 years
2)	Transportation equipment	5 years
3)	Office equipment and computer facilities	3~5 years
4)	Miscellaneous equipment	5~10 years

5) Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period.

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

(n) Investment property

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

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

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

(o) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Customer relationships: 5 years

2) Computer software cost and dial-up service charges: 3 years

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

(p) Leases

<u>Applicable from January 1, 2019</u>

(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

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

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– 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;

– 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 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.

<u>Applicable before January 1, 2019</u>

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Lessee

Operating leases are not recognized in the Group's statement of balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in expenses on a straight-line basis over the term of the lease. Lease incentives received are recognized as deductions of the total lease expense, over the term of the lease. Lease payments under operating lease shall be recognized in rent expenses and disclosed in financial report.

(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.

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) 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.

(t) Revenue recognition

(i) Brokerage commissions

Handling fee revenue from trade brokerage, security financing or securities lending is recognized on an accrual basis.

(ii) Underwriting commissions

Revenue from underwriting business 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

Interest revenue arising from security financing, margin loans and other operation related interest is recognized on an accrual basis.

(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 and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 Group 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 Iinitial 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 Group 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.

(y) Treasury stocks

The Group acquires its outstanding shares is stated at cost and shown as a deduction in stockholders' equity. Upon disposal, the excess of sales price over carrying value is recognized as capital surplus – treasury stock transaction. Should sales price be lower than the carrying value, the difference is charged against capital surplus from treasury stocks in the same category, and any deficit is debited to retained earnings. The carrying value of treasury stocks is calculated using the weighted-average approach in accordance with the purpose of the acquisition.

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.

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

The preparation of the consolidated financial statements in conformity with the Regulations 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 (v).

(b) The impairment evaluation of goodwill:

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash	$ 2,781	2,796
Bank deposits		
Checking accounts	38,143	31,226
Demand deposits	581,921	735,856
Foreign currency deposits	1,219,527	1,080,614
Subtotal	1,839,591	1,847,696
Cash equivalents		
Time deposits	5,286,174	4,122,157
Futures margin - excess margin	1,184,098	1,998,273
Commercial papers	10,992	22,497
Subtotal	6,481,264	6,142,927
Total	**$ 8,323,636**	**7,993,419**

(b) Financial assets

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

	December 31, 2019	December 31, 2018
Open-ended funds and money-market instruments		
Open-ended funds and money-market instruments	$ 251,541	305,950
Valuation adjustment	15,091	(8,129)
Subtotal	266,632	297,821
Securities invested by securities broker		
Securities invested by securities broker	146,849	74,553
Valuation adjustment	(1,589)	(7,283)
Subtotal	145,260	67,270

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019	December 31, 2018
Trading securities - proprietary trading		
Listed stocks	$ 1,810,032	1,324,802
Listed funds	796,400	852,293
OTC stocks	387,666	306,931
OTC funds	200,580	83,480
Emerging market stocks	532,189	498,304
Emerging market funds	-	12,414
Convertible corporate bonds	889,088	496,130
Government bonds	3,317,485	6,511,541
Corporate bonds	7,641,557	9,652,271
International bonds	4,536,910	4,079,947
Financial debentures	200,000	300,000
Foreign stocks	519,279	219,070
Overseas bonds	233,297	302,675
Other	300	257
	21,064,783	24,640,115
Valuation adjustment	165,577	(256,660)
Subtotal	21,230,360	24,383,455
Trading securities - underwriting:		
Listed stocks	37,424	107,320
OTC stocks	38,716	55,690
Convertible corporate bonds	85,097	141,011
	161,237	304,021
Valuation adjustment	26,053	(8,312)
Subtotal	187,290	295,709
Trading securities - hedging		
Listed stocks	2,816,447	1,746,810
OTC stocks	773,913	397,140
Convertible corporate bonds	4,948,227	3,799,450
	8,538,587	5,943,400
Valuation adjustment	279,305	(231,510)
Subtotal	8,817,892	5,711,890

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019	December 31, 2018
Derivatives		
Call options	$ 3,482	11,580
Futures margin - proprietary fund	233,624	223,490
IRS asset swaps	16,053	13,855
Asset swap options - long position	37,684	4,072
Currency derivatives	39,066	46,967
Structured notes	25,925	3,075
Currency swaps	-	1,690
Subtotal	355,834	304,729
Total	**$ 31,003,268**	**31,060,874**

As of December 31, 2019 and 2018, trading securities, financial assets at fair value through other comprehensive income and financial assets available for sale undertaken for repurchase agreements of the Group, please refer to note 6(l) and note 8 for details.

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

	December 31, 2019	December 31, 2018
Debt instruments at fair value through other comprehensive income		
Government bonds	$ 2,225,249	-
International bonds	1,198,147	1,226,189
Overseas bonds	12,054,824	9,205,561
	15,478,220	10,431,750
Valuation adjustment	366,972	(50,161)
Subtotal	15,845,192	10,381,589
Equity instrument at fair value through other comprehensive income		
Listed stocks	118,428	237,755
OTC stocks	10,756	40,353
Emerging market stocks	24,130	24,130
Foreign stocks	-	279,832
	153,314	582,070
Valuation adjustment	(15,804)	(97,730)
Subtotal	137,510	484,340
Total	**$ 15,982,702**	**10,865,929**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

For the years ended December 31, 2019 and 2018, 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 $11,651 and $25,757, 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 $691,488 and $490,485, respectively, cumulative dispose losses for the years ended December 31, 2019 and 2018, amounted to $22,648 and $(6,645), 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, 2019 and 2018, 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, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Government bonds	$ 180,329	185,952
Valuation adjustment	138	(843)
Total	**$ 180,467**	**185,109**

As of December 31, 2019 and 2018, the Group took advantage of government bonds as margins of bills, interest rate swaps and structured notes transaction, settlement fund guarantee deposits, and compensation reserve of trust business (for details please refer to note 8).

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

	December 31, 2019	December 31, 2018
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	$ 1,181,752	1,064,667
Valuation adjustment	1,283,180	846,910
Total	**$ 2,464,932**	**1,911,577**

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018, 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 $68,384 and $52,529.

For the years ended December 31, 2019 and 2018, 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 $12,632 and $9,774, generated cumulative dispose gains $2,132 and $7, and the gains were transferred from other equity items to retained earnings.

(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, 2019 and 2018 VaR (99%, per 10-day) of equity stocks are as follows:

			For the years ended December 31,					
			2019			2018		
Type of market risk	December 31, 2019	December 31, 2018	Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,364,147	997,970	1,122,594	1,364,147	932,006	1,263,629	1,615,221	947,949

(c) Accounts Receivable

	December 31, 2019	December 31, 2018
Receivable on securities purchased by customers	$ 21,368	8,642
Settlement	-	712,274
Interests receivable	527,952	547,595
Receivables on securities sold	5,859,407	3,261,956
Others	81,225	78,419
Subtotal	6,489,952	4,608,886
Less: allowance for doubtful accounts	(1,706)	(1,713)
Total	$ 6,488,246	4,607,173

(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, 2019 and 2018, impairment test have been applied by the Group, the variation of loss allowance in receivables, please refer to note 6(v).

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

As of December 31, 2019 and 2018, a reconciliation of the customers’ margin account and the futures traders’ equity was as follows:

	December 31, 2019	December 31, 2018
Customers’ margin account		
Cash in banks	$ 26,292,763	24,386,388
Customers’ margin account - futures clearing house	4,874,988	2,579,464
Customers’ margin account - other futures commission merchants	3,635,783	6,309,528
Marketable securities	185	250
Total customers’ margin account	34,803,719	33,275,630
Add:		
Commission expense	1,248	5,035
Other	(66)	52
Less:		
Commission revenue	(7,426)	(17,259)
Futures transaction tax	(1,342)	(1,426)
Interest revenues	(5,699)	(3,726)
Temporary receipts	(1,817)	(669)
Remittance amount of the customers after the market closed	(9,235)	(7,179)
Other receivables	(31,851)	(91,632)
Futures traders’ equity	**$ 34,747,531**	**33,158,826**

(e) Investments under equity method

As of December 31, 2019 and 2018, investments under equity method consisted of the following:

	December 31, 2019	December 31, 2018
Subsidiaries		
Capital Insurance Advisory Corp.	$ 78,906	84,732
Capital Insurance Agency Corp.	43,447	40,757
Subtotal	122,353	125,489
Associates		
True Partner Advisor Hong Kong Ltd.	47,860	45,719
Capital Investment Trust Corp.	1,301,360	1,261,329
Subtotal	1,349,220	1,307,048
Total	**$ 1,471,573**	**1,432,537**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Subsidiaries:

For the years ended December 31, 2019 and 2018, the Group's share of gains or losses of the subsidiaries were as follows:

	For the years ended December 31, 2019	2018
The Group's share of gains based on the subsidiaries' financial statements	$ 57,093	60,232

	December 31, 2019	December 31, 2018
Total assets	$ 167,994	151,345
Total liabilities	$ 45,641	25,856

	For the years ended December 31, 2019	2018
Revenue	$ 271,953	247,494
Net income	$ 57,093	60,232

(ii) Associates

The subsidiary Capital Futures Corporation acquired 49% shares of True Partner Advisor Hong Kong Ltd. with USD 1,123 thousands on October 2, 2015. The Company acquired 20% shares of Capital Investment Trust Corporation with $1,272,505 on February 9, 2018. The relevant information is as following:

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights December 31, 2019	December 31, 2018
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 %

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

	December 31, 2019	December 31, 2018
Total carrying amount of the associates that were not individually material	$ 1,349,220	1,307,048

	For the years ended December 31, 2019	2018
The Group's share of gains based on the associates' financial statements:		
Net gains from continuing operations	$ 135,538	90,973
Other comprehensive income (losses)	5,902	1,238
Total comprehensive income (losses)	$ 141,440	92,211

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Collateral

As of December 31, 2019 and 2018, none of the investment accounted for under equity method of the Group were pledged for collateral.

(f) Property and equipment

As of December 31, 2019 and 2018, movement in property and equipment of the Group are as follows:

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost or deemed cost					
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**
Balance at January 1, 2018	$ 3,652,474	1,623,654	596,119	137,431	6,009,678
Additions	-	1,034	88,598	33,394	123,026
Transferred from investment property	276,798	163,015	-	-	439,813
Disposals and retirements	-	(325)	(112,018)	(13,754)	(126,097)
Effect of exchange rate changes	-	3,352	2,113	391	5,856
Balance at December 31, 2018	**$ 3,929,272**	**1,790,730**	**574,812**	**157,462**	**6,452,276**
Depreciation and impairment loss					
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**
Balance at January 1, 2018	$ -	575,137	400,425	67,364	1,042,926
Depreciation	-	34,122	95,956	28,637	158,715
Transferred from investment property	-	32,116	-	-	32,116
Disposals and retirements	-	(325)	(112,018)	(13,632)	(125,975)
Effect of exchange rate changes	-	1,382	1,856	296	3,534
Balance at December 31, 2018	**$ -**	**642,432**	**386,219**	**82,665**	**1,111,316**
Carrying amount:					
December 31, 2019	**$ 1,881,232**	**722,474**	**273,784**	**148,115**	**3,025,605**
December 31, 2018	**$ 3,929,272**	**1,148,298**	**188,593**	**74,797**	**5,340,960**

As of December 31, 2019 and 2018, the property and equipment which are provided as collateral or pledge, please refer to note 8 for details.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Right-of-use assets

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

		Buildings	Equipment	Total
Cost:				
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 exchange rate		(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, 2019	$	-	-	-
Depreciation		192,771	7,171	199,942
Reductions in accumulated depreciation		(15,857)	-	(15,857)
Effect of changes exchange rate		(196)	-	(196)
Balance at December 31, 2019	**$**	**176,718**	**7,171**	**183,889**
Carrying amount:				
December 31, 2019	**$**	**940,085**	**15,165**	**955,250**

(h) Investment property

As of December 31, 2019 and 2018, movement in investment property of the Group are as follows:

		Land	Buildings	Total
Cost or deemed cost				
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**
Balance at January 1, 2018	$	1,312,668	796,069	2,108,737
Reclassified to Property and equipment		(276,798)	(163,015)	(439,813)
Balance at December 31, 2018	**$**	**1,035,870**	**633,054**	**1,668,924**

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Buildings	Total
Depreciation and impairment loss			
Balance at January 1, 2019	$ -	294,910	294,910
Depreciation	-	19,975	19,975
Transferred from property and equipment	-	213,848	213,848
Reclassified to Property and equipment	-	(3,595)	(3,595)
Balance at December 31, 2019	**$ -**	**525,138**	**525,138**
Balance at January 1, 2018	$ -	312,196	312,196
Depreciation	-	14,830	14,830
Reclassified to Property and equipment	-	(32,116)	(32,116)
Balance at December 31, 2018	**$ -**	**294,910**	**294,910**
Carrying Amount:			
December 31, 2019	**$ 3,083,445**	**713,545**	**3,796,990**
December 31, 2018	**$ 1,035,870**	**338,144**	**1,374,014**
Fair Value:			
December 31, 2019			**7,577,872**
December 31, 2018			**2,237,610**

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.

Investment property include several commercial buildings for lease. Each lease contract contains original non-cancelleble 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). Further, the Group decide to lease properties, which are out of use land and buildings, and therefore transferred them from property and equipment into investment property, please refer to note 6(f).

As of December 31, 2019 and 2018, the investment properties were provided as collateral or pledged, for details please refer to note 8.

(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, 2019 and 2018, the book value was both $3,126,698.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Goodwill is allocated to the operating segments as follows:

	December 31, 2019	December 31, 2018
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 5.24% and 4.06% in year 2019 and 2018 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 2019 and 2018 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, 2019 and 2018, the book value of goodwill was both $22,088.

(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, 2019 and 2018, the book value of the operation franchise was both $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, 2019 and 2018, the book values of intangible assets were $46,235 and $46,270 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, 2019 and 2018, the amortized book value were $24,720 and $36,015 respectively.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Short-term borrowings

Nature of borrowings	December 31, 2019	December 31, 2018
Collateralized loan	$ 709,780	1,635,394
Credit loans	5,921,222	2,238,112
Total	$ 6,631,002	3,873,506
Interest rate range	0.95%~3.37%	0.65%~4.40%

As of December 31, 2019 and 2018, the Group had provided the land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

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

	December 31, 2019	December 31, 2018
Liabilities on sale of borrowed securities	$ 386,818	668,469
Redeem liabilities on sale of borrowed securities	-	(62,095)
Valuation adjustment	(50,296)	(139,826)
Subtotal	336,522	466,548
Exchange Traded Notes	699	-
Valuation adjustment	30	-
Subtotal	729	-
Stock warrants issued	14,997,622	13,077,314
Stock warrants repurchased	(14,444,316)	(12,617,507)
Subtotal	553,306	459,807
Put options	11,902	16,074
IRS asset swaps	2,436	763
Asset swap options - short position	529,328	208,927
Structured notes	11,583	8,914
Currency derivatives	7,574	9,063
Currency swaps	4,745	31,575
Interest rate swaps	969	544
Subtotal	568,537	275,860
Total	$ 1,459,094	1,202,215

(l) Bonds sold under repurchase agreements

	December 31, 2019	December 31, 2018
Bonds sold under repurchase agreements	$ 31,847,531	28,032,524
Agreed-upon repurchase amounts	32,022,184	28,213,380
Interest rates	0.20%~3.20%	0.35%~4.40%
Date of repurchase	2020.1.2~2020.12.30	2019.1.2~2019.12.20

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Equity for each customer in the account

According to article 38, subparagraph 2 of the " Regulations Governing Securities Firms" , a securities firm may, with the consent of the customer, retain the customer's settlement funds in the securities firm's settlement account. The securities firm shall set up a separate account ledger for each customer in the settlement account. Also, according to article 22-4, paragraph 1, subparagraph 5 of the " Offshore Banking Act" , an offshore securities branch may conduct account custody business for natural persons, juristic persons, government agencies, or financial institutions within or outside the territory of the ROC.

	December 31, 2019	December 31, 2018
Equity for each customer in the account	$ 3,025,153	26,969

(n) Accounts payable

	December 31, 2019	December 31, 2018
Payable of securities sold by customers	$ 11,136	10,731
Settlement	248,937	-
Payable of settlements	5,072,389	3,476,398
Others	903,596	370,764
Total	$ 6,236,058	3,857,893

(o) Operating leases

(i) Lessee

Non-cancellable operating lease payables are as follows:

	December 31, 2018
Within 1 year	$ 129,299
1-5 years	483,674
Over 5 years	455,396
	$ 1,068,369

The Group rents several offices under operating lease, the lease terms are within 1 to 5 years and the Group has the preferential renewal options when the lease term expires. The rentals are adjusted yearly to reflect market condition. Some lease terms bear the additional rental payments depends on the fluctuations of a local price index.

For the year ended December 31, 2018, the operating lease expenses recognized in profit or loss was $159,977.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Lessor

The Group leases investment property to other under operating lease agreements, please refer to Note 6(h) for details. The future lease receivables under non-cancellable leases are as follows:

	December 31, 2019	December 31, 2018
Within 1 year	$ 140,696	111,834
1-5 years	462,794	471,665
Over 5 years	402,354	534,251
	$ 1,005,844	**1,117,750**

The rental revenue from investment property for the years ended December 31, 2019 and 2018 amounted to $121,073 and $62,318 respectively.

(p) Lease liabilities

The Group' s lease liabilities are as follow:

	December 31, 2019
Current	**$ 193,565**
Non-current	**$ 819,040**

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

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	**$ 14,274**
Expenses relating to short-term leases	**$ 18,353**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 24,223**

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

	For the year ended December 31, 2019
Total cash outflow for leases	**$ 195,758**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2019	December 31, 2018
Present value of defined benefit obligations	$ (877,621)	(972,838)
Fair value of plan assets	343,634	383,030
Recognized liabilities for defined benefit obligations	**$ (533,987)**	**(589,808)**

The Group's employee benefits liabilities are as follows:

	December 31, 2019	December 31, 2018
Compensated absences	**$ 52,566**	**50,666**

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 Labor Pension Fund Supervisory Committee. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Group's labor pension preparatory special account in Bank of Taiwan amounted to $300,402 and $253,883 as of December 31, 2019 and 2018, 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 $48,848 and $134,419 as of December 31, 2019 and 2018, respectively.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2019 and 2018 were as follows:

	For the years ended December 31, 2019	2018
Defined benefit obligation on January 1	$ 972,838	1,009,545
Current service costs and interest	14,918	18,740
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in financial assumptions	13,720	9,688
-Experience adjustments	(58,162)	42,570
Benefits paid by the plan	(65,693)	(107,705)
Defined benefit obligation on December 31	**$ 877,621**	**972,838**

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2019 and 2018 were as follows:

	For the years ended December 31, 2019	2018
Fair value of plan assets on January 1	$ 383,030	458,883
Interest revenue	3,562	4,840
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	9,315	8,837
Contributions from the employer	11,558	13,862
Benefits paid from plan assets	(63,831)	(103,392)
Fair value of plan assets on December 31	**$ 343,634**	**383,030**

4) Expense recognized in profit or loss

The expenses recognized by the Group in 2019 and 2018 were as follows:

	For the years ended December 31, 2019	2018
Current service cost	$ 5,938	8,206
Net interest of net defined benefit liabilities (assets)	5,418	5,694
Current pension cost	**$ 11,356**	**13,900**

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

For the years ended December 31, 2019 and 2018, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	For the years ended December 31, 2019	2018
Balance at January 1	$ (168,526)	(125,105)
Recognized amount during the period	53,757	(43,421)
Balance at December 31	**$ (114,769)**	**(168,526)**

6) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	0.67%	0.93%
Future salary growth rate	2.00%~2.50%	2.00%~2.50%

The expected contribution to the defined benefit plan for the next year is $12,009. The weighted average duration of the defined benefit obligation is 1~2 years.

7) Sensitivity Analysis

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

As of December 31, 2019 and 2018, 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, 2019		
Discount rate	(22,314)	23,258
Future salary growth rate	18,483	(17,962)
December 31, 2018		
Discount rate	(25,549)	26,659
Future salary growth rate	21,402	(20,776)

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 $81,864 and $87,093 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2019 and 2018, respectively.

(iii) For the years ended December 31, 2019 and 2018, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were $4,732 and $4,291, 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, and CSC Venture Capital Corp. are founded in Taiwan. The corporate income tax rate are both 20% for the years ended December 31, 2019 and 2018.

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, 2019 and 2018.

The tax rate of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the years ended December 31, 2019 and 2018.

The tax rate of reinvestment business of subsidiaries which founded in Mainland are all 25% for the years ended December 31, 2019 and 2018.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income tax expense (benefit)

The amount of income tax expense (benefit) for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	**2018**
Current tax expense		
Current year	$ 328,215	470,599
Adjustment to the prior years' income tax	61,057	40,349
	389,272	510,948
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	(64,320)	(96,395)
Unrealized gains (losses) on foreign investments under Equity Method	1,372	(658)
Decrease in tax loss carried forward	108,204	92,455
Adjustments of deferred income tax assets and liabilities	(35,665)	(12,803)
Adjustment in tax rate	-	55,473
	9,591	38,072
Income tax expense from continuing operations	**$ 398,863**	**549,020**

The amount of income tax expense or benefit recognized in other comprehensive income in year 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	**2018**
Foreign exchange difference from translating financial statements of foreign operations	**$ (7,322)**	**19,234**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of income tax expense (benefit) and income before tax in year 2019 and 2018 were as follows:

	For the years ended December 31, 2019	2018
Net income before tax	$ 3,228,097	2,326,530
Income tax using the Company's domestic tax rate	$ 711,044	560,885
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	-	978
Adjustment in tax rate	-	55,473
Tax exempt income	(345,072)	(104,036)
Alternative minimum tax	3,585	6,510
Unrecognized deferred tax assets for current-year losses	863	128
Unrecognized temporary differences for current years	(220)	(256)
Additional surtax on undistributed retained earnings	382	2,943
Amounts use in investment tax credit	-	(527)
Adjustments to prior years' income tax	61,057	40,349
Unrecognized temporary differences for prior years	(35,665)	(12,803)
Others	2,889	(624)
Total	**$ 398,863**	**549,020**

(iii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	December 31, 2019	December 31, 2018
Tax loss carried forward	$ 31,476	104,015
Unrealized losses on foreign investments under Equity Method	5,663	6,542
Foreign exchange difference from translating financial statements of foreign operations	2,626	170
Unrecognized loss in derivative financial instruments	68,081	5,043
Total	**$ 107,846**	**115,770**

2) Unrecognized deferred tax assets

	December 31, 2019	December 31, 2018
Unrealized losses on foreign investments under Equity Method	$ 275	269
Tax loss carried forward	2,591	1,711
Total	**$ 2,866**	**1,980**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2019, the Group's estimated tax losses recognized under deferred income tax asset were as follows:

Year or loss	Amount	Expiry date
2016 (Declared)	$ 2,240	2026
2017 (Declared)	4,141	2027
2018 (Declared)	1,564	2028
2019 (Estimated)	5,009	2029
Total	**$ 12,954**	

3) Recognized deferred income tax liabilities

	December 31, 2019	December 31, 2018
Foreign exchange difference from translating financial statements of foreign operations	$ -	4,866
Unrealized gains on derivative financial instruments	6,298	7,581
Unrealized gains on foreign investments under Equity Method	2,469	1,975
Losses on intercompany transactions	1,928	1,928
Amortization of operation franchise	42,881	42,881
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	56,107
Total	**$ 463,963**	**478,035**

4) Unrecognized deferred tax liabilities

As of December 31, 2019 and 2018, the Group's temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 14,845**	**29,063**

The dividend policies of the Group's subsidiaries, CSC Futures (HK) Ltd. and Capital Futures Technology (Shanghai) Co., Ltd, were prescribed not to appropriate the retain earning until December 31, 2019. 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 2017, except for 2015, were assessed by the Tax Authority.

2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2017 were assessed by the Tax Authority.

3) Subsidiary - Capital Futures Corp.'s income tax returns through 2017 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.

5) Subsidiary - Capital International Technology Corp.'s income tax returns through 2018 were assessed by the Tax Authority.

6) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2017 were assessed by the Tax Authority.

(v) Income tax administrative relief

Since amortization of intangible assets withheld from year 2011 to 2014 and tax loss carried forward from year 2017 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, 2019 and 2018, the Company had authorized capital of $30,000,000 and issued common stock of 2,320,908 thousand shares with a par value of $10 per share.

On June 27, 2018, the Company's stockholders resolved to transfer un-appropriated earnings of $1,518,351 and issued 151,835 thousand shares of common stock. The capital increase was approved by the Financial Supervisory Commission on July 12, 2018 and the record date was September 1, 2018. The Company has completed the registration of change in paid-in capital on September 25, 2018.

(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.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The followings are the capital surplus of the Company:

	December 31, 2019	December 31, 2018
Premium from stock issuance	$ 1,776,413	1,776,413
Treasury stock transactions	437,096	437,096
Paid-in capital from merger	602,665	602,665
Difference between consideration and carrying amount of subsidiaries acquired and disposed	1,338	1,338
Changes in ownership interests in subsidiaries	34,787	34,787
	$ 2,852,299	**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.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 2018 and 2017 earnings distributions resolved by the shareholders' meetings on June 24, 2019 and June 27, 2018, respectively, were as follows:

	2018		2017	
	Amount	**Dividends per share**	**Amount**	**Dividends per share**
Cash dividends	$ 928,363	0.4	433,815	0.2
Stock dividends	-	-	1,518,351	0.7
	$ 928,363		**1,952,166**	

(iv) Treasury stocks

Pursuant to Article 28-2 of the "Securities and Exchange Act", the Company repurchased 147,191 thousand shares as treasury shares to maintain the Company's credit standing and shareholders' equity for year ended December 31, 2019. As of December 31, 2019, unretired shares amounted to 147,191 thousand shares.

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. As of December 31, 2019, the Company repurchase 147,191 thousand shares which were amounted to $1,574,000.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Earnings per share

The basic earnings per share and dilutive earnings per share for the years ended December 31, 2019 and 2018 were calculated as follows:

	For the years ended December 31, 2019	2018
Net income attributable to common shareholders of the Company	$ 2,566,823	1,408,865
Weighted-average number of common stock shares outstanding (thousands of shares)	2,314,284	2,320,908
Basic earnings per share (dollar)	$ 1.11	0.61
Effect of potentially dilutive common stock		
- Employee remuneration (thousands of shares) (Note)	2,912	2,343
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	2,317,196	2,323,251
Dilutive earnings per share (dollar)	$ 1.11	0.61

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, 2019	2018
Brokerage commission from TSE market	$ 1,539,188	1,827,623
Brokerage commission from OTC market	567,295	637,115
Handling fee from security financing	23,878	35,585
Futures commission income - brokerage	1,567,795	1,836,830
Overseas subsidiaries	46,031	50,711
Others	75,006	73,013
	$ 3,819,193	4,460,877

(ii) Underwriting commissions

	For the years ended December 31, 2019	2018
Revenue from underwriting securities on a firm commitment basis	$ 52,495	61,900
Handling fee revenues from underwriting securities on best efforts basis	4,942	1,350
Processing fee revenues from underwriting operations	18,444	7,954
Revenue from underwriting consultation	5,260	9,953
Others	1,740	11,445
	$ 82,881	92,602

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31,	
	2019	2018
Gains (losses) on securities sold - proprietary trading	$ 452,383	(348,708)
Gains (losses) on securities sold - underwriting	60,428	30,003
Gains (losses) on securities sold - hedging	505,145	(1,155,191)
Total	$ **1,017,956**	**(1,473,896)**

(iv) Interest revenue

	For the years ended December 31,	
	2019	2018
Interest revenue - margin loans	$ 592,790	767,184
Interest revenue - bonds	836,503	1,100,550
Overseas subsidiaries	51,727	49,628
Others	77,261	61,072
	$ **1,558,281**	**1,978,434**

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

	For the years ended December 31,	
	2019	2018
Trading securities - proprietary	$ 423,243	(416,586)
Trading securities - underwriting	34,364	(19,711)
Trading securities - hedging	510,815	(165,545)
Settlement coverage bonds payable of short sale	-	(29)
	$ **968,422**	**(601,871)**

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

	For the years ended December 31,	
	2019	2018
Gains on changes in fair value of stock warrants	$ 21,714,001	30,322,653
Gains on exercise of stock warrants before maturity	21,160,960	24,075,007
Losses on changes in fair value of stock warrants repurchased	(42,699,393)	(52,645,565)
Gains on expiration of stock warrants	15,602	112,965
Stock warrants issuance expenses	(154,084)	(182,019)
	$ **37,086**	**1,683,041**

(vii) Futures commission revenues

	For the years ended December 31,	
	2019	2018
Futures commission revenues - CSC Futures (HK) Ltd.	$ **209,879**	**453,195**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(viii) Commission expenses - future

	For the years ended December 31,	
	2019	2018
Future trading - reconsignment	$ 246,008	273,044
Future trading - introducing brokers	697	2,279
Commission expenses - CSC Futures (HK) Ltd.	55,032	192,904
	$ 301,737	**468,227**

(ix) Employee benefits, depreciation, and amortization expenses

	For the years ended December 31,	
	2019	2018
Employee benefit expenses		
Salary expense	$ 2,150,037	2,250,144
Health and labor insurance expense	158,368	165,668
Pension expense	97,952	105,284
Others	57,802	60,388
Depreciation expense	389,552	173,545
Amortization expense	34,410	33,920
	$ 2,888,121	**2,788,949**

(x) Other operating expenses

	For the years ended December 31,	
	2019	2018
Rental expense	$ 42,555	159,977
Taxes	344,570	421,528
Information technology expense	214,041	209,881
Postage expense	180,430	153,246
Professional service fee	21,028	258,861
Other expenses	543,880	529,831
	$ 1,346,504	**1,733,324**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Other gains and losses

	For the years ended December 31, 2019	2018
Financial revenue	$ 569,367	389,823
Currency exchange gains (losses)	(8,259)	19,072
Net gains (losses) on disposal of investment	7,431	68,664
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	28,906	(13,052)
Revenue from bank's allocation fee	139,968	133,107
Net gains (losses) on disposal of property and equipment	13,801	(122)
Dividend revenue	65,448	49,551
Gains on reversal of prior year's liabilities	52,211	202,491
Rental income	121,073	62,318
Others	52,274	90,305
	$ 1,042,220	**1,002,157**

(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, 2019 and 2018, the estimated amounts of remuneration to employee were $32,756 and $20,971, and to directors were $54,594 and $34,951, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017, the estimated amounts of remuneration to employee were $20,971 and $33,369, and to directors were $34,951 and $61,971 by the Company. The difference between actual employee remuneration of $14,587 and $30,515 and actual remuneration to directors of $24,248 and $50,859 were $17,087 and $13,966 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2019 and 2018. The information about the appropriations is available at the website of the Market Observation Post System.

For the years ended December 31, 2019 and 2018, the estimated amounts of remuneration to employees were $8,714 and $12,369 and to directors were $8,714 and $12,274 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, 2019 and 2018, the maximum credit exposure amounted to $100,461,622 and $92,766,076, 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 (74.79%); secondly, is in Asia (13.59%, exclusion of Taiwan); then, is in America (7.53%). 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, 2019	December 31, 2018
Taiwan	$ 74,762,540	68,026,272
Asia (Taiwan is excluded)	13,582,675	13,929,523
Europe	4,010,808	4,495,750
America	7,523,511	5,709,464
Other	77,525	82,619
Total	$ 99,957,059	92,243,628

2) Impairment loss

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

	December 31, 2019		December 31, 2018	
	Total amount	Allowance	Total amount	Allowance
Not past due	$ 20,845,564	9,373	16,677,224	23,522
Past due 0~30 days	275	275	272	272
Past due 31~120 days	127	127	914	914
Past due 121~360 days	8	8	25,523	25,523
Past due more than 360 days	305,771	305,771	288,286	288,286
	$ 21,151,745	315,554	16,992,219	338,517

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2019 and 2018, the impairment losses of accrued receivables were recognized $315,554 and $338,517, 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 year ended December 31, 2019 and 2018 were 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, 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

	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 per IAS39	$ -	-	-	-	260,851	-	260,851
Adjustment on initial application of IFRS 9	-	15,153	-	-	-	-	15,153
Balance on January 1, 2018	-	15,153	-	-	260,851	-	276,004
Provision or reversal of Impairment loss	-	(9,292)	-	-	74,129	-	64,837
Amounts written off	-	-	-	-	(1,806)	-	(1,806)
Effect of exchange rate	-	-	-	-	5,343	-	5,343
Balance on December 31, 2018	$ -	5,861	-	-	338,517	-	344,378

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Group 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, 2019							
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	-
Currency derivatives	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**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2018	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	$ 466,548	466,548	466,548	-	-	-	-
Stock warrants issued	459,807	459,807	442,191	17,616	-	-	-
Put options - futures	16,074	16,074	16,074	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	32,882	32,882	33,869	(2,727)	814	926	-
Put options	208,927	208,927	8,925	19,064	125,073	55,865	-
Currency derivatives	9,063	9,063	9,063	-	-	-	-
Short-term borrowings	3,873,506	3,873,506	3,714,303	159,203	-	-	-
Bonds sold under repurchase agreements	28,032,524	28,213,380	28,213,380	-	-	-	-
Guarantee deposited for short sales	2,316,744	2,316,744	2,316,744	-	-	-	-
Proceeds payable from short sales	2,603,315	2,603,315	2,603,315	-	-	-	-
Securities lending refundable deposits	644,843	644,843	644,843	-	-	-	-
Futures traders' equity	33,158,826	33,158,826	33,158,826	-	-	-	-
Leverage contract trading customers' equity	225,899	225,899	225,899	-	-	-	-
Notes payable and accounts payable	381,154	381,154	381,154	-	-	-	-
Receipts under custody	120,325	120,325	120,325	-	-	-	-
Other payables	765,572	765,572	763,523	2,049	-	-	-
Structured notes	3,676,833	3,676,833	3,175,382	191,419	237,377	72,655	-
	$ 76,992,842	**77,173,698**	**76,294,364**	**386,624**	**363,264**	**129,446**	**-**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

	December 31, 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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial assets			
Monetary Item			
USD	$ 555,736	30.7150	17,069,431
AUD	6,781	21.6650	146,910
CAD	232	22.5800	5,239
CHF	50	31.1850	1,559
EUR	9,261	35.2000	325,987
GBP	3,656	38.8800	142,145
HKD	123,996	3.9210	486,188
JPY	1,551,889	0.2782	431,736
SEK	4	3.4200	14
SGD	854	22.4800	19,198
CNY	68,900	4.4720	308,121
ZAR	5	2.1200	11
KRW	347,958	0.0278	9,673
NZD	51	20.6200	1,052
THB	5,447	0.9532	5,192
Non-Monetary Item			
USD	310,103	30.7150	9,524,814
AUD	167,642	21.6650	3,631,964
EUR	44	35.2000	1,549
GBP	2	38.8800	78
HKD	26,380	3.9210	103,436
JPY	10,593	0.2782	2,947
CNY	416,174	4.4720	1,861,130
Investments under equity method			
HKD	11,660	3.9210	45,719

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial liabilities			
Monetary Item			
USD	$ 840,061	30.7150	25,802,474
AUD	169,752	21.6650	3,677,677
CAD	7	22.5800	158
CHF	50	31.1850	1,559
EUR	8,557	35.2000	301,206
GBP	3,553	38.8800	138,141
HKD	204,497	3.9210	801,833
JPY	1,498,089	0.2782	416,768
SEK	4	3.4200	14
SGD	852	22.4800	19,153
CNY	324,111	4.4720	1,449,424
KRW	168,066	0.0278	4,672
NZD	1	20.6200	21
THB	4,727	0.9532	4,506
Non-Monetary Item			
USD	179	30.7150	5,498
AUD	2	21.6650	43
CAD	14	22.5800	316
JPY	9,730	0.2782	2,707
CNY	113	4.4720	505

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, 2019 and 2018, the realized and unrealized currency exchange gains (losses) amounted to $(395) and $(52,501), respectively.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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, 2019 and 2018, 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, 2019		**For the years ended December 31, 2018**	
	Appreciated 5%	**Depreciated 5%**	**Appreciated 5%**	**Depreciated 5%**
Net income	(489,190)	489,190	(366,625)	366,625
Other comprehensive income	546,716	(546,716)	426,520	(426,520)

(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,					
			2019			**2018**		
Market risk type	**December 31, 2019**	**December 31, 2018**	**Average**	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest risk	1,409,781	1,384,626	1,497,257	1,572,243	1,409,781	1,722,466	2,076,354	1,384,626

(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.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of December 31, 2019 and 2018, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	December 31, 2019		December 31, 2018	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets :				
Cash and cash equivalents	$ 8,323,636	8,323,636	7,993,419	7,993,419
Accrued receivable	24,793,814	24,793,814	17,631,012	17,631,012
Customers' margin account	34,803,719	34,803,719	33,275,630	33,275,630
Leverage contract trading - customers' margin account	308,543	308,543	228,564	228,564
Restricted assets - current	673,926	673,926	730,728	730,728
Other non-current assets	1,473,700	1,473,700	1,416,547	1,416,547
Financial liabilities :				
Short-term borrowings	6,631,002	6,631,002	3,873,506	3,873,506
Bonds sold under repurchase agreements	31,847,531	31,847,531	28,032,524	28,032,524
Accrued payable	15,790,247	15,790,247	10,788,574	10,788,574
Futures traders' equity	34,747,531	34,747,531	33,158,826	33,158,826
Leverage contract trading - customers' equity	308,590	308,590	225,899	225,899
Other financial liabilities - current	3,579,951	3,579,951	3,357,887	3,357,887
Other financial liabilities - non-current	349,518	349,518	310,032	310,032
Other non-current liabilities	103,115	103,115	68,458	68,458

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

	Level 1	**Level 2**	**Level 3**	**Total**
Investment property				
December 31, 2019	$ -	-	7,577,872	7,577,872
December 31, 2018	$ -	-	2,237,610	2,237,610

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, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading - customers' equity, other financial liabilities - current, other financial liabilities - non-current, and other non-current liabilities.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 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**

		Level 1	Level 2	Level 3	Total
December 31, 2018					
Financial assets at fair value through profit or loss	$	12,267,176	18,674,078	-	30,941,254
Financial assets at fair value through other comprehensive income		484,340	10,381,589	1,911,577	12,777,506
Derivative financial assets		235,070	69,659	-	304,729
	$	**12,986,586**	**29,125,326**	**1,911,577**	**44,023,489**
Financial liabilities at fair value through profit or loss	$	926,355	-	-	926,355
Derivative financial liabilities		16,074	259,786	-	275,860
	$	**942,429**	**259,786**	**-**	**1,202,215**

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, 2019 and 2018, 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.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(In Thousands Dollars)

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	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

For the year ended December 31, 2018								
		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	Transferred from Level 3	Ending Balance
Financial assets at fair value through other comprehensive income	$ 1,787,809	-	(152,389)	288,030	-	11,873	-	1,911,577

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

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, 2019		
Financial assets fair value through other comprehensive income	$ 24,649	(24,649)
December 31, 2018		
Financial assets fair value through other comprehensive income	$ 19,116	(19,116)

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, 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	-	-	-

December 31, 2018					
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	$ 28,357,997	28,032,524	-	-	-

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	December 31, 2019					
	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
				Related amount not offset in the balance sheet (d)		
	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)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)
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

	December 31, 2018					
	Financial assets under offsetting or general agreement of net amount settlement or similar norms					
				Related amount not offset in the balance sheet (d)		
	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)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 69,659	-	69,659	-	-	69,659

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018					
	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	$ 259,786	-	259,786	-	-	259,786
Under repurchase agreements	28,032,524	-	28,032,524	28,032,524	-	-
Total	$ 28,292,310	-	28,292,310	28,032,524	-	259,786

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.

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 corporate 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 instrument as approved by the authority.

As of December 31, 2019 and 2018, the related financial risk and the presentation of the Group's financial derivatives and other financial instrument as approved by the authority were as follows:

<u>Stock warrants</u>

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

Financial Instruments	December 31, 2019 Notional principal / Nominal amount	December 31, 2019 Credit Risk	December 31, 2018 Notional principal / Nominal amount	December 31, 2018 Credit Risk
For trading purpose:				
Stock warrants issued	$ 18,302,776	-	17,901,620	-

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, 2019 and 2018:

a) Gains (losses) on valuation

	For the years ended December 31, 2019	2018	Account
Stock warrants issued	$ 11,359,166	15,625,056	Gains (losses) on stock warrants issued
Stock warrants repurchased	(11,382,768)	(15,308,436)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the years ended December 31, 2019	2018	Account
Security borrowing	$ 55,194	171,070	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	340,093	(1,331,899)	Gains (losses) on sale of trading securities
Futures transaction	(319,856)	(180,945)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the years ended December 31, 2019	2018	Account
Stock warrants issued	$ 31,531,397	38,885,569	Gains (losses) on stock warrants issued
Stock warrants repurchased	(31,316,625)	(37,337,129)	Gains (losses) on stock warrants issued

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Exchange traded notes

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

Financial Instruments	December 31, 2019 Notional principal / Nominal amount	December 31, 2019 Credit Risk	December 31, 2018 Notional principal / Nominal amount	December 31, 2018 Credit Risk
For trading purpose:				
Exchange traded notes issued	$ 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:

For the year ended December 31, 2019, gains (losses) on exchange traded notes amounted to $67, and were reflected as net gains (losses) from exchange traded notes. As of December 31, 2019, margin exchange traded notes amounted to $25, and were reflected as other non current assets; outstanding liabilities exchange traded notes which recognized as financial liabilities at fair value through profit or loss current amounted to $729.

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, 2019 and 2018.

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Market risk:

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

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

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

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

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

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

(iv) Presentation of financial derivatives:

For the years ended December 31, 2019 and 2018, gains (losses) on futures and options transactions amounted to $(661,537) and $476,053, respectively, and were recognized in gains (losses) on derivatives - futures. As of December 31, 2019 and 2018, futures margin - proprietary fund amounted to $233,624 and $223,490, respectively, and were recognized in financial assets at fair value through profit or loss - current; excess future margin which recognized in cash and cash equivalent amounted to $1,184,098 and $1,998,273, respectively.

As of December 31, 2019 and 2018, the balance of call options which recognized in financial assets at fair value through profit or loss - current amounted to $3,482 and $11,580, respectively, put options which recognized in financial liabilities at fair value through profit or loss - current amounted to $11,902 and $16,074, respectively.

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

	December 31, 2019		December 31, 2018	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
NT dollar interest swaps	$ 21,300,000	-	29,800,000	-

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(ii) Structured notes

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

Financial Instruments	December 31, 2019 Notional principal / Nominal amount	December 31, 2019 Credit Risk	December 31, 2018 Notional principal / Nominal amount	December 31, 2018 Credit Risk
For trading purpose:				
Equity-linked notes	$ 215,789	-	49,225	-
Principal guaranteed notes	2,935,907	-	2,730,772	-
Credit-linked notes	669,900	-	562,300	-
Principle guaranteed notes (in USD thousands)	USD 3,690	-	USD 10,597	-

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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-backed swaps

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

	December 31, 2019		December 31, 2018	
Financial Instruments	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset-backed swaps	$ 886,900	-	694,900	-
Convertible bond options	4,452,000	-	3,012,400	-

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

(iv) Options

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

Financial Instruments	December 31, 2019 Notional principal/ Nominal amount	December 31, 2019 Credit Risk	December 31, 2018 Notional principal/ Nominal amount	December 31, 2018 Credit Risk
For trading purpose:				
Equity options	$ 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) Currency derivatives

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

Financial Instruments	December 31, 2019 Notional principal/ Nominal amount	December 31, 2019 Credit Risk	December 31, 2018 Notional principal/ Nominal amount	December 31, 2018 Credit Risk
For trading purpose:				
Currency derivatives-long position	$ 2,700,301	-	1,568,749	-
Currency derivatives-short position	2,448,322	-	1,510,240	-

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, 2019 and 2018, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset-backed swaps and currency swaps were presented on the balance sheets as follows:

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss - current		
IRS asset swaps	$ 16,053	13,855
Asset swap options-long position	37,684	4,072
Currency derivatives	39,066	46,967
Structured notes	25,925	3,075
Currency swaps	-	1,690
Total	**$ 118,728**	**69,659**
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	$ 2,436	763
Asset swap options-short position	529,328	208,927
Structured notes	11,583	8,914
Currency derivatives	7,574	9,063
Currency swaps	4,745	31,575
Interest rate swaps	969	544
Total	**$ 556,635**	**259,786**
Other financial liabilities - current		
Structured notes principal value	**$ 3,579,951**	**3,357,887**
Other financial liabilities - non-current		
Structured notes principal value	**$ 349,518**	**310,032**

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset-backed swaps and currency swaps are presented on statements of income as follows:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	$ (517)	(969)	(4,016)	(544)
Equity derivatives	(232)	51	873	-
Structured notes	(67,731)	(16,490)	(36,093)	(6,466)
IRS asset swaps	218	13,617	259	13,092
Asset swap options	(264,473)	11,817	64,786	130,058
Currency swaps	(9,634)	(4,745)	14,300	(29,885)
Currency derivatives	36,424	(6,412)	72,343	18,304
Total	$ **(305,945)**	**(3,131)**	**112,452**	**124,559**

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

	December 31, 2019	December 31, 2018
Capital adequacy ratio	390 %	435 %

(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, 2019 and 2018, were as follows:

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

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

			Non-cash changes			
	January 1, 2019	Cash flows	Other	Foreign exchange movement	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**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2018	Cash flows	Non-cash changes: Other	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	December 31, 2018
Short-term borrowings	$ 7,081,698	(3,208,192)	-	-	-	3,873,506
Commercial papers payable	4,099,184	(4,099,184)	-	-	-	-
Total liabilities from financing activities	**$ 11,180,882**	**(7,307,376)**	**-**	**-**	**-**	**3,873,506**

(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. (Note 1)	Associate
Funds issued by Capital Investment Trust Corp. (Note 1)	Funds issued by associate
San Ho Enterprise Co., Ltd. (Note 2)	Juristic-person director
Kwang Hsing Industrial Co., Ltd.	Juristic-person director
Tai Chun Enterprise Co., Ltd. (Note 2)	Juristic-person director
Other related parties	Key management personnel

Note 1: Since February 9, 2018, the corporation has become an associate of the Company.
Note 2: The corporation was discharged on June 24, 2019.

(c) Key management personnel transactions

(i) Key management personnel compensation:

	For the years ended December 31, 2019	2018
Short-term employee benefits	$ 218,948	255,870
Post-employment benefits	2,722	2,564
Total	**$ 221,670**	**258,434**

(ii) Bond transactions - bonds sold under repurchase agreements

Bonds sold under repurchase agreements with key management personnel as of December 31, 2019 and 2018 were as follows:

	December 31, 2019		December 31, 2018	
	Par value	**Purchase price**	**Par value**	**Purchase price**
Key management personnel	$ **22,500**	**22,670**	**43,000**	**43,060**

Total financial expenses	**For the years ended December 31, 2019**	**2018**
Key management personnel	$ **182**	**152**

(iii) Structured notes transactions

As of December 31, 2019 and 2018, the balances of structured notes transactions with key management personnel were $71,393 and $55,612, respectively.

(d) Significant transactions with related parties

(i) Bond transactions - bonds sold under repurchase agreements

The balances of bonds sold under repurchase agreements with related parties as of December 31, 2019 and 2018 were as follows:

	December 31, 2019		December 31, 2018	
	Par value	**Purchase price**	**Par value**	**Purchase price**
Funds issued by associate	$ -	-	50,000	50,044
Juristic-person directors	-	-	20,300	20,315
Total	$ **-**	**-**	**70,300**	**70,359**

Total financial expenses	**For the years ended December 31, 2019**	**2018**
Funds issued by associate	$ 472	161
Juristic-person directors	56	81
Total	$ **528**	**242**

Transaction terms are the same as the general clients.

(ii) Structured notes transaction and future transactions

As of December 31, 2019 and 2018 the balances of structured notes transactions with juristic-person directors and others of the Group were $0 and $17,082, respectively. The balance of future transactions with the associate were $142,376 and $287,357, respectively.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Lease agreements

1) Lease revenue

	For the years ended December 31, 2019	2018
Subsidiaries	$ 346	1,038
Associates	17,247	15,810
Total	**$ 17,593**	**16,848**

2) Guarantee deposits received

	December 31, 2019	December 31, 2018
Subsidiaries	$ -	200
Associates	3,811	3,811
Total	**$ 3,811**	**4,011**

(iv) Insurance commission revenues

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

1) Commission revenues

	For the years ended December 31, 2019	2018
Subsidiaries	**$ 12,931**	**11,905**

2) Accounts receivable

	December 31, 2019	December 31, 2018
Subsidiaries	**$ 1,877**	**2,020**

(v) Commissions

The commission received from the Juristic-person directors, funds issued by associate of the Group and other related parties engaging in securities and futures trading for the years ended December 31, 2019 and 2018, were as follows:

Brokerage commissions	For the years ended December 31, 2019	2018
Associates	$ 1,148	856
Funds issued by associate	23,738	15,969
Juristic-person directors	-	288
Other related parties	1,044	10,270
Total	**$ 25,930**	**27,383**

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Re-consigned handling commissions	For the years ended December 31, 2019	2018
Funds issued by associate	$ 8,696	4,879
Other related parties	193	235
Total	$ **8,889**	**5,114**

Other commissions	For the years ended December 31, 2019	2018
Funds issued by associate	$ **4,406**	**639**

(vi) Management service income and stock service income:

For the year ended December 31, 2019 and 2018, the Group provided management service and stock service for associate, and the service income amounted to $356 and $259, respectively.

(vii) Accrued receivables

The accrued receivables between the associate and the Group primarily were securities management service receivable. As of December 31, 2019 and 2018, the accrued receivables amounted to $164 and $10, respectively.

(viii) Disposals of financial assets

On January 16, 2018, the Group disposed all its shares (941 thousand shares) of Reliance Securities Investment Trust Co., Ltd (which was recognized in financial assets at fair value through other comprehensive income - non-current) to a juristic-person director. The selling price and gains on disposal amounted to $9,774 and $7, respectively.

(ix) 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, 2019 and 2018:

	December 31, 2019	December 31, 2018	The collateral use
Restricted assets - current	$ 673,926	730,728	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	32,506,236	29,145,321	Repurchase agreement
Property and equipment	1,832,513	3,968,485	Bank borrowings
Financial assets at fair value through profit or loss - non - current	180,467	185,109	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property	2,974,772	895,814	Bank borrowings
Total	$ **38,167,914**	**34,925,457**	

(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, 2019		December 31, 2018	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	520,214	$ 5,202,140	528,296	5,282,960
Collateral for margin purchase	8,868	88,680	34,550	345,500
Collateral for short sales	6,900	69,000	6,150	61,500
Lending securities to customers through short sales	57,750	577,500	50,957	509,570

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

	December 31, 2019		December 31, 2018	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	3,594	$ 35,940	1,074	10,740
Collateral for refinancing margin	969	9,690	53	530

(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, 2019	December 31, 2018
Promissory notes	$ 25,510,000	26,440,000
Promissory notes (in USD thousands)	USD 60,000	USD 60,000

(d) As of December 31, 2019 and 2018, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were $5,687,926 and $3,848,765, 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.In December 2019, Taiwan Shilin District Court decide the case in favor 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 for damages 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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US$7,956,873 dollars (including claim amount US$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. There was one case that mutual reach the settlement and withdraw appeals on May 7, 2019. 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, 2019.

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

(i) The subsidiary, Capital Futures Corp., acquired hardware and software system for the development of future operation, which cost $2,520 for contract price. As of December 31, 2019, the unpaid balance was amounted to $1,452.

(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, 2019 and 2018

Trust Assets	December 31, 2019	December 31, 2018	Trust Liabilities	December 31, 2019	December 31, 2018
Bank deposits	$ 1,123,650	863,717	Accounts payable	$ 44	230
Short-term investment			Trust capital	13,751,705	12,864,910
Funds	12,115,260	10,355,060	Accumulated earnings or deficit	(103,139)	(1,066,242)
Stocks	124,245	351,841			
Securities lent	53,383	90,222			
Bonds	31,715	12,003			
Structured notes	10,013	12,224			
Accounts receivable	190,344	113,831			
Total Assets	**$ 13,648,610**	**11,798,898**	**Total Liabilities**	**$ 13,648,610**	**11,798,898**

(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, 2019 and 2018

	For the years ended December 31, 2019	2018
Trust revenue		
Interest revenue	$ 5,626	5,686
Cash dividends revenue	522,595	480,749
Rental revenue	6,674	10,547
Investment gains - unrealized	938,923	-
Currency exchange gains	94,949	12,587,351
Other revenue	-	709
Subtotal	1,568,767	13,085,042
Trust expense		
Management fee	679	1,115
Service fee	60,976	75,544
Realized investment losses	46,561	3,935
Investment losses - unrealized	-	1,781,114
Currcncy exchange losses - unrealized	1,702,347	1,311,566
Supplementary insurance premium	92	76
Currency exchange losses	-	11,760,193
Subtotal	1,810,655	14,933,543
Loss before income tax	(241,888)	(1,848,501)
Income tax expense	(319)	(327)
Net Loss	**$ (242,207)**	**(1,848,828)**

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Property list of trust accounts

Property list of trust accounts

December 31, 2019 and 2018

Investment items	December 31, 2019	December 31, 2018
Bank deposits	$ 1,123,650	863,717
Short-term investment		
Funds	12,115,260	10,355,060
Stocks	124,245	351,841
Securities lent	53,383	90,222
Bonds	31,715	12,003
Structured Notes	10,013	12,224
Account receivables	190,344	113,831
Total	$ 13,648,610	11,798,898

(10) Significant Catastrophic Loss:None

(11) Significant Subsequent Events:

The Company had repurchased 150,000 thousand shares after the reporting date. All the repurchased shares were retired and the registration of capital reduction was completed on February 21, 2020.

The Board of Directors resolved to subscribe the cash capital increase of Capital Futures Corp. on January 21, 2020, and the investment amounted to $683,981.

The Board of Directors of the subsidiary, Capital Futures Corp., approved to conduct cash replenishment on November 28, 2019 for $340,000, and issued new common stock of 34,000 thousand shares with $10 dollars face value per share. On February 25, 2020, the Board of Directors approved to issue the stock of $34.4 per share. The cash replenishment got the approval by the FSC No. 1090300222 on January 30, 2020. The base date is March 26, 2020.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) As of December 31, 2019 and 2018, the open positions of futures and option contracts were as follows:

(i) 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-Bund 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)	
	Crude Oil Option (Put)	Short	1	(4)	(5)	
	Gold Option (Put)	Long	2	3	-	
	Gold Option (Call)	Short	10	(20)	(19)	
	Subtotal			(6,403)		
Total				$ (1,505,805)		

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) December 31, 2018

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	219	$ 419,425	423,418	
	TAIEX Futures	Short	674	(1,300,015)	(1,303,020)	
	Mini-TAIEX Futures	Short	264	(126,317)	(127,524)	
	Electronic Sector Index Futures	Long	23	35,333	35,397	
	Finance Sector Index Futures	Short	30	(35,369)	(35,358)	
	Single Stock Futures	Long	1,938	347,884	344,406	
	Single Stock Futures	Short	3,226	(395,545)	(380,106)	
	H Stocks Index Futures	Long	7	13,704	13,757	
	HSI Futures	Short	5	(25,340)	(25,343)	
	Mini-HSI Futures	Long	4	4,067	4,055	
	SGX Nifty 50 Index Futures	Short	36	(24,058)	(24,155)	
	Dow Futures	Short	58	(26,931)	(26,880)	
	Mini-Dow Futures	Long	5	17,770	17,867	
	Mini-Dow Futures	Short	2	(7,113)	(7,151)	
	Soybean Futures	Short	12	(16,964)	(16,494)	
	MSCI Taiwan Index Futures	Short	70	(76,977)	(76,654)	
	FTSE China A50 Index Futures	Short	466	(149,721)	(148,929)	
	S&P 500 Futures	Long	42	98,471	100,602	
	S&P 500 Futures	Short	12	(6,009)	(5,993)	
	Mini-S&P 500 Futures	Long	16	60,226	61,558	
	Mini-S&P 500 Futures	Short	6	(22,746)	(23,115)	
	SGX Nikkei 225 Index Futures	Short	4	(12,002)	(11,092)	
	2-Year U.S. T-Note Futures	Short	1	(6,495)	(6,521)	
	10-Year U.S. T-Note Futures	Short	100	(372,827)	(374,771)	
	Euro-Bond Futures	Short	23	(132,141)	(132,402)	
	Nifty 50 Index Futures	Long	48	26,045	26,189	
	Nifty 50 Index Futures	Short	4	(2,193)	(2,192)	
	JPY/USD FX Futures	Long	53	32,509	32,120	
	JPY/USD FX Futures	Short	213	(130,851)	(130,068)	
	EUR/USD FX Futures	Long	113	79,609	80,110	
	USD Index Futures	Short	1	(2,946)	(2,940)	
	Japanese Yen Futures	Long	3	10,249	10,563	
	Japanese Yen Futures	Short	28	(97,593)	(98,591)	
	Euro Futures	Short	18	(79,280)	(79,631)	
	Subtotal			(1,904,141)		

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Options contract：						
	TAIEX Options (Call)	Long	572	$ 1,584	1,183	
	TAIEX Options (Put)	Long	1,475	8,648	9,788	
	TAIEX Options (Call)	Short	538	(4,898)	(3,805)	
	TAIEX Options (Put)	Short	403	(3,794)	(3,187)	
	Stock Options (Call)	Long	1	98	30	
	Stock Options (Put)	Long	54	184	127	
	Stock Options (Call)	Short	1,153	(3,777)	(2,063)	
	Stock Options (Put)	Short	172	(2,263)	(2,749)	
	TAIEX Weekly Options (Put)	Long	240	72	25	
	TAIEX Weekly Options (Call)	Short	90	(173)	(208)	
	S&P 500 Options (Put)	Long	24	654	427	
	S&P 500 Options (Call)	Short	24	(1,684)	(4,059)	
	JPY dollar Options (Put)	Short	3	(6)	(3)	
	Subtotal			(5,355)		
Total				$ (1,909,496)		

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)	5,012,996 / 652,322	7.68	5,032,092 / 486,790	10.34	≧1	Satisfactory to requirement
17	Current Assets / Current Liabilities	38,683,882 / 35,119,902	1.10	38,113,857 / 34,567,504	1.10	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	5,012,996 / 1,115,000	449.60 %	5,032,092 / 1,115,000	451.31 %	≧60% ≧40%	〃
22	Adjusted net capital / Total amount of customers'margin required for open positions of futures trader	3,630,546 / 6,542,582	55.49 %	3,659,697 / 6,318,099	57.92 %	≧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 29,322	- %	2	-	Operations	-		-	US 53,637	US 53,637
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	41,639	41,639	17,845	5 %	2	-	Tradings	-		-	193,301	966,505
5	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables - Customer	No	83,278	83,278	37,177	5.09 %	2	-	Tradings	-		-	193,301	966,505
6	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables - Customer	No	83,278	83,278	-	5 %	2	-	Tradings	-		-	193,301	966,505
7	CSC Futures (HK) Ltd.	Alpha Rnd Singapore Pte Ltd.	Account receivables - Customer	No	83,278	83,278	-	5.09 %	2	-	Tradings	-		-	193,301	966,505
8	CSC Futures (HK) Ltd.	Derivatives China Alpha Fund	Account receivables - Customer	No	83,278	83,278	-	5.09 %	2	-	Tradings	-		-	193,301	966,505

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, 2019:

(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	379		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	10,914		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivable	777		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	46,000		0.03 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,892		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,007		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	130,341	General transaction	1.67 %

(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	Lease revenue	17,165	General transaction	0.22 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	448	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	500	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	38	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	3,492	General transaction	0.04 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	424	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	9,441	General transaction	0.12 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	46,967	General transaction	0.60 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Accounts receivable	29		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	152		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	73,848	General transaction	0.95 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Lease revenue	400	General transaction	0.01 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other operating revenue	109	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Lease revenue	85	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Non-operating revenue	150	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Revenue from securities management, distribution, and management fees	90	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	19		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payables	15		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	73		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	4,618	General transaction	0.06 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	42		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Lease revenue	321	General transaction	1.00 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Financial costs	1	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	129	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Non-operating revenue	45	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	11		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	688,447		0.52 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	688,447		0.52 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	581,174		0.44 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	4,375,854		3.29 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	2,909		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	8,345	General transaction	0.11 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	61,245	General transaction	0.79 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	7,702	General transaction	0.10 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,010,621		3.01 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	215,941		0.16 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payables	185		- %

(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
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense		245	General transaction	- %
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	Professional service fees		21,117	General transaction	0.27 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Group membership fees		187	General transaction	- %
2	CSC Futures (HK) Ltd.	CSC Securities (HK) Ltd.	3	Financial costs		354	General transaction	- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Lease revenue		6,925	General transaction	0.09 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HK	22		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK	4,124	General transaction	0.21 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage handling fee expense	HK	291	General transaction	0.01 %
3	CSC Securities (HK) Ltd.	CSC International Holdings Ltd.	3	Other payables	HK	228,306		0.67 %
4	Taiwan International Securities (B.V.I.) Corp.	TIS Securities (HK) Limited	3	Other receivables	HK	26,248		0.08 %

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, 2019	Original investment amount: Balance on December 31, 2018	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 %	92,445	74,119	(4,795)	(4,795)	9,450	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.	1,212,539	1,212,539	56.21 %	99,182,845	56.21 %	2,817,870	1,735,635	600,009	337,355	337,222	〃
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 %	1,605,349	24,552	4,135	4,135	-	〃
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 %	78,906	182,510	53,049	53,049	58,875	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 %	43,447	89,443	4,044	4,044	1,354	〃
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 %	18	304	260	260	-	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		Liquidation in progress.	9,992	9,992	99.92 %	999,200	99.92 %	12,644	-	(155)	(155)	-	〃

(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, 2019	Original investment amount: Balance on December 31, 2018	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 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 %	763,112	4,290	(2,452)	(2,452)	-	The transaction has been written off in the consolidated financial statements
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 10, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	20.00 %	33,067,507	20.00 %	1,301,360	1,670,556	665,343	133,069	99,202	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 166,703 thousands	HK 39,519 thousands	HK 6,318 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 (26,170) thousands	HK -	HK 78 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 (66,086) thousands	HK -	HK 71 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 %	940,119	249,672	(50,944)	-	-	〃
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 %	42,249	-	(3,224)	-	-	〃
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 %	47,860	129,089	5,038	-	-	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 is being liquidated now.

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 or 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	-	-	-	-	-	-	-	

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2019	Remittance of recoverable investment this period: Remittance amount	Remittance of recoverable investment this period: Recoverable amount	Accumulated remittance as of December 31, 2019	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, 2019
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	2,159	28.67%	28.67 %	619 B(2)	13,529	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(4,057)	56.21%	56.21 %	(2,280) B(2)	10,001	-

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.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

According to article 4, no. 5 of the letter no. 10400414001 issued by Financial Supervisory Commission on November 19, 2015, the required supplementary disclosures of the Company’ s information on reinvestment in overseas businesses for the year ended December 31, 2019 are as follows:

(i) Balance sheet and income statement:

1) Balance sheet

Unit: US $ thousands

Company / Nature	CSC International Holdings Ltd. December 31, 2019	Taiwan International Securities (B.V.I) Corp. December 31, 2019
Current assets	10,891	1
Long-term investments	21,407	-
Property and premises	2,000	-
Other assets	19,395	3,380
Total assets	53,693	3,381
Current liabilities	56	19
Other liabilities	-	3,361
Total liabilities	56	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	8,754	(9,447)
Cumulative translation adjustments	(117)	(68)
Total stockholders’ equity	53,637	1
Total liabilities and stockholders’ equity	53,693	3,381

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Income statement

Unit: US $ thousands

Company / Nature	CSC International Holdings Ltd. For the years ended December 31, 2019	Taiwan International Securities (B.V.I) Corp. For the years ended December 31, 2019
Operating revenue	809	10
Operating expense	(811)	(2)
Non-operating revenue	141	-
Non-operating expense	(2)	-
Income (loss) before tax	137	8
Net income (loss)	137	8

(ii) Securities held as of December 31, 2019

Unit: shares / US$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2019	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	$ 21,407
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	$ (3,361)

(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.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The operating segments are consistent with the internal reports provided to the chief operating decision-maker. The Group' s operating segments are classified into brokerage, underwriting, 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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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

	For the year ended December 31, 2018							
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	$ 3,828,016	283,678	312,051	498,916	203,870	2,814,164	(302,050)	7,638,645
Segment profit or loss	$ 1,723,648	130,042	(498,734)	240,223	419,963	954,976	(643,588)	2,326,530

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.