

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For The Three Months Ended March 31, 2021 and 2020**

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

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Independent Auditors' Review Report

To the Board of Directors of
Capital Securities Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$3,496,351 thousands and \$2,776,631 thousands, constituting 1.99% and 1.93% of consolidated total assets as of March 31, 2021 and 2020, respectively, total liabilities amounting to \$685,155 thousands and \$272,208 thousands, constituting 0.51% and 0.25% of consolidated total liabilities as of March 31, 2021 and 2020, respectively, and total comprehensive income (loss) amounting to \$(8,996) thousands and \$(48,569) thousands, constituting (0.59)% and 3.13% of consolidated total comprehensive income (loss) for the three months ended March 31, 2021 and 2020, respectively.



Furthermore, as stated in Note 6(e), the other equity accounted investments of Capital Securities Corporation and its subsidiaries in its investee companies of \$1,532,079 thousands and \$1,521,674 thousands as of March 31, 2021 and 2020, respectively, and its equity in net earnings on these investee companies of \$49,782 thousands and \$49,877 thousands for the three months ended March 31, 2021 and 2020, respectively, and its equity in other comprehensive income (loss) on these investee companies of \$1,014 thousands and \$178 thousands for the three months ended March 31, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Capital Securities Corporation and its subsidiaries as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 13, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING
STANDARDS AS OF MARCH 31, 2021 AND 2020

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020, and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
110000 Cash and cash equivalents (note 6(a))	\$ 9,266,876	5	8,497,082	5	14,395,846	10
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	39,678,478	23	35,198,904	22	27,864,254	19
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	16,900,826	10	18,663,479	11	16,131,724	11
114030 Receivable for securities provided as collateral	18,428,889	11	15,000,045	9	7,190,933	5
114040 Refinancing margin	14,102	-	97,714	-	26,494	-
114050 Refinancing collateral receivable	11,743	-	85,261	-	22,423	-
114060 Receivable of securities business money lending	2,030,881	1	2,310,230	1	2,199,439	2
114070 Customers' margin account (note 6(d))	37,812,144	22	38,349,832	24	42,466,489	30
114080 Receivable - futures margin	137	-	-	-	17	-
114090 Collateral for securities borrowed	415,585	-	796,262	1	222,152	-
114100 Security borrowing margin	1,239,750	1	760,815	1	1,117,555	1
114110 Notes receivable	25,198	-	22,779	-	51,299	-
114130 Accounts receivable (note 6(c))	14,340,911	8	11,039,256	7	8,072,892	6
114150 Prepayments	340,319	-	37,313	-	58,142	-
114170 Other receivables	360,910	-	145,404	-	191,059	-
114300 Leverage contract trading - customers' margin account	429,988	-	352,962	-	296,843	-
114600 Current income tax assets	23,598	-	23,599	-	27,907	-
119095 Amounts held for each customer in the account (note 6(n))	16,609,008	9	13,063,932	8	5,413,618	4
119990 Other current assets-others	462,469	-	1,813,868	1	1,408,118	1
	158,391,812	90	146,258,737	90	127,157,204	89
Non-current assets:						
120000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	180,636	-	180,929	-	180,880	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	2,728,892	2	2,287,085	1	1,892,474	1
124100 Investments accounted for under equity method (note 6(e))	1,532,079	1	1,481,286	1	1,521,674	1
125000 Property and equipment (notes 6(f) and 8)	3,493,847	2	3,111,323	2	2,921,465	2
125800 Right-of-use assets (notes 6(g))	855,241	-	850,210	1	913,227	-
126000 Investment property (notes 6(h) and 8)	3,259,505	2	3,611,107	2	3,856,056	3
127000 Intangible assets (note 6(i))	3,611,635	2	3,619,563	2	3,619,465	3
128000 Deferred income tax assets	72,124	-	78,124	-	8,264	-
129000 Other non-current assets	1,544,726	1	1,584,270	1	1,588,877	1
	17,278,685	10	16,803,897	10	16,502,382	11
Total assets	\$ 175,670,497	100	163,062,634	100	143,659,586	100

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020, and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
210000 Current liabilities:						
211100 Short-term borrowings (note 6(j))	\$ 4,535,003	2	3,671,111	2	8,928,704	6
211200 Commercial paper payable (note 6(k))	9,848,928	6	2,299,692	1	899,889	1
212000 Financial liabilities at fair value through profit or loss - current (note 6(l))	3,969,197	2	3,630,866	2	1,300,144	1
214010 Bonds sold under repurchase agreements (note 6(m))	34,651,317	20	35,265,582	22	30,822,422	22
214040 Guarantee deposited for short sales	1,153,586	1	2,631,763	2	1,226,654	1
214050 Proceeds payable from short sales	1,276,219	1	3,021,249	2	1,358,405	1
214070 Securities lending refundable deposits	1,486,666	1	1,033,425	1	548,028	-
214080 Futures traders' equity (note 6(d))	37,731,051	21	38,316,621	23	42,178,992	29
214090 Equity for each customer in the account (note 6(n))	16,609,008	9	13,063,932	8	5,413,618	4
214100 Leverage contract trading - customers' equity	430,832	-	352,056	-	270,231	-
214110 Notes payable	76	-	152	-	-	-
214130 Accounts payable (note 6(o))	14,764,084	8	10,746,724	7	8,132,866	6
214150 Advance receipts	38,586	-	35,477	-	69,024	-
214160 Receipts under custody	166,137	-	1,636,517	1	111,571	-
214170 Other payables	871,552	1	1,100,126	1	592,778	-
214200 Other financial liabilities - current (note 6(w))	4,642,251	3	4,235,829	3	3,881,302	3
214600 Current income tax liabilities	745,505	1	579,999	-	326,487	-
215100 Provisions - current (note 6(q))	54,400	-	50,169	-	56,258	-
216000 Current lease liabilities (note 6(p))	178,463	-	173,381	-	194,503	-
219000 Other current liabilities	17,212	-	19,629	-	23,266	-
	133,170,073	76	121,864,300	75	106,335,142	74
220000 Non-Current liabilities:						
224200 Other financial liabilities - non-current (note 6(w))	517,809	-	515,261	-	374,322	-
226000 Non-current lease liabilities (note 6(p))	734,700	1	736,969	-	775,660	1
228000 Deferred income tax liabilities	427,189	-	427,566	-	424,279	-
229000 Other non-current liabilities (note 6(q))	608,532	-	843,808	1	630,820	1
	2,288,230	1	2,523,604	1	2,205,081	2
Total liabilities	135,458,303	77	124,387,904	76	108,540,223	76
Equity attributable to shareholders of the parent:						
301010 Common stock (note 6(s))	21,709,081	12	21,709,081	13	21,709,081	15
302000 Capital surplus (note 6(s))	2,743,465	2	2,743,430	2	2,745,094	2
304000 Retained earnings:						
304010 Legal reserve	1,922,939	1	1,922,939	1	1,658,360	1
304020 Special reserve	4,116,356	2	4,116,356	3	3,587,197	2
304040 Unappropriated earnings (note 6(s))	4,913,562	3	3,600,038	2	1,830,077	1
305120 Exchange differences on translation of foreign operations	(289,334)	-	(293,175)	-	(87,364)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,229,445	1	2,087,400	1	887,041	1
	37,345,514	21	35,886,069	22	32,329,486	22
306000 Non-controlling interests	2,866,680	2	2,788,661	2	2,789,877	2
Total equity	40,212,194	23	38,674,730	24	35,119,363	24
Total liabilities and equity	\$ 175,670,497	100	163,062,634	100	143,659,586	100

See accompanying notes to consolidated financial statements.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

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

	For the three months ended March 31			
	2021		2020	
	Amount	%	Amount	%
Income:				
401000 Brokerage commissions (note 6(u))	\$ 1,714,691	54	1,236,841	228
402000 Revenues from securities business money lending	15	-	17	-
403000 Revenue from securities lending	55,715	2	44,234	8
404000 Underwriting commissions (note 6(u))	22,981	1	26,665	5
406000 Commissions on wealth management business	23,195	1	22,846	4
410000 Net gains (losses) on sale of trading securities (note 6(u))	1,056,546	33	(781,673)	(144)
421100 Securities management, distribution, and management fees	36,050	1	37,227	7
421200 Interest revenue (note 6(u))	402,344	13	352,589	65
421300 Dividend revenue	12,693	-	9,006	2
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(u))	135,449	4	(1,206,672)	(223)
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements	51,535	2	92,437	17
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	21,452	1	(13,271)	(2)
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	53,727	2	48,103	9
422000 Net gains (losses) from exchange traded notes (note 6(w))	33	-	74	-
422100 Management and commissions revenue from exchange traded notes (note 6(w))	3	-	2	-
422200 Net gains (losses) on stock warrants issued (note 6(u) and (w))	(215,009)	(7)	42,926	8
424100 Futures commission revenues (note 6(u))	97,232	3	60,778	11
424400 Net gains (losses) on derivative instruments - futures (note 6(w))	(166,231)	(5)	248,411	46
424500 Net gains (losses) on derivative instruments - OTC (note 6(w))	(151,714)	(5)	331,214	61
424800 Management fee revenues	940	-	206	-
424900 Consultancy fee revenue	5,656	-	2,788	-
425300 Impairment losses and reversal gains (note 6(v))	1,480	-	(304)	-
428000 Other operating revenues	17,162	-	(12,309)	(2)
	<u>3,175,945</u>	<u>100</u>	<u>542,135</u>	<u>100</u>
Expenses:				
501000 Brokerage fees	202,464	6	129,126	24
502000 Brokerage and clearing fees - proprietary trading	4,583	-	4,649	1
503000 Clearing and exchange fees - refinancing	722	-	673	-
504000 Clearing and exchange fees - underwriting	195	-	366	-
507000 Issuance and management fees on exchange traded notes (note 6(w))	85	-	-	-
521200 Financial costs	50,719	2	136,878	25
521640 Loss from securities borrowing transactions	2,745	-	-	-
524100 Futures commission expense (note 6(u))	86,705	3	103,114	19
524300 Cleaning and settlement expenses	45,902	1	46,039	8
528000 Other operating expenditure	6,672	-	2,814	1
531000 Employee benefits expenses (note 6(u))	889,809	28	600,765	111
532000 Depreciation and amortization expense (note 6(u))	117,446	4	111,608	21
533000 Other operating expenses (note 6(u))	441,738	14	342,014	63
	<u>1,849,785</u>	<u>58</u>	<u>1,478,046</u>	<u>273</u>
Other income (expenses):				
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(e))	49,782	2	49,877	9
602000 Other gains and losses (note 6(u))	170,421	5	233,991	43
	<u>220,203</u>	<u>7</u>	<u>283,868</u>	<u>52</u>
902001 Net income before income tax	1,546,363	49	(652,043)	(121)
701000 Less: Income tax expenses (note 6(r))	185,554	6	125,449	23
Net income	<u>1,360,809</u>	<u>43</u>	<u>(777,492)</u>	<u>(144)</u>
805000 Other comprehensive income:				
805500 Components that may not be reclassified to profit or loss in subsequent periods:				
Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	508,872	16	(397,383)	(73)
805540 Share of other comprehensive income of associates and joint ventures accounted for using equity method	1,030	-	-	-
805590 Less: Income tax related to components of other comprehensive income	-	-	-	-
Subtotal of components that may not be subsequently reclassified into profit or loss	<u>509,902</u>	<u>16</u>	<u>(397,383)</u>	<u>(73)</u>
805600 Components that may be reclassified to profit or loss in subsequent periods:				
805610 Exchange differences on translation of foreign operations	3,761	-	39,878	7
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(336,782)	(11)	(413,857)	(76)
805699 Less: Income tax related to components of other comprehensive income (note 6(r))	288	-	3,143	1
Subtotal of items that may be subsequently reclassified into profit or loss	<u>(333,309)</u>	<u>(11)</u>	<u>(377,122)</u>	<u>(70)</u>
805000 Other comprehensive income, net	<u>176,593</u>	<u>5</u>	<u>(774,505)</u>	<u>(143)</u>
902006 Total comprehensive income	<u>\$ 1,537,402</u>	<u>48</u>	<u>(1,551,997)</u>	<u>(287)</u>
Net income attributable to:				
913100 Shareholders of the parent	\$ 1,291,896	41	(850,018)	(157)
913200 Non-controlling interests	68,913	2	72,526	13
	<u>\$ 1,360,809</u>	<u>43</u>	<u>(777,492)</u>	<u>(144)</u>
Total comprehensive income attributable to:				
914100 Shareholders of the parent	\$ 1,459,410	46	(1,629,949)	(301)
914200 Non-controlling interests	77,992	2	77,952	14
	<u>\$ 1,537,402</u>	<u>48</u>	<u>(1,551,997)</u>	<u>(287)</u>
975000 Basic earnings per share (note 6(t))	<u>\$ 0.60</u>		<u>(0.39)</u>	
985000 Diluted earnings per share (note 6(t))	<u>\$ 0.59</u>		<u>(0.39)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company											
	Stock	Retained earnings				Total other equity interest				Total equity attributable to the parent company	Non-controlling interests	Total Equity
		Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares			
Balance at January 1, 2020	\$ 23,209,081	2,852,299	1,658,360	3,587,197	2,681,569	(118,543)	1,696,677	(1,574,000)	33,992,640	2,223,489	36,216,129	
Net income for the three months ended March 31, 2020	-	-	-	-	(850,018)	-	-	-	(850,018)	72,526	(777,492)	
Other comprehensive income	-	-	-	-	-	31,179	(811,110)	-	(779,931)	5,426	(774,505)	
Total comprehensive income	-	-	-	-	(850,018)	31,179	(811,110)	-	(1,629,949)	77,952	(1,551,997)	
Purchase of treasury shares	-	-	-	-	-	-	-	(30,387)	(30,387)	-	(30,387)	
Retirement of treasury shares	(1,500,000)	(104,387)	-	-	-	-	-	1,604,387	-	-	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,474)	-	1,474	-	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	(2,818)	-	-	-	-	-	-	(2,818)	488,436	485,618	
Balance at March 31, 2020	\$ 21,709,081	2,745,094	1,658,360	3,587,197	1,830,077	(87,364)	887,041	-	32,329,486	2,789,877	35,119,363	
Balance at January 1, 2021	\$ 21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400	-	35,886,069	2,788,661	38,674,730	
Net income for the three months ended March 31, 2021	-	-	-	-	1,291,896	-	-	-	1,291,896	68,913	1,360,809	
Other comprehensive income	-	-	-	-	-	3,841	163,673	-	167,514	9,079	176,593	
Total comprehensive income	-	-	-	-	1,291,896	3,841	163,673	-	1,459,410	77,992	1,537,402	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	21,628	-	(21,628)	-	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	35	-	35	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	27	27	
Balance at March 31, 2021	\$ 21,709,081	2,743,465	1,922,939	4,116,356	4,913,562	(289,334)	2,229,445	-	37,345,514	2,866,680	40,212,194	

See accompanying notes to consolidated financial statements.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2021	2020
Cash flows from operating activities:		
Net income (loss) before tax	\$ 1,546,363	(652,043)
Adjustments:		
Income and expenses items:		
Depreciation expense	108,554	102,764
Amortization expense	8,892	8,844
Impairment loss (reversal gains)	(1,480)	304
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	(156,901)	1,219,943
Financial cost	50,719	136,878
Interest revenue (including financial revenue)	(455,818)	(478,356)
Dividend revenue	(12,693)	(36,927)
Share of profit of associates and joint ventures accounted for using equity method	(49,782)	(49,877)
Gains on disposal and retirement of property and equipment	-	(11,317)
Net losses on non-operating financial instruments at fair value through profit or loss	3,308	12,097
Impairment loss on non-financial assets	1,206	-
Subtotal of income of non-cash activities	(503,995)	904,353
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(4,325,860)	1,905,466
Decrease (increase) in financial assets at fair value through other comprehensive income	1,560,045	(590,893)
Decrease (increase) in receivable for securities provided as collateral	(3,428,857)	4,975,281
Decrease in refinancing margin	83,612	64,659
Decrease in receivable on refinancing collateral	73,518	114,916
Decrease (increase) in receivable of securities business money lending	279,349	(203,235)
Decrease (increase) in customers' margin account	537,688	(7,662,770)
Decrease (increase) in margin receivable of futures trading	(73)	68
Decrease in collateral for securities borrowed	380,677	122,371
Increase in security borrowing margin	(478,935)	(801,597)
Increase in notes receivable	(2,419)	(28,898)
Increase in accounts receivable	(3,289,835)	(1,755,504)
Increase in prepayments	(303,006)	(24,705)
Increase in other receivables	(218,392)	(17,901)
Decrease (increase) in leverage contract trading - customers' margin account	(77,026)	11,700
Decrease (increase) in pledged assets - current	51	(732)
Decrease (increase) in other current assets	1,351,348	(654,176)
Increase in guarantee deposited for business operations	(533)	(339)
Increase in settlement fund	(9,504)	(8,969)
Decrease (increase) in refundable deposits	(6,761)	4,311
Decrease (increase) in other non-current assets	56,220	(26,803)
Increase (decrease) in financial liabilities at fair value through profit or loss	338,501	(157,842)
Decrease in bonds sold under repurchase agreements	(614,265)	(1,025,109)
Decrease in guarantee deposited for short sales	(1,478,177)	(1,163,810)
Decrease in proceeds payable from short sales	(1,745,030)	(1,397,000)
Increase in securities lending refundable deposits	453,241	211,315
Increase (decrease) in futures traders' equity	(585,570)	7,431,461
Increase (decrease) in leverage contract trading - customers' equity	78,776	(38,359)
Decrease in notes payable	(76)	-
Increase in accounts payable	4,019,409	1,930,739
Increase in advance receipts	3,109	8,157
Decrease in receipts under custody	(1,470,380)	(2,871)
Decrease in other payable	(229,763)	(75,254)
Increase in other financial liabilities - current	406,422	301,351
Increase in provision - current	4,231	3,692
Increase (decrease) in other current liabilities	(2,417)	9,549
Increase in other financial liabilities - non-current	2,548	24,804
Decrease in other non-current liabilities	(237,083)	(6,282)
Total changes in assets and liabilities from operating activities	(8,875,217)	1,476,791
Total adjustments	(9,379,212)	2,381,144

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2021	2020
Cash generated from operating activities	\$ (7,832,849)	1,729,101
Interest received	453,228	655,791
Dividends received	6,349	36,011
Interest paid	(51,878)	(165,550)
Income taxes paid	(14,713)	(12,012)
Net Cash flows (used in) provided by operating activities	(7,439,863)	2,243,341
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(65,681)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	202,681
Decrease (increase) in deferred debits	3	(130)
Acquisition of property and equipment	(87,402)	(13,568)
Proceeds from disposal of property and equipment	-	20,287
Acquisition of intangible assets	(2,061)	(19,996)
Net cash flows (used in) provided by investing activities	(155,141)	189,274
Cash flows from financing activities:		
Increase in short-term borrowings	863,892	2,297,702
Increase in commercial papers payable	7,549,236	899,889
Payment of lease liabilities	(52,069)	(52,635)
Proceed from issue of share capital	-	485,618
Purchase of treasury shares	-	(30,387)
Proceed from right of inclusion options exercised	62	-
Net cash flows provided by financing activities	8,361,121	3,600,187
Effect of exchange rate changes on cash and cash equivalents	3,677	39,408
Increase in cash and cash equivalents	769,794	6,072,210
Cash and cash equivalents, beginning of period	8,497,082	8,323,636
Cash and cash equivalents, end of period	\$ 9,266,876	14,395,846

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2021 and 2020

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

(1) Overview:

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of March 31, 2021, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of March 31, 2021, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The consolidated financial statements were authorized for issue by the board of directors on May 13, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

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

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2020. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2020 for the detail disclosures of significant accounting policies.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 derivative instruments);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of plan assets less the present value of the defined benefit obligation, and the upper limit of the number of effects.

(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.

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and securities investment consultancy.	100.00 %	100.00 %	100.00 %	The corporation established in February, 1990. As of March 31, 2021, the paid-in capitals amounted to \$70,000. (note 1)
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %	The corporation established in March, 1996. As of March 31, 2021, the paid-in capitals amounted to US\$45,000 thousands. (note 2)

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %	The corporation established in February, 1997 and conducted a cash capital increase on March, 2020, resulting in an increase on the Company's ratio of equity ownership from 56.21% to 56.58%. As of March 31, 2021, the paid-in capitals amounted to \$2,104,376.
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 %	The corporation established in December, 1996. As of March 31, 2021, the paid-in capitals amounted to US\$9,516 thousands. (note 3)
"	Taiwan International Securities Investment Consulting Corp.	Investment consultancy	- %	- %	99.92 %	Completion of liquidation. (note 4)
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	100.00 %	The corporation established in January, 2016. As of March 31, 2021, the paid-in capitals amounted to \$1,000,000. (note 5)
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	- %	The corporation established in December 2020. As of March 31, 2021, the paid-in capitals amounted to \$330,000. (note 6)
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %	97.27 %	The corporation established in December, 1998. As of March 31, 2021, the paid-in capitals amounted to HK\$220,000 thousands.
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 %	The corporation established in December, 2014. As of March 31, 2021, the paid-in capitals amounted to \$50,000. (note 7)
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	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 March 31, 2021, the paid-in capitals amounted to CN¥1,000 thousands. (note 7)
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 %	The corporation established in October, 2016. As of March 31, 2021, the paid-in capitals amounted to CN¥4,000 thousands. (note 7)
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	100.00 %	The corporation established in May, 1994. (note 2)
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %	The corporation established in April, 1995. (note 2)
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 %	Liquidation in progress. (note 3)
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %	Liquidation in progress. (note 3)

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Note 1: Capital Investment Management Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2021 and 2020, the total assets amounted to \$119,857 and \$138,269, and the total liabilities amounted to \$44,124 and \$49,806, respectively. The total comprehensive income (loss) for the three months ended March 31, 2021 and 2020 were \$(147) and \$(3,982), respectively.
- Note 2: CSC International Holdings Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2021 and 2020, the total consolidated assets amounted to \$2,154,071 and \$1,788,473, and the total consolidated liabilities amounted to \$628,090 and \$179,661, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2021 and 2020 were \$(3,657) and \$(12,474), respectively.
- Note 3: Taiwan International Securities (B.V.I) Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2021 and 2020, the total consolidated assets amounted to \$26 and \$27, and the total consolidated liabilities amounted to \$15 and \$22, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2021 and 2020 were \$(275) and \$431, respectively.
- Note 4: Taiwan International Securities Investment Consulting Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. On June 15, 2020, the entity was admitted the completion of liquidation by the court. As of March 31, 2020, the total assets amounted to \$12,648, and the total liabilities amounted to \$0. The total comprehensive income (loss) for the three months ended March 31, 2020 was \$(6).
- Note 5: CSC Venture Capital Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2021 and 2020, the total assets amounted to \$849,125 and \$766,849, and the total liabilities amounted to \$10,180 and \$38,276, respectively. The total comprehensive income (loss) for the three months ended March 31, 2021 and 2020 were \$(2,176) and \$(34,538), respectively.
- Note 6: CSC Capital Management Co. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2021, the total assets amounted to \$329,329, and the total liabilities amounted to \$215. The total comprehensive income (loss) for the three months ended March 31, 2021 were \$(628).
- Note 7: Capital International Technology Co., Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2021 and 2020, the total consolidated assets amounted to \$43,943 and \$49,930, and the total consolidated liabilities amounted to \$2,531 and \$4,443, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2021 and 2020 were \$(2,113) and \$1,337, respectively.

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$7,400. As of March 31, 2021, December 31, 2020 and March 31, 2020, the total assets constituted 0.03%, 0.03% and 0.04% of the Group's total assets, respectively. For the three months ended March 31, 2021 and 2020, the operation revenue constituted 0.40% and 3.71% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of March 31, 2021, December 31, 2020 and March 31, 2020, the total assets constituted 0.05%, 0.05% and 0.09% of the Group's total assets, respectively. For the three months ended March 31, 2021 and 2020, the operation revenue constituted 0.85% and 8.77% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Interest rate benchmark reform-phase 2 (policy applicable from January 1, 2021)

(i) Modifications of financial instruments

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

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

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

(e) Employee benefits

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

(f) Income tax

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

In these consolidated financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those of Note 5 of the consolidated financial statements as of and for the year ended December 31, 2020.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash	\$ 2,734	2,723	3,102
Bank deposits			
Checking accounts	34,965	34,481	46,310
Demand deposits	479,313	643,966	1,512,551
Foreign currency deposits	<u>1,357,685</u>	<u>1,117,880</u>	<u>4,010,327</u>
Subtotal	<u>1,871,963</u>	<u>1,796,327</u>	<u>5,569,188</u>
Cash equivalents			
Time deposits	5,762,838	5,238,883	6,633,605
Futures margin - excess margin	1,564,472	1,365,163	2,181,952
Commercial papers	<u>64,869</u>	<u>93,986</u>	<u>7,999</u>
Subtotal	<u>7,392,179</u>	<u>6,698,032</u>	<u>8,823,556</u>
Total	<u>\$ 9,266,876</u>	<u>8,497,082</u>	<u>14,395,846</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 209,589	187,563	398,731
Valuation adjustment	<u>8,176</u>	<u>14,275</u>	<u>394</u>
Subtotal	<u>217,765</u>	<u>201,838</u>	<u>399,125</u>
Securities invested by securities broker			
Securities invested by securities broker	69,329	48,166	-
Valuation adjustment	<u>6,546</u>	<u>934</u>	<u>-</u>
Subtotal	<u>75,875</u>	<u>49,100</u>	<u>-</u>
Trading securities - proprietary trading			
Listed stocks	1,467,820	907,307	1,330,524
Listed funds	1,087,096	666,617	729,724
OTC stocks	306,716	252,856	270,289
OTC funds	151,470	149,083	199,500
Emerging market stocks	593,497	617,219	545,434
Convertible bonds	842,957	921,050	580,068
Government bonds	2,477,390	3,328,813	4,930,034
Corporate bonds	8,866,818	8,266,818	6,288,998
International bonds	6,231,721	5,149,292	4,550,580
Financial debentures	1,157,778	957,778	200,000
Foreign stocks	326,843	159,732	631,627
Foreign bonds	252,728	191,652	180,405
Others	<u>15,300</u>	<u>7,500</u>	<u>50,300</u>
	23,778,134	21,575,717	20,487,483
Valuation adjustment	<u>272,080</u>	<u>211,927</u>	<u>(390,966)</u>
Subtotal	<u>24,050,214</u>	<u>21,787,644</u>	<u>20,096,517</u>
Trading securities - underwriting:			
Listed stocks	211,043	203,906	29,993
OTC stocks	-	700	37,796
Convertible bonds	<u>28,550</u>	<u>39,845</u>	<u>143,803</u>
	239,593	244,451	211,592
Valuation adjustment	<u>7,231</u>	<u>4,393</u>	<u>(15,764)</u>
Subtotal	<u>246,824</u>	<u>248,844</u>	<u>195,828</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Trading securities - hedging			
Listed stocks	\$ 3,815,253	2,371,659	914,380
OTC stocks	1,142,864	751,136	226,770
Convertible bonds	7,064,313	6,864,305	5,971,840
Others	<u>1,829,401</u>	<u>1,826,385</u>	<u>-</u>
	13,851,831	11,813,485	7,112,990
Valuation adjustment	<u>540,862</u>	<u>468,042</u>	<u>(328,377)</u>
Subtotal	<u>14,392,693</u>	<u>12,281,527</u>	<u>6,784,613</u>
Derivatives			
Call options	19,465	40,215	29,544
Futures margin - proprietary fund	356,976	348,012	272,355
IRS asset swaps	14,090	13,100	18,678
Asset swap options - long position	230,695	157,459	31,609
Leverage derivatives - non-hedging	60,019	63,380	20,092
Structured notes	7,678	7,785	13,529
Currency swaps	<u>6,184</u>	<u>-</u>	<u>2,364</u>
Subtotal	<u>695,107</u>	<u>629,951</u>	<u>388,171</u>
Total	<u>\$ 39,678,478</u>	<u>35,198,904</u>	<u>27,864,254</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, trading securities and financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 2,219,626	2,220,744	2,221,912
International bonds	798,810	797,101	845,411
Foreign bonds	<u>12,798,576</u>	<u>14,607,024</u>	<u>12,782,398</u>
	15,817,012	17,624,869	15,849,721
Valuation adjustment	<u>257,340</u>	<u>593,315</u>	<u>(43,331)</u>
Subtotal	<u>16,074,352</u>	<u>18,218,184</u>	<u>15,806,390</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	\$ 563,867	272,065	270,840
OTC stocks	98,352	48,478	76,295
Emerging market stocks	<u>53,689</u>	<u>59,622</u>	<u>20,136</u>
	715,908	380,165	367,271
Valuation adjustment	<u>110,566</u>	<u>65,130</u>	<u>(41,937)</u>
Subtotal	<u>826,474</u>	<u>445,295</u>	<u>325,334</u>
Total	<u>\$ 16,900,826</u>	<u>18,663,479</u>	<u>16,131,724</u>

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

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

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

For the three months ended March 31, 2021 and 2020, 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 \$200 and \$0, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$96,980 and \$2,519, respectively with cumulative dispose gains (losses) amounted to \$21,628 and \$(1,474), respectively for the three months ended March 31, 2021 and 2020. The cumulative gains or losses relating to these investments, 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 three months ended March 31, 2021 and 2020, impairment test has been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(v).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 180,329	180,329	180,329
Valuation adjustment	<u>307</u>	<u>600</u>	<u>551</u>
Total	<u>\$ 180,636</u>	<u>180,929</u>	<u>180,880</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group took advantage of government bonds as guaranty deposited of bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business (for details please refer to note 8).

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 945,135	945,135	979,071
Valuation adjustment	<u>1,783,757</u>	<u>1,341,950</u>	<u>913,403</u>
Total	<u>\$ 2,728,892</u>	<u>2,287,085</u>	<u>1,892,474</u>

For the three months ended March 31, 2021 and 2020, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to \$0 and \$27,921, respectively.

For the three months ended March 31, 2021 and 2020, the Group did not sell equities recognized in FVOCI -non-current. Furthermore, the Group received proceeds from capital reduction of investees amounted to \$202,681 for the three months ended March 31, 2020.

- (v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the three months ended March 31, 2021 and 2020 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	March 31, 2021	December 31, 2020	March 31, 2020	For the three months ended March 31,					
				2021			2020		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,736,406	1,351,429	1,066,520	1,600,090	1,736,406	1,527,654	1,225,786	1,330,276	1,066,520

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Accounts Receivable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Receivable on securities purchased by customers	\$ 196,919	40,983	14,434
Settlement	256,454	1,426,058	-
Interests receivable	439,688	434,085	356,222
Receivables on securities sold	13,357,849	9,066,249	7,635,327
Others	<u>90,044</u>	<u>72,122</u>	<u>68,615</u>
Subtotal	14,340,954	11,039,497	8,074,598
Less: allowance for doubtful accounts	<u>(43)</u>	<u>(241)</u>	<u>(1,706)</u>
Total	<u>\$ 14,340,911</u>	<u>11,039,256</u>	<u>8,072,892</u>

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

(ii) For the three months ended March 31, 2021 and 2020, impairment test has been applied by the Group, the variation of loss allowance in receivables, please refer to note 6(v).

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, a reconciliation of the customers' margin account and the futures traders' equity was as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Customers' margin account			
Cash in banks	\$ 27,971,815	28,320,264	29,375,789
Customers' margin account - futures clearing house	6,064,525	6,038,034	7,002,803
Customers' margin account - other futures commission merchants	3,774,442	3,990,936	6,087,714
Marketable securities	<u>1,362</u>	<u>598</u>	<u>183</u>
Total customers' margin account	<u>37,812,144</u>	<u>38,349,832</u>	<u>42,466,489</u>
Add:			
Commission expense	1,730	2,352	9,076
Other	6	26	20
Less:			
Commission revenue	(12,188)	(11,746)	(35,805)
Futures transaction tax	(2,523)	(2,289)	(1,927)
Interest revenues	(762)	(789)	(5,157)
Temporary receipts	(27,122)	(3,034)	(1,828)
Remittance amount of the customers after the market closed	(10,071)	(11,879)	(15,597)
Other receivables	(30,163)	(5,848)	(236,279)
Other	<u>-</u>	<u>(4)</u>	<u>-</u>
Futures traders' equity	<u>\$ 37,731,051</u>	<u>38,316,621</u>	<u>42,178,992</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Investments accounted for under equity method

As of March 31, 2021, December 31, 2020 and March 31, 2020, investments under equity method consisted of the following:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 58,363	51,986	92,612
Capital Insurance Agency Corp.	<u>39,644</u>	<u>39,190</u>	<u>44,232</u>
Subtotal	<u>98,007</u>	<u>91,176</u>	<u>136,844</u>
Associates			
True Partner Advisor Hong Kong Ltd.	49,762	49,281	49,088
Capital Investment Trust Corp.	<u>1,384,310</u>	<u>1,340,829</u>	<u>1,335,742</u>
Subtotal	<u>1,434,072</u>	<u>1,390,110</u>	<u>1,384,830</u>
Total	<u><u>\$ 1,532,079</u></u>	<u><u>1,481,286</u></u>	<u><u>1,521,674</u></u>

(i) Subsidiaries:

For the three months ended March 31, 2021 and 2020, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
The Group's share of gains based on the subsidiaries' financial statements	\$ <u>6,831</u>	<u>14,490</u>
	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Total assets	\$ <u>126,826</u>	<u>120,492</u>
Total liabilities	\$ <u>28,819</u>	<u>29,316</u>
	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ <u>39,676</u>	<u>67,677</u>
Net income	\$ <u>6,831</u>	<u>14,490</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights		
			March 31, 2021	December 31, 2020	March 31, 2020
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 %	49.00 %
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %	20.00 %

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Total carrying amount of interests in associates that were individually immaterial	\$ <u>1,434,072</u>	<u>1,390,110</u>	<u>1,384,830</u>
		<u>For the three months ended March 31,</u>	
		<u>2021</u>	<u>2020</u>
Group's share of total comprehensive income:			
Profit from continuing operations		\$ 42,951	35,387
Other comprehensive income (losses)		<u>1,014</u>	<u>178</u>
Total comprehensive income (losses)		<u>\$ 43,965</u>	<u>35,565</u>

(iii) Collateral

As of March 31, 2021, December 31, 2020 and March 31, 2020, none of the investment accounted for under equity method of the Group was pledged for collateral.

(iv) The unreviewed financial statements of investments accounted for using equity method

For investments accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Property and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2021	\$ 1,990,853	1,315,804	607,709	268,310	4,182,676
Additions	-	-	86,312	1,090	87,402
Transferred from investment property	238,339	135,004	-	-	373,343
Disposals and retirements	-	-	(45,011)	(27,499)	(72,510)
Effect of exchange rate changes	-	193	(119)	(6)	68
Balance at March 31, 2021	<u>\$ 2,229,192</u>	<u>1,451,001</u>	<u>648,891</u>	<u>241,895</u>	<u>4,570,979</u>
Balance at January 1, 2020	\$ 1,881,232	1,182,520	667,875	265,792	3,997,419
Additions	-	-	12,108	1,460	13,568
Transferred from investment property	235,941	133,547	-	-	369,488
Reclassified to investment property	(303,060)	(150,767)	-	-	(453,827)
Disposals and retirements	-	(255)	(137,583)	(18,826)	(156,664)
Effect of exchange rate changes	-	860	1,067	155	2,082
Balance at March 31, 2020	<u>\$ 1,814,113</u>	<u>1,165,905</u>	<u>543,467</u>	<u>248,581</u>	<u>3,772,066</u>
Accumulated depreciation and impairment loss					
Balance at January 1, 2021	\$ -	577,627	344,866	148,860	1,071,353
Depreciation	-	7,142	31,711	12,706	51,559
Transferred from investment property	-	26,765	-	-	26,765
Disposals and retirements	-	-	(45,011)	(27,499)	(72,510)
Effect of exchange rate changes	-	90	(118)	(7)	(35)
Balance at March 31, 2021	<u>\$ -</u>	<u>611,624</u>	<u>331,448</u>	<u>134,060</u>	<u>1,077,132</u>
Balance at January 1, 2020	\$ -	460,046	394,091	117,677	971,814
Depreciation	-	5,935	24,894	13,197	44,026
Transferred from investment property	-	22,694	-	-	22,694
Reclassified to investment property	-	(32,739)	-	-	(32,739)
Disposals and retirements	-	(255)	(137,583)	(18,826)	(156,664)
Effect of exchange rate changes	-	384	943	143	1,470
Balance at March 31, 2020	<u>\$ -</u>	<u>456,065</u>	<u>282,345</u>	<u>112,191</u>	<u>850,601</u>
Carrying amount:					
At March 31, 2021	<u>\$ 2,229,192</u>	<u>839,377</u>	<u>317,443</u>	<u>107,835</u>	<u>3,493,847</u>
At January 1, 2021	<u>\$ 1,990,853</u>	<u>738,177</u>	<u>262,843</u>	<u>119,450</u>	<u>3,111,323</u>
At March 31, 2020	<u>\$ 1,814,113</u>	<u>709,840</u>	<u>261,122</u>	<u>136,390</u>	<u>2,921,465</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Right-of-use assets

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Carrying amount:			
At March 31, 2021	\$ <u>845,276</u>	<u>9,965</u>	<u>855,241</u>
At January 1, 2021	\$ <u>838,501</u>	<u>11,709</u>	<u>850,210</u>
At March 31, 2020	\$ <u>897,566</u>	<u>15,661</u>	<u>913,227</u>

(h) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
At March 31, 2021	\$ <u>2,726,515</u>	<u>532,990</u>	<u>3,259,505</u>
At January 1, 2021	\$ <u>2,964,854</u>	<u>646,253</u>	<u>3,611,107</u>
At March 31, 2020	\$ <u>3,141,594</u>	<u>714,462</u>	<u>3,856,056</u>
<u>Fair Value:</u>			
At March 31, 2021			<u>6,843,083</u>
At January 1, 2021			<u>7,295,403</u>
At March 31, 2020			<u>7,710,573</u>

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the investment properties were provided as collateral or pledged, for details please refer to note 8.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the three months ended March 31, 2021 and 2020. For the three months ended March 31, 2021 and 2020, \$0 and \$421,088 of land and buildings out of use were transferred to investment property, and \$346,578 and \$346,794 of investment property were transferred to property and equipment. Please refer to note 6(u) for details of the depreciation expense occurring in this period and note 6(h) of the consolidated financial statements as of and for the year ended December 31, 2020 for other relevant information.

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Lessor

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Within 1 year	\$ 145,797	141,942	149,261
1-5 years	483,564	452,023	441,111
Over 5 years	<u>327,547</u>	<u>301,791</u>	<u>422,916</u>
	<u>\$ 956,908</u>	<u>895,756</u>	<u>1,013,288</u>

The rental revenue from investment property for the three months ended March 31, 2021 and 2020 amounted to \$38,668 and \$42,416 respectively.

(i) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts were all \$3,126,698.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts of goodwill were \$19,678, \$20,884 and \$22,088, respectively. Furthermore, the Group recognized an impairment loss of \$1,206 for the three months ended March 31, 2021, by using discount rate of 4.65% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 "Intangible Assets" endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts of the operation franchise were all \$389,999.

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

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 "Intangible Assets" endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts of intangible assets were \$46,145, \$46,146 and \$46,259, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of March 31, 2021, December 31, 2020 and March 31, 2020, the amortized book value were \$29,115, \$35,836 and \$34,421, respectively.

(j) Short-term borrowings

<u>Nature of borrowings</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Collateralized loan	\$ 1,352,559	1,449,632	1,178,775
Credit loan	3,182,444	2,221,479	7,749,929
Total	<u>\$ 4,535,003</u>	<u>3,671,111</u>	<u>8,928,704</u>
Interest rate range	<u>0.47%~0.90%</u>	<u>0.44%~1.45%</u>	<u>0.47%~3.20%</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had provided land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(k) Commercial paper payable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Commercial paper payable	\$ 9,850,000	2,300,000	900,000
Less: Unamortized discount	(1,072)	(308)	(111)
Net amount	<u>\$ 9,848,928</u>	<u>2,299,692</u>	<u>899,889</u>
Interest rate range	<u>0.288%~0.338%</u>	<u>0.358%~0.418%</u>	<u>0.598%~0.608%</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Liabilities on sale of borrowed securities	\$ 613,518	947,588	357,972
Redeem liabilities on sale of borrowed securities	-	-	(7,199)
Valuation adjustment	(38,679)	(17,227)	(37,024)
Subtotal	<u>574,839</u>	<u>930,361</u>	<u>313,749</u>
Settlement coverage bonds payable of short sale	-	-	149,398
Valuation adjustment	-	-	1,004
Subtotal	<u>-</u>	<u>-</u>	<u>150,402</u>
Liabilities for issuance of Exchange Traded Notes	868	868	677
Valuation adjustment	224	260	(67)
Subtotal	<u>1,092</u>	<u>1,128</u>	<u>610</u>
Stock warrants issued	14,894,525	9,668,055	11,993,719
Stock warrants repurchased	(13,576,694)	(8,941,544)	(11,534,604)
Subtotal	<u>1,317,831</u>	<u>726,511</u>	<u>459,115</u>

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	March 31, 2021	December 31, 2020	March 31, 2020
Put options	\$ 53,801	59,577	69,955
IRS asset swaps	20,896	10,968	3,974
Asset swap options - short position	1,432,548	1,267,802	289,775
Structured notes	561,808	619,483	7,567
Leverage derivatives - non-hedging	799	1,772	859
Currency swaps	5,356	12,759	1,796
Interest rate swaps	227	505	2,342
Subtotal	<u>2,075,435</u>	<u>1,972,866</u>	<u>376,268</u>
Total	<u>\$ 3,969,197</u>	<u>3,630,866</u>	<u>1,300,144</u>

(m) Bonds sold under repurchase agreements

	March 31, 2021	December 31, 2020	March 31, 2020
Bonds sold under repurchase agreements	<u>\$ 34,651,317</u>	<u>35,265,582</u>	<u>30,822,422</u>
Agreed-upon repurchase amounts	<u>34,696,706</u>	<u>35,315,617</u>	<u>30,916,788</u>
Interest rates	<u>0.09%~2.55%</u>	<u>0.10%~2.60%</u>	<u>0.32%~3.30%</u>
Date of repurchase	<u>2021.4.1~2022.3.30</u>	<u>2021.1.4~2021.12.16</u>	<u>2020.4.1~2021.3.22</u>

(n) Equity for each customer in the account

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

	March 31, 2021	December 31, 2020	March 31, 2020
Equity for each customer in the account	<u>\$ 16,609,008</u>	<u>13,063,932</u>	<u>5,413,618</u>

(o) Accounts payable

	March 31, 2021	December 31, 2020	March 31, 2020
Payable of securities sold by customers	\$ 183,283	65,929	19,937
Settlement	-	-	1,589,997
Payable of settlements	14,412,145	10,333,791	6,269,206
Others	168,656	347,004	253,726
Total	<u>\$ 14,764,084</u>	<u>10,746,724</u>	<u>8,132,866</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Lease liabilities

The Group's lease liabilities are as follow:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	<u>\$ 178,463</u>	<u>173,381</u>	<u>194,503</u>
Non-current	<u>\$ 734,700</u>	<u>736,969</u>	<u>775,660</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2021	2020
Interest on lease liabilities	<u>\$ 3,058</u>	<u>3,505</u>
Expenses relating to short-term leases	<u>\$ 1,610</u>	<u>1,446</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 1,508</u>	<u>5,352</u>

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

	For the three months ended March 31,	
	2021	2020
Total cash outflow for leases	<u>\$ 58,245</u>	<u>62,909</u>

(q) Employee benefit

(i) Defined benefit plans

In the prior fiscal year, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, pension cost in the interim consolidated financial statements is measured and disclosed according to the respective actuarial report as of December 31, 2020 and 2019.

For the three months ended March 31, 2021 and 2020, the Group's pension expenses recognized in profit or loss were \$2,102 and \$1,956, respectively.

(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 \$24,697 and \$21,316 under defined contribution plan to the Bureau of the Labor Insurance for the three months ended March 31, 2021 and 2020, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iii) For the three months ended March 31, 2021 and 2020, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,166 and \$1,007, respectively.

(iv) Provision for employee benefits liabilities

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Compensated absences	\$ <u>54,400</u>	<u>50,169</u>	<u>56,258</u>

(r) Income tax

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

The Company and its subsidiaries including Capital Investment Management Corp., Capital Futures Corp., Taiwan International Securities Investment Consulting Corp., CSC Venture Capital Corp. and CSC Capital Management Co. are founded in Taiwan. The corporate income tax rates are both 20% for the three months ended March 31, 2021 and 2020.

The subsidiaries CSC International Holdings Ltd. and Taiwan International Securities (B.V.I) Corp is founded in British Virgin Islands, and it has a tax exemption for the three months ended March 31, 2021 and 2020.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the three months ended March 31, 2021 and 2020.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the three months ended March 31, 2021 and 2020.

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax expense	\$ 180,219	68,694
Deferred income tax expense (benefit)	<u>5,335</u>	<u>56,755</u>
Total	\$ <u>185,554</u>	<u>125,449</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Foreign exchange difference from translating financial statement of foreign operations	\$ <u>288</u>	<u>3,143</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2018 were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2019 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 the period of liquidation from July 1, 2012 to September 16, 2019 were assessed by the Tax Authority. On June 15, 2020, the entity was been admitted the completion of liquidation by the court.
- 5) Second level Subsidiary - Capital International Technology Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 7) Subsidiary - CSC Capital Management Co. was approved and established on December 3, 2020 and has not had a case of profit-seeking income tax reporting.

(v) Income tax administrative relief

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

(s) Capital and other equity

(i) Capital stock

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Company had authorized capital of \$30,000,000 and issued common stock were all 2,170,908 thousand shares, with a par value of \$10 per share.

(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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The followings are the capital surplus of the Company:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Premium from stock issuance	\$ 1,661,604	1,661,604	1,661,603
Treasury stock transactions	486,556	486,556	486,556
Paid-in capital from merger	563,715	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,251	1,251	1,251
Changes in ownership interests in subsidiaries	<u>30,339</u>	<u>30,304</u>	<u>31,969</u>
	<u>\$ 2,743,465</u>	<u>2,743,430</u>	<u>2,745,094</u>

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

In accordance with Article 41 of the "Securities and Exchange Act", 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 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.

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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 fiscal year 2020 earnings distribution proposed by the board meeting on March 25, 2021 and fiscal year 2019 earnings distribution resolved by the shareholders' meeting on June 22, 2020, were as follows:

	2020		2019
	Amount	Dividends per share (dollar)	Amount
			Dividends per share (dollar)
Cash dividends	\$ 2,387,999	1.1	1,736,726
			0.8

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

(iv) Treasury stocks

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Earnings per share

The basic earnings per share and dilutive earnings per share for the three months ended March 31, 2021 and 2020 were calculated as follows:

	For the three months ended March 31,	
	2021	2020
Net income attributable to common shareholders of the Company	\$ <u>1,291,896</u>	<u>(850,018)</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,939</u>
Basic earnings per share (dollar)	\$ <u>0.60</u>	<u>(0.39)</u>
Effect of potentially dilutive common stock		
- Employee remuneration (thousands of shares) (Note)	<u>1,135</u>	<u>-</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,172,043</u>	<u>2,170,939</u>
Dilutive earnings per share (dollar)	\$ <u>0.59</u>	<u>(0.39)</u>

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 three months ended March 31,	
	2021	2020
Brokerage commission from TSE market	\$ 923,409	481,908
Brokerage commission from OTC market	255,740	145,074
Handling fee from security financing	7,345	7,160
Futures commission income - brokerage	467,289	567,376
Overseas subsidiaries	16,125	10,870
Others	<u>44,783</u>	<u>24,453</u>
	\$ <u>1,714,691</u>	<u>1,236,841</u>

(ii) Underwriting commissions

	For the three months ended March 31,	
	2021	2020
Revenue from underwriting securities on a firm commitment basis	\$ 16,956	18,833
Handling fee revenues from underwriting securities on consignment	120	132
Processing fee revenues from underwriting operations	4,209	3,740
Revenue from underwriting consultation	1,080	3,560
Others	<u>616</u>	<u>400</u>
	\$ <u>22,981</u>	<u>26,665</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Gains (losses) on securities sold - proprietary trading	\$ 429,356	(565,549)
Gains (losses) on securities sold - underwriting	4,706	24,147
Gains (losses) on securities sold - hedging	<u>622,484</u>	<u>(240,271)</u>
	<u>\$ 1,056,546</u>	<u>(781,673)</u>

(iv) Interest revenue

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest revenue - margin loans	\$ 209,173	149,091
Interest revenue - bonds	138,622	162,826
Overseas subsidiaries	12,999	11,785
Others	<u>41,550</u>	<u>28,887</u>
	<u>\$ 402,344</u>	<u>352,589</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Trading securities - proprietary	\$ 59,790	(556,169)
Trading securities - underwriting	2,839	(41,817)
Trading securities - hedging	72,820	(607,682)
Settlement coverage bonds payable of short sale	<u>-</u>	<u>(1,004)</u>
	<u>\$ 135,449</u>	<u>(1,206,672)</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Gains on changes in fair value of stock warrants	\$ (338,776)	4,310,911
Gains on exercise of stock warrants before maturity	9,124,292	8,695,759
Losses on changes in fair value of stock warrants repurchased	(8,942,983)	(12,942,028)
Gains on expiration of stock warrants	7,226	17,273
Stock warrants issuance expenses	<u>(64,768)</u>	<u>(38,989)</u>
	<u>\$ (215,009)</u>	<u>42,926</u>

(vii) Futures commission revenues

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Futures commission revenues - CSC Futures (HK) Ltd.	\$ <u>97,232</u>	<u>60,778</u>

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

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

	For the three months ended March 31,	
	2021	2020
Future trading - reconignment	\$ 60,357	85,206
Future trading - introducing brokers	354	558
Commission expenses - CSC Futures (HK) Ltd.	25,994	17,350
	\$ 86,705	103,114

(ix) Employee benefits, depreciation, and amortization expenses

	For the three months ended March 31,	
	2021	2020
Employee benefit expenses		
Salary expense	\$ 790,067	518,883
Health and labor insurance expense	55,736	43,425
Pension expense	27,965	24,279
Others	16,041	14,178
Depreciation expense	108,554	102,764
Amortization expense	8,892	8,844
	\$ 1,007,255	712,373

(x) Other operating expenses

	For the three months ended March 31,	
	2021	2020
Rental expense	\$ 3,113	6,792
Taxes	137,415	98,132
Information technology expense	57,645	55,047
Postage expense	53,957	49,465
Professional service fee	6,550	5,565
Other expenses	183,058	127,013
	\$ 441,738	342,014

(xi) Other gains and losses

	For the three months ended March 31,	
	2021	2020
Financial revenue	\$ 53,474	125,767
Currency exchange gains (losses)	3,306	(5,356)
Net gains (losses) on disposal of investment	13,828	(7,502)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	(3,308)	(12,097)
Revenue from bank's allocation fee	45,392	37,977
Net gains (losses) on disposal of property and equipment	-	11,317
Dividend revenue	-	27,921
Gains on reversal of prior year's liabilities	14,775	4,924
Rental income	38,668	42,416
Others	4,286	8,624
	\$ 170,421	233,991

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xii) Remuneration to employees and directors

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

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

For the three months ended March 31, 2021 and 2020, the estimated amounts of remuneration to employees were \$17,714 and \$0, respectively, and to directors were \$26,570 and \$0, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2020 and 2019, the estimated amounts of remuneration to employees were \$45,574 and \$32,756, and to directors were \$76,446 and \$54,594 by the Company. The difference between actual employee remuneration of \$47,228 and \$27,027 and actual remuneration to directors of \$71,657 and \$45,335 were \$3,135 and \$14,988 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2021 and 2020. The information about the appropriations is available at the website of the Market Observation Post System.

For the three months ended March 31, 2021 and 2020, the estimated amounts of remuneration to employees were \$2,350 and \$2,500 and to directors were \$2,350 and \$2,500 by the domestic subsidiaries of the Group, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of March 31, 2021, December 31, 2020 and March 31, 2020, the maximum credit exposure amounted to \$135,726,222, \$127,764,174 and \$117,078,368, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Group is as the list below. The region of exposure is mostly in Taiwan (accounted for 79.46%); secondly, is in Asia (accounted for 11.37%, exclusion of Taiwan); then, is in America (accounted for 6.30%). 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.

<u>Region</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Taiwan	\$ 107,265,346	98,356,189	88,948,957
Asia (Taiwan is excluded)	15,352,301	15,697,768	14,788,537
Europe	3,857,619	3,761,769	3,494,928
America	8,508,665	8,348,552	9,294,059
Other	<u>15,757</u>	<u>903,821</u>	<u>22,274</u>
Total	<u>\$ 134,999,688</u>	<u>127,068,099</u>	<u>116,548,755</u>

2) Impairment loss

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

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Gross carrying amount</u>	<u>Allowance</u>	<u>Gross carrying amount</u>	<u>Allowance</u>	<u>Gross carrying amount</u>	<u>Allowance</u>
Not past due	\$ 35,198,472	36,744	28,531,443	36,508	17,670,476	9,275
Past due 0~30 days	140	140	182	182	275	275
Past due 31~120 days	148	148	399	399	127	127
Past due 121~360 days	32	32	841	841	8	8
Past due more than 360 days	<u>275,894</u>	<u>275,894</u>	<u>276,004</u>	<u>276,004</u>	<u>306,425</u>	<u>306,425</u>
	<u>\$ 35,474,686</u>	<u>312,958</u>	<u>28,808,869</u>	<u>313,934</u>	<u>17,977,311</u>	<u>316,110</u>

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. When a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of March 31, 2021, December 31, 2020 and March 31, 2020, the impairment losses of receivables were \$312,958, \$313,934 and \$316,110, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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3) Credit risk of receivables and debt securities

Debt securities held by the Group including government bonds, listed and unlisted debt securities are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2020.

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

The loss allowance provision for the three months ended March 31, 2021 and 2020 was as follows:

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2021	\$ -	9,391	-	-	313,934	-	323,325
Provision or reversal of Impairment loss	-	(1,429)	-	-	(51)	-	(1,480)
Amounts written off	-	-	-	-	(870)	-	(870)
Effect of exchange rate	-	-	-	-	(55)	-	(55)
Balance on March 31, 2021	<u>\$ -</u>	<u>7,962</u>	<u>-</u>	<u>-</u>	<u>312,958</u>	<u>-</u>	<u>320,920</u>
	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2020	\$ -	7,567	-	-	315,554	-	323,121
Provision or reversal of Impairment loss	-	408	-	-	(104)	-	304
Amounts written off	-	-	-	-	(186)	-	(186)
Effect of exchange rate	-	-	-	-	846	-	846
Balance on March 31, 2020	<u>\$ -</u>	<u>7,975</u>	<u>-</u>	<u>-</u>	<u>316,110</u>	<u>-</u>	<u>324,085</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
March 31, 2021							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 574,839	574,839	574,839	-	-	-	-
Stock warrants issued	1,317,831	1,317,831	1,202,554	115,277	-	-	-
Put options	53,801	53,801	53,801	-	-	-	-
Exchange traded notes	1,092	1,092	1,092	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	26,479	26,479	3,357	3,120	10,623	9,379	-
Asset swap option - short position	1,432,548	1,432,548	46,321	188,466	539,946	657,815	-
Leverage derivatives - non- hedging	799	799	799	-	-	-	-
Short-term borrowings	4,535,003	4,535,003	4,535,003	-	-	-	-
Commercial paper payable	9,848,928	9,850,000	9,850,000	-	-	-	-
Bonds sold under repurchase agreements	34,651,317	34,696,706	26,188,636	8,508,070	-	-	-
Guarantee deposited for short sales	1,153,586	1,153,586	1,153,586	-	-	-	-
Proceeds payable from short sales	1,276,219	1,276,219	1,276,219	-	-	-	-
Securities lending refundable deposits	1,486,666	1,486,666	1,486,666	-	-	-	-
Futures traders' equity	37,731,051	37,731,051	37,731,051	-	-	-	-
Leverage contract trading customers' equity	430,832	430,832	430,832	-	-	-	-
Notes payable and accounts payable	709,616	709,616	709,616	-	-	-	-
Receipts under custody	166,137	166,137	166,137	-	-	-	-
Other payables	871,552	871,552	869,568	1,984	-	-	-
Structured notes	5,721,868	5,721,868	4,362,888	293,106	201,526	864,348	-
Lease liabilities	913,163	928,762	98,949	89,143	141,767	364,210	234,693
	<u>\$ 102,903,327</u>	<u>102,965,387</u>	<u>90,741,914</u>	<u>9,199,166</u>	<u>893,862</u>	<u>1,895,752</u>	<u>234,693</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
March 31, 2020							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 313,749	313,749	313,749	-	-	-	-
Settlement coverage bonds payable of short sale	150,402	150,402	150,402	-	-	-	-
Stock warrants issued	459,115	459,115	375,934	83,181	-	-	-
Put options	69,955	69,955	69,955	-	-	-	-
Exchange traded notes	610	610	610	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	8,112	8,112	2,106	1,468	2,061	2,477	-
Asset swap option - short position	289,775	289,775	18,449	35,033	77,416	158,877	-
Leverage derivatives - non- hedging	859	859	859	-	-	-	-
Short-term borrowings	8,928,704	8,928,704	8,928,704	-	-	-	-
Commercial papers payable	899,889	899,889	899,889	-	-	-	-
Bonds sold under repurchase agreements	30,822,422	30,916,788	26,665,144	4,251,644	-	-	-
Guarantee deposited for short sales	1,226,654	1,226,654	1,226,654	-	-	-	-
Proceeds payable from short sales	1,358,405	1,358,405	1,358,405	-	-	-	-
Securities lending refundable deposits	548,028	548,028	548,028	-	-	-	-
Futures traders' equity	42,178,992	42,178,992	42,178,992	-	-	-	-
Leverage contract trading customers' equity	270,231	270,231	270,231	-	-	-	-
Notes payable and accounts payable	256,422	256,422	256,422	-	-	-	-
Receipts under custody	111,571	111,571	111,571	-	-	-	-
Other payables	592,778	592,778	590,398	2,380	-	-	-
Structured notes	4,263,191	4,263,191	3,678,533	210,336	295,225	79,097	-
Lease liabilities	970,163	1,018,126	104,062	102,532	151,081	326,797	333,654
	<u>\$ 93,720,027</u>	<u>93,862,356</u>	<u>87,749,097</u>	<u>4,686,574</u>	<u>525,783</u>	<u>567,248</u>	<u>333,654</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

	March 31, 2021		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 725,698	28.5350	20,707,792
AUD	3,403	21.7100	73,879
CAD	4	22.6500	91
CHF	69	30.2750	2,089
EUR	8,336	33.4800	279,089
GBP	2,853	39.2300	111,923
HKD	162,831	3.6700	597,590
JPY	780,636	0.2577	201,170
SGD	5,590	21.2100	118,564
CNY	163,895	4.3440	711,960
ZAR	443	1.9200	851
KRW	402,622	0.0254	10,227
NZD	42	19.9500	838
THB	4,779	0.9149	4,372
MYR	164	6.5725	1,078
<u>Non-Monetary Item</u>			
USD	567,438	28.5350	16,191,843
AUD	124,113	21.7100	2,694,493
EUR	16,163	33.4800	541,137
HKD	2,965	3.6700	10,882
JPY	34,794	0.2577	8,966
CNY	191,506	4.3440	831,902
ZAR	3	1.9200	6
<u>Investments under equity method</u>			
HKD	13,559	3.6700	49,762

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	March 31, 2021		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,264,088	28.5350	36,070,751
AUD	118,067	21.7100	2,563,235
CHF	52	30.2750	1,574
EUR	22,912	33.4800	767,094
GBP	2,765	39.2300	108,471
HKD	263,978	3.6700	968,799
JPY	787,875	0.2577	203,035
SGD	636	21.2100	13,490
CNY	148,593	4.3440	645,488
ZAR	9	1.9200	17
KRW	382,619	0.0254	9,719
THB	3,954	0.9149	3,618
MYR	150	6.5725	986
<u>Non-Monetary Item</u>			
USD	2	28.5350	57
GBP	8	39.2300	314
JPY	1,594	0.2577	411

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 706,900	28.4800	20,132,512
AUD	3,532	21.9500	77,527
CAD	74	22.3500	1,654
CHF	52	32.3050	1,680
EUR	7,745	35.0200	271,230
GBP	2,569	38.9000	99,934
HKD	112,234	3.6730	412,235
JPY	888,657	0.2763	245,536
SGD	544	21.5600	11,729
CNY	94,309	4.3770	412,790
ZAR	66	1.9490	129
KRW	384,841	0.0264	10,160
NZD	43	20.5800	885
THB	3,468	0.9556	3,314
MYR	180	6.7895	1,222
<u>Non-Monetary Item</u>			
USD	585,631	28.4800	16,678,771
AUD	105,749	21.9500	2,321,191
EUR	33,014	35.0200	1,156,150
GBP	2	38.9000	78
HKD	1,031	3.6730	3,787
JPY	10,105	0.2763	2,792
CNY	238,236	4.3770	1,042,759
NZD	1	20.5800	21
<u>Investments under equity method</u>			
HKD	13,417	3.6730	49,281

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 845,046	30.2250	25,541,515
AUD	4,178	18.6350	77,857
CAD	(72)	21.3100	(1,534)
CHF	59	31.3750	1,851
EUR	13,794	33.2400	458,513
GBP	2,891	37.2500	107,690
HKD	117,161	3.8980	456,694
JPY	1,153,408	0.2788	321,570
SGD	485	21.2300	10,297
CNY	78,558	4.2550	334,264
ZAR	12	1.6830	20
KRW	548,202	0.0250	13,705
NZD	60	18.1100	1,087
THB	17,415	0.9270	16,144
MYR	420	6.7175	2,821
<u>Non-Monetary Item</u>			
USD	502,034	30.2250	15,173,978
AUD	114,724	18.6350	2,137,882
CAD	13	21.3100	277
EUR	2,941	33.2400	97,759
HKD	402	3.8980	1,567
JPY	759	0.2788	212
CNY	250,267	4.2550	1,064,886
<u>Investments under equity method</u>			
HKD	12,593	3.8980	49,088

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,297,495	30.2250	39,216,786
AUD	108,864	18.6350	2,028,681
CAD	5	21.3100	107
CHF	59	31.3750	1,851
EUR	16,777	33.2400	557,667
GBP	2,817	37.2500	104,933
HKD	203,270	3.8980	792,346
JPY	1,188,370	0.2788	331,318
SGD	582	21.2300	12,356
CNY	196,488	4.2550	836,056
KRW	390,699	0.0250	9,767
THB	15,333	0.9270	14,214
MYR	416	6.7175	2,794
<u>Non-Monetary Item</u>			
USD	5	30.2250	151
CNY	39	4.2550	166
JPY	1,082	0.2788	302
NZD	13	18.1100	235

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the three months ended March 31, 2021 and 2020, the realized and unrealized currency exchange gains (losses) amounted to \$15,160 and \$41,478, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the three months ended March 31, 2021 and 2020, given other factors remain constant, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the three months ended March 31, 2021		For the three months ended March 31, 2020	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(483,286)	483,286	(466,228)
Other comprehensive income	555,027	(555,027)	544,562	(544,562)

(iv) Sensitivity analysis of interest rate risk

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

Market risk type	March 31, 2021	December 31, 2020	March 31, 2020	For the three months ended March 31,					
				2021			2020		
				Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,373,366	1,560,150	1,435,563	1,423,772	1,510,260	1,373,366	1,411,284	1,435,563	1,378,218

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of March 31, 2021, December 31, 2020 and March 31, 2020, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	\$ 9,266,876	9,266,876	8,497,082	8,497,082	14,395,846	14,395,846
Accrued receivable	53,500,712	53,500,712	43,345,297	43,345,297	24,535,788	24,535,788
Customers' margin account	37,812,144	37,812,144	38,349,832	38,349,832	42,466,489	42,466,489
Leverage contract trading - customers' margin account	429,988	429,988	352,962	352,962	296,843	296,843
Restricted assets - current	181,915	181,915	87,357	87,357	1,316,732	1,316,732
Other non-current assets	1,486,205	1,486,205	1,469,407	1,469,407	1,477,700	1,477,700
Financial liabilities:						
Short-term borrowings	4,535,003	4,535,003	3,671,111	3,671,111	8,928,704	8,928,704
Commercial paper payable	9,848,928	9,848,928	2,299,692	2,299,692	899,889	899,889
Bonds sold under repurchase agreements	34,651,317	34,651,317	35,265,582	35,265,582	30,822,422	30,822,422
Accrued payable	37,072,833	37,072,833	33,813,887	33,813,887	17,710,407	17,710,407
Futures traders' equity	37,731,051	37,731,051	38,316,621	38,316,621	42,178,992	42,178,992
Leverage contract trading - customers' equity	430,832	430,832	352,056	352,056	270,231	270,231
Other financial liabilities - current	4,642,251	4,642,251	4,235,829	4,235,829	3,881,302	3,881,302
Other financial liabilities - non- current	517,809	517,809	515,261	515,261	374,322	374,322
Other non-current liabilities	98,892	98,892	99,911	99,911	100,628	100,628

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment property				
March 31, 2021	\$ -	-	<u>6,843,083</u>	<u>6,843,083</u>
December 31, 2020	\$ -	-	<u>7,295,403</u>	<u>7,295,403</u>
March 31, 2020	\$ -	-	<u>7,710,573</u>	<u>7,710,573</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading - customers' equity, other financial liabilities - current, other financial liabilities - non-current, and other non-current liabilities.
- ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.

3) Measured at fair value

a) Hierarchy information of fair value

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2021				
Financial assets at fair value through profit or loss	\$ 14,244,606	24,919,401	-	39,164,007
Financial assets at fair value through other comprehensive income	3,074,991	13,825,835	2,728,892	19,629,718
Derivative financial assets	<u>376,441</u>	<u>318,666</u>	<u>-</u>	<u>695,107</u>
	<u>\$ 17,696,038</u>	<u>39,063,902</u>	<u>2,728,892</u>	<u>59,488,832</u>
Financial liabilities at fair value through profit or loss	\$ 1,893,762	-	-	1,893,762
Derivative financial liabilities	<u>601,866</u>	<u>1,473,569</u>	<u>-</u>	<u>2,075,435</u>
	<u>\$ 2,495,628</u>	<u>1,473,569</u>	<u>-</u>	<u>3,969,197</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2020				
Financial assets at fair value through profit or loss	\$ 11,862,682	22,887,200	-	34,749,882
Financial assets at fair value through other comprehensive income	2,704,200	15,959,279	2,287,085	20,950,564
Derivative financial assets	<u>388,227</u>	<u>241,724</u>	<u>-</u>	<u>629,951</u>
	<u>\$ 14,955,109</u>	<u>39,088,203</u>	<u>2,287,085</u>	<u>56,330,397</u>
Financial liabilities at fair value through profit or loss	\$ 1,658,000	-	-	1,658,000
Derivative financial liabilities	<u>667,933</u>	<u>1,304,933</u>	<u>-</u>	<u>1,972,866</u>
	<u>\$ 2,325,933</u>	<u>1,304,933</u>	<u>-</u>	<u>3,630,866</u>
March 31, 2020				
Financial assets at fair value through profit or loss	\$ 9,958,119	17,698,844	-	27,656,963
Financial assets at fair value through other comprehensive income	2,566,901	13,564,823	1,892,474	18,024,198
Derivative financial assets	<u>301,899</u>	<u>86,272</u>	<u>-</u>	<u>388,171</u>
	<u>\$ 12,826,919</u>	<u>31,349,939</u>	<u>1,892,474</u>	<u>46,069,332</u>
Financial liabilities at fair value through profit or loss	\$ 923,876	-	-	923,876
Derivative financial liabilities	<u>69,955</u>	<u>306,313</u>	<u>-</u>	<u>376,268</u>
	<u>\$ 993,831</u>	<u>306,313</u>	<u>-</u>	<u>1,300,144</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the three months ended March 31, 2021 and 2020, 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.

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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)

Item	For the three months ended March 31, 2021								
	Beginning Balance	Gains and losses on valuation		Addition			Reduction		
			Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3
Financial assets at fair value through other comprehensive income	\$ 2,287,085	-	441,807	-	-	-	-	-	2,728,892

Item	For the three months ended March 31, 2020								
	Beginning Balance	Gains and losses on valuation		Addition			Reduction		
			Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3
Financial assets at fair value through other comprehensive income	\$ 2,464,932	-	(369,777)	-	-	-	202,681	-	1,892,474

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

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
March 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>27,289</u>	<u>(27,289)</u>
December 31, 2020		
Financial assets fair value through other comprehensive income	\$ <u>22,871</u>	<u>(22,871)</u>
March 31, 2020		
Financial assets fair value through other comprehensive income	\$ <u>18,925</u>	<u>(18,925)</u>

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

- (vi) Transfer of financial assets

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

Types of financial assets	March 31, 2021				
	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ <u>36,418,370</u>	<u>34,651,317</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

March 31, 2020					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 32,629,839	30,822,422	-	-	-

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

March 31, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 318,666	-	318,666	-	-	318,666

March 31, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 2,021,634	-	2,021,634	-	-	2,021,634
Under repurchase agreements	34,651,317	-	34,651,317	34,651,317	-	-
Total	\$ 36,672,951	-	36,672,951	34,651,317	-	2,021,634

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December 31, 2020						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 241,724	-	241,724	-	-	241,724

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

March 31, 2020						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 86,272	-	86,272	-	-	86,272

March 31, 2020						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 306,313	-	306,313	-	-	306,313
Under repurchase agreements	30,822,422	-	30,822,422	30,822,422	-	-
Total	\$ 31,128,735	-	31,128,735	30,822,422	-	306,313

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

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(w) Financial risk management

Except the following mentioned, there were no material changes in the Group's financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements as of and for the year ended December 31, 2020.

As of March 31, 2021, December 31, 2020 and March 31, 2020, the related financial risk and the presentation of the Group's financial derivatives and other financial instruments as approved by the authority were as follows:

Stock warrants

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

Financial Instruments	March 31, 2021		December 31, 2020		March 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Stock warrants issued	\$ 24,155,107	-	14,988,329	-	38,478,531	-

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

(ii) Market risk:

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

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

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

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(v) Presentation of financial derivatives

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

1) For the three months ended March 31, 2021 and 2020:

a) Gains (losses) on valuation

	For the three months ended March 31,		Account
	2021	2020	
Stock warrants issued	\$ 6,976,519	8,631,616	Gains (losses) on stock warrants issued
Stock warrants repurchased	(7,099,636)	(8,580,406)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the three months ended March 31,		Account
	2021	2020	
Security borrowing	\$ 41,471	35,589	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	343,739	(244,459)	Gains (losses) on sale of trading securities
Futures transaction	(166,435)	125,791	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the three months ended March 31,		Account
	2021	2020	
Stock warrants issued	\$ 1,816,223	4,392,327	Gains (losses) on stock warrants issued
Stock warrants repurchased	(1,843,347)	(4,361,622)	Gains (losses) on stock warrants issued

Exchange traded notes

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

Financial Instruments	March 31, 2021		December 31, 2020		March 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Exchange traded notes issued	\$ 1,092	-	1,128	-	610	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Market risk:

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

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

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

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

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

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

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

	December 31,			Account
	March 31, 2021	2020	March 31, 2020	
Margin - exchange traded notes	\$ 25	25	25	Other non-current assets
Outstanding liabilities - exchange traded notes	1,092	1,128	610	Financial liabilities at fair value through profit or loss - current
		For the three months ended March 31,		
		2021	2020	Account
Gains (losses) on exchange traded notes	\$	33	74	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes		3	2	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes		(85)	-	Management and commissions expense on exchange traded notes

Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of March 31, 2021, December 31, 2020 and March 31, 2020.

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.

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(ii) Market risk:

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

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

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

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

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

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

(iv) Presentation of financial derivatives:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>	<u>Account</u>
Futures margin - proprietary fund	\$ 356,976	348,012	272,355	Financial assets at fair value through profit or loss - current
Excess futures margin	1,564,472	1,365,163	2,181,952	Cash and cash equivalent
Buy options	19,465	40,215	29,544	Financial assets at fair value through profit or loss - current
Sale options	53,801	59,577	69,955	Financial liabilities at fair value through profit or loss - current
		<u>For the three months ended March 31,</u>		
		<u>2021</u>	<u>2020</u>	<u>Account</u>
Gains (losses) on futures transactions		\$ (166,231)	248,411	Gains (losses) on derivatives - futures

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Derivative instruments - OTC

(i) Interest rate financial derivatives

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

<u>Financial Instruments</u>	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:						
NT dollar interest swaps	\$ 10,600,000	-	10,900,000	-	19,800,000	-

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

2) Market risk:

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

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

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

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

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

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

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

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

(ii) Structured notes

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

Financial Instruments	March 31, 2021		December 31, 2020		March 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Equity-linked notes	\$ 1,109,000	-	1,311,000	-	117,778	-
Principal guaranteed notes	3,872,758	-	3,264,693	-	3,416,732	-
Credit-linked notes	791,200	-	783,100	-	693,800	-
Principal guaranteed notes (in USD thousands)	USD 100	-	USD 100	-	USD 1,000	-

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

2) Market risk

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

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

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

(iii) Convertible bond asset swaps

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

Financial Instruments	March 31, 2021		December 31, 2020		March 31, 2020	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset swaps	\$ 1,254,300	-	1,109,900	-	1,104,300	-
Convertible bond options	7,331,200	-	7,035,300	-	5,617,900	-

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

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

2) Market risk:

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

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

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

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-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	March 31, 2021		December 31, 2020		March 31, 2020	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Equity options	\$ -	-	839	-	-	-

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

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2) Market risk:

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

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

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

(v) Leverage derivatives

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

Financial Instruments	March 31, 2021		December 31, 2020		March 31, 2020	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Leverage derivatives-long position	\$ 1,991,991	-	1,321,887	-	824,860	-
Leverage derivatives-short position	1,992,863	-	1,282,847	-	824,860	-

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

2) Market risk:

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

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

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

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(vi) Presentation of derivative instruments in financial statement

As of March 31, 2021, December 31, 2020 and March 31, 2020, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps were presented on the balance sheets as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 14,090	13,100	18,678
Asset swap options-long position	230,695	157,459	31,609
Leverage derivatives - non-hedging	60,019	63,380	20,092
Structured notes	7,678	7,785	13,529
Currency swaps	<u>6,184</u>	<u>-</u>	<u>2,364</u>
Total	<u>\$ 318,666</u>	<u>241,724</u>	<u>86,272</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 20,896	10,968	3,974
Asset swap options-short position	1,432,548	1,267,802	289,775
Leverage derivatives - non-hedging	799	1,772	859
Structured notes	561,808	619,483	7,567
Currency swaps	5,356	12,759	1,796
Interest rate swaps	<u>227</u>	<u>505</u>	<u>2,342</u>
Total	<u>\$ 2,021,634</u>	<u>1,913,289</u>	<u>306,313</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 4,642,251</u>	<u>4,235,829</u>	<u>3,881,302</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 517,809</u>	<u>515,261</u>	<u>374,322</u>

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For the three months ended March 31, 2021 and 2020, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps are presented on statements of income as follows:

	For the three months ended March 31, 2021		For the three months ended March 31, 2020	
	Gains (losses) on derivative instruments -		Gains (losses) on derivative instruments -	
	OTC	Unrealized Gains (losses)	OTC	Unrealized Gains (losses)
Interest rate swaps	\$ (111)	(227)	(1,480)	(2,342)
Equity derivatives	-	-	(61)	-
Structured notes	50,156	56,631	49,467	7,695
IRS asset swaps	(32)	(6,807)	59	14,703
Asset swap options	(228,336)	(182,395)	265,831	324,675
Currency swaps	6,107	829	3,392	568
Leverage derivatives - non-hedging	20,502	(2,388)	14,006	(12,260)
Total	\$ (151,714)	(134,357)	331,214	333,039

(vii) Interest Rate Benchmark Reform - Phase 2

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Group has exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. The Group's main IBOR exposure at the reporting date is sterling LIBOR which is planned to be discontinued by the end of 2021 and the alternative reference rate for sterling LIBOR is the Sterling Overnight Index Average (SONIA). Consultations and possible regulatory changes are in progress for the discontinuation of sterling LIBOR and this may mean that sterling LIBOR continues to be published beyond the end of 2021, but the Group plans to finish the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform by the end of 2021.

The Group anticipates that the main risks to which the Group is exposed as a result of interest rate benchmark reform are operational. For example, the renegotiation of borrowing contracts through bilateral negotiation with counterparties, implementing new fallback clauses with its derivative counterparties, updating of contractual terms, and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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The following tables show the total amounts of unreformed contracts and those with appropriate fallback language as of March 31 and January 1, 2021. The amounts of financial assets and liabilities are shown at their carrying amounts, and derivatives are shown at their notional amounts. (The amount shown in the following table is expressed in thousands of foreign currency.)

	<u>USD LIBOR</u>				<u>EUR LIBOR</u>			
	<u>Total amount of unreformed contracts</u>		<u>Amount with appropriate fallback clause</u>		<u>Total amount of unreformed contracts</u>		<u>Amount with appropriate fallback clause</u>	
March 31, 2021								
Financial assets								
Corporate bonds	USD	203,000	USD	198,000	-		-	
Financial liabilities								
Secured bank loans	USD	47,400	USD	47,400	-		-	
Credit loan	USD	79,500	USD	79,500	EUR	500	EUR	500
January 1, 2021								
Financial assets								
Corporate bonds	USD	208,000	USD	203,000	-		-	
Financial liabilities								
Secured bank loans	USD	50,900	USD	50,900	-		-	
Credit loan	USD	46,500	USD	46,500	EUR	1,200	EUR	1,200
Derivatives								
Structured notes	USD	100	USD	100	-		-	

(x) Capital management

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Capital adequacy ratio	349 %	369 %	401 %

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(y) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the three months ended March 31, 2021 and 2020, were as follows:

- (i) For Short-term borrowings, please refer to note 6(j).
(ii) For Commercial papers payable, please refer to note 6(k).
(iii) For Right-of-use assets, please refer to note 6(g).

	January 1, 2021	Cash flows	Non-cash changes			March 31, 2021
			Other	Foreign exchange movement	Fair value changes	
Short-term borrowings	\$ 3,671,111	863,892	-	-	-	4,535,003
Commercial papers payable	2,299,692	7,549,236	-	-	-	9,848,928
Lease liabilities	910,350	(55,127)	58,012	(72)	-	913,163
Total liabilities from financing activities	<u>\$ 6,881,153</u>	<u>8,358,001</u>	<u>58,012</u>	<u>(72)</u>	<u>-</u>	<u>15,297,094</u>

	January 1, 2020	Cash flows	Non-cash changes			March 31, 2020
			Other	Foreign exchange movement	Fair value changes	
Short-term borrowings	\$ 6,631,002	2,297,702	-	-	-	8,928,704
Commercial papers payable	-	899,889	-	-	-	899,889
Lease liabilities	1,012,605	(56,111)	13,210	459	-	970,163
Total liabilities from financing activities	<u>\$ 7,643,607</u>	<u>3,141,480</u>	<u>13,210</u>	<u>459</u>	<u>-</u>	<u>10,798,756</u>

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

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

- (b) Names of related parties and relationships

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

<u>Names of related parties</u>	<u>Relationships</u>
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp	Subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Other related parties	Key management personnel

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 135,442	76,891
Post-employment benefits	625	690
Total	<u>\$ 136,067</u>	<u>77,581</u>

(ii) Bonds sold under repurchase agreements

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Key management personnel	\$ 8,207	8,284	8,262	8,267	22,500	22,691
Total financial expenses					<u>For the three months ended March 31,</u>	
					<u>2021</u>	<u>2020</u>
Key management personnel					\$ 5	31

(iii) Structured notes transactions - remaining balance

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Key management personnel	\$ 93,600	106,800	73,437

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Subsidiaries	\$ 54,000	54,000	27,000	27,000	-	-
Funds issued by associate	40,052	39,789	31,178	30,871	-	-
Total	<u>\$ 94,052</u>	<u>93,789</u>	<u>58,178</u>	<u>57,871</u>	<u>-</u>	<u>-</u>
Total financial expenses					<u>For the three months ended March 31,</u>	
					<u>2021</u>	<u>2020</u>
Subsidiaries					\$ 23	-
Funds issued by associate					130	-
Total					<u>\$ 153</u>	<u>-</u>

Transaction terms are the same as the general clients.

(ii) Futures transactions

<u>Futures traders' equity</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Funds issued by associate	\$ 316,808	335,742	193,877

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iii) Lease agreements

Lease revenue	For the three months ended March 31,	
	2021	2020
Associates	\$ 4,309	4,312

Guarantee deposits received	March 31, 2021	December 31, 2020	March 31, 2020
	Associates	\$ 3,811	3,811

(iv) Insurance commission revenues

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

Commission revenues	For the three months ended March 31,	
	2021	2020
Subsidiaries	\$ 1,946	4,082

Accounts receivable	March 31, 2021	December 31, 2020	March 31, 2020
	Subsidiaries	\$ 1,209	811

(v) Brokerage and sub-brokerage

Brokerage commissions	For the three months ended March 31,	
	2021	2020
Funds issued by associate	\$ 9,441	6,891
Other related parties	843	254
Total	\$ 10,284	7,145

Re-consigned handling commissions	For the three months ended March 31,	
	2021	2020
Funds issued by associate	\$ 4,198	2,776
Other related parties	134	66
Total	\$ 4,332	2,842

(vi) Fund services business

Fund services revenue	For the three months ended March 31,	
	2021	2020
Associates	\$ 1,281	-

Channel services revenue	For the three months ended March 31,	
	2021	2020
Associates	\$ 1,281	-

Account receivable	March 31, 2021	December 31, 2020	March 31, 2020
	Associates	\$ 841	870

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Wealth management business

		For the three months ended March 31,	
Trust account commissions revenue		2021	2020
Associates	\$	<u>3,444</u>	<u>1,671</u>

		For the three months ended March 31,	
Trust account management fee revenue		2021	2020
Associates	\$	<u>211</u>	<u>451</u>

(viii) Underwriting business

		For the three months ended March 31,	
Stock service income		2021	2020
Associates	\$	<u>30</u>	<u>30</u>

Account receivable		March 31, 2021	December 31, 2020	March 31, 2020
Associates	\$	<u>10</u>	<u>10</u>	<u>10</u>

(ix) Other revenue

		For the three months ended March 31,	
		2021	2020
Associates	\$	1	184
Other related parties		11	3
Total	\$	<u>12</u>	<u>187</u>

(x) Custody account business

		For the three months ended March 31,	
Custody account business revenue		2021	2020
Second-level subsidiaries (note)	\$	<u>1,848</u>	<u>-</u>

(xi) Accrued receivable

Account receivable/ Other receivable		March 31, 2021	December 31, 2020	March 31, 2020
Second-level subsidiaries (note)	\$	640	680	466
Subsidiaries		97	114	74
Associates		1	-	1
Other related parties		9	3	-
Total	\$	<u>747</u>	<u>797</u>	<u>541</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(8) Pledged assets:

The following assets were pledged as collateral or restricted in use as of March 31, 2021, December 31, 2020 and March 31, 2020:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>	<u>The collateral use</u>
Restricted assets - current	\$ 181,915	87,357	1,316,732	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	35,100,037	35,557,111	31,817,339	Repurchase agreement
Property and equipment	1,912,430	1,758,898	1,754,438	Bank borrowings
Financial assets at fair value through profit or loss - non - current	180,636	180,929	180,880	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property	3,145,829	2,787,973	3,044,267	Bank borrowings
Total	<u>\$ 40,520,847</u>	<u>40,372,268</u>	<u>38,113,656</u>	

(9) Significant contingent liability and unrecognized contract commitment:

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

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities procured through margin purchase	609,685	\$ 6,096,850	595,559	5,955,590	354,858	3,548,580
Collateral for margin purchase	7,101	71,013	10,578	105,780	30,719	307,189
Lending securities to customers through short sales	37,604	376,040	67,810	678,100	40,897	408,970
Collateral for short sales	4,123	41,230	13,284	132,840	1,182	11,820

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

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities borrowed from securities finance companies	1,023	\$ 10,230	2,117	21,170	1,486	14,860
Collateral for refinancing margin	-	-	83	830	8	80

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Promissory notes	<u>\$ 21,980,000</u>	<u>21,980,000</u>	<u>24,910,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 65,000</u>	<u>USD 60,000</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- (d) As of March 31, 2021, December 31, 2020 and March 31, 2020, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$7,971,570, \$7,031,255 and \$5,088,128, respectively.
- (e) Securities and Futures Investors Protection Center claims against the Company for compensation of \$1,545; due to the fact that the Company, being the underwriter of Universal ABIT's year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The first instance claimed the case in favor of the Company, but plaintiff appealed against the judgement. The case is under the trial of Taiwan High Court. The Company assesses that it is not liable for compensation, thus the Company unrecognised this amount.
- (f) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$2,798. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognised this amount.
- (g) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognised this amount.
- (h) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$48,034 as of March 31, 2021.
- (i) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events:

The subsidiary CSC Capital Management Co. founded CSC Private Equity Fund 1 Co. by investing \$300,000 as capital amount on April 20, 2021.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) As of March 31, 2021, December 31, 2020 and March 31, 2020, the open positions of futures and option contracts were as follows:

(i) March 31, 2021

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	60	\$ 197,616	197,018	
	TAIEX Futures	Short	231	(750,819)	(756,448)	
	Mini-TAIEX Futures	Long	107	81,820	86,490	
	Mini-TAIEX Futures	Short	363	(297,276)	(298,016)	
	Electronic Sector Index Futures	Long	2	6,504	6,561	
	Single Stock Futures	Long	772	253,231	254,507	
	Single Stock Futures	Short	3,959	(776,907)	(790,862)	
	Mini-HSI Futures	Short	54	(56,290)	(56,117)	
	Coffee Futures	Long	3	4,122	3,964	
	Corn Futures	Long	5	3,731	3,906	
	Soybean Futures	Short	4	(7,972)	(8,200)	
	Copper Futures	Long	9	26,168	25,653	
	Gold Futures	Short	37	(182,591)	(181,132)	
	Micro Gold Futures	Long	54	26,045	26,436	
	FTSE China A50 Index Futures	Long	160	78,967	78,446	
	FTSE China A50 Index Futures	Short	318	(156,935)	(155,912)	
	E-Mini S&P Index Futures	Short	9	(50,467)	(50,944)	
	SGX Nikkei 225 Index Futures	Short	11	(41,325)	(41,415)	
	5 Year U.S. T-Note Futures	Short	20	(70,499)	(70,423)	
	10 Year U.S. T-Note Futures	Short	20	(74,864)	(74,726)	
	Ultra 10 Year U.S. Treasury Note Futures	Short	65	(266,771)	(266,508)	
	Mini-TOPIX Futures	Long	76	38,606	38,269	
	TOPIX Futures	Short	20	(101,267)	(100,709)	
	Crude Oil Futures	Long	4	6,919	6,754	
	Crude Oil Futures	Short	21	(37,879)	(35,451)	
	Mini-Weekly Stock Index Futures	Long	11	9,109	9,048	
	U.S. Dollar Index Futures	Long	12	31,610	31,926	
	Euro-Bund Futures	Short	20	(114,726)	(114,689)	
	VIX Futures	Long	168	120,495	103,497	
	Brent Crude Oil Futures	Short	21	(38,879)	(37,596)	
	Subtotal			(2,140,524)		
Options contract :						
	TAIEX Options (Call)	Long	872	8,250	10,622	
	TAIEX Options (Put)	Long	1,716	17,676	8,296	
	TAIEX Options (Call)	Short	695	(25,064)	(38,031)	
	TAIEX Options (Put)	Short	1,416	(31,391)	(15,673)	
	Stock Options (Call)	Long	5	1	1	
	TAIEX Weekly Options (Call)	Long	124	280	246	
	TAIEX Weekly Options (Put)	Long	63	260	300	
	TAIEX Weekly Options (Call)	Short	24	(74)	(59)	
	TAIEX Weekly Options (Put)	Short	7	(33)	(38)	
	Subtotal			(30,095)		
Total				\$ (2,170,619)		

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(ii) December 31, 2020

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	53	\$ 152,446	154,812	
	TAIEX Futures	Short	127	(363,477)	(371,538)	
	Mini-TAIEX Futures	Long	354	254,049	259,165	
	Mini-TAIEX Futures	Short	10	(6,770)	(7,040)	
	Single Stock Futures	Long	1,721	314,059	336,332	
	Single Stock Futures	Short	1,496	(236,471)	(239,651)	
	HSI Futures	Short	9	(44,464)	(44,989)	
	E-mini Nasdaq-100 Futures	Short	1	(7,129)	(7,340)	
	Wheat Futures	Long	3	2,732	2,736	
	Soybean Futures	Long	4	7,499	7,467	
	Soybean Futures	Short	6	(10,636)	(11,201)	
	Gold Futures	Long	10	53,681	53,972	
	Gold Futures	Short	45	(240,756)	(242,876)	
	FTSE China A50 Index Futures	Long	66	32,370	33,293	
	FTSE China A50 Index Futures	Short	546	(267,827)	(275,423)	
	E-Mini S&P Index Futures	Short	10	(52,133)	(53,383)	
	SGX Nikkei 225 Index Futures	Short	5	(18,423)	(18,989)	
	10 Year U.S. T-Note Futures	Short	28	(109,920)	(110,109)	
	TOPIX Futures	Short	7	(34,977)	(34,901)	
	Dollar Index Futures	Short	15	(38,497)	(38,403)	
	Japanese Yen Futures	Short	1	(3,429)	(3,449)	
	Long-term Euro-BTP Futures	Long	55	292,916	292,786	
	Euro-Bund Futures	Short	10	(62,338)	(62,210)	
	VIX Futures	Long	391	281,920	273,810	
	Brent Crude Oil Futures	Long	3	4,316	4,426	
	Subtotal			(101,259)		
Options contract :						
	TAIEX Options (Call)	Long	858	\$ 9,293	27,885	
	TAIEX Options (Put)	Long	1,376	12,285	6,320	
	TAIEX Options (Call)	Short	1,494	(23,968)	(51,486)	
	TAIEX Options (Put)	Short	748	(11,981)	(7,066)	
	Stock Options (Put)	Long	15	62	51	
	TAIEX Weekly Options (Call)	Long	144	1,007	1,836	
	TAIEX Weekly Options (Put)	Long	222	1,085	923	
	TAIEX Weekly Options (Call)	Short	231	(688)	(753)	
	TAIEX Weekly Options (Put)	Short	98	(274)	(195)	
	CSI 300 Index Call Options (Call)	Long	30	2,803	3,194	
	CSI 300 Index Put Options (Put)	Long	18	11	6	
	CSI 300 Index Put Options (Put)	Short	18	(122)	(77)	
	Subtotal			(10,487)		
Total				\$ (111,746)		

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Notes to the Consolidated Financial Statements

(iii) March 31, 2020

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	38	\$ 72,701	72,866	
	TAIEX Futures	Short	10	(18,906)	(19,150)	
	Electronic Sector Index Futures	Long	6	9,888	10,210	
	Finance Sector Index Futures	Long	5	5,516	5,557	
	Finance Sector Index Futures	Short	3	(3,224)	(3,292)	
	Single Stock Futures	Long	650	143,436	137,504	
	Single Stock Futures	Short	3,481	(447,234)	(419,712)	
	HSI Futures	Short	1	(4,533)	(4,623)	
	Mini-HSI Futures	Short	8	(7,236)	(7,397)	
	Mini-Dow Futures	Long	11	36,788	36,158	
	MSCI Taiwan Index Futures	Short	59	(66,177)	(66,160)	
	FTSE China A50 Index Futures	Long	81	29,607	30,846	
	FTSE China A50 Index Futures	Short	260	(99,852)	(99,017)	
	VIX Futures	Short	85	(128,505)	(111,684)	
	SGX Nikkei 225 Index Futures	Long	1	2,400	2,621	
	Ultra 10-Year U.S. Treasury Note Futures	Short	9	(41,988)	(42,444)	
	Crude Oil Futures	Long	126	92,107	78,787	
	Crude Oil Futures	Short	4	(2,693)	(2,476)	
	Japanese Yen Futures	Long	4	14,653	14,084	
	NT dollar Gold Futures	Long	1	586	586	
	NT dollar Gold Futures	Short	3	(1,768)	(1,774)	
	FTSE TWSE Taiwan 50 Index Futures	Long	16	12,041	12,018	
	Brent Crude Oil Futures	Long	31	26,555	24,689	
	Subtotal			(375,838)		
Options contract :						
	TAIEX Options (Call)	Long	69	461	662	
	TAIEX Options (Put)	Long	114	2,804	2,412	
	TAIEX Options (Call)	Short	1,241	(19,355)	(35,296)	
	TAIEX Options (Put)	Short	843	(18,250)	(7,892)	
	Stock Options (Call)	Long	294	5,457	7,008	
	Stock Options (Put)	Long	336	10,129	17,539	
	Stock Options (Call)	Short	308	(5,899)	(7,297)	
	Stock Options (Put)	Short	404	(11,126)	(18,257)	
	TAIEX Weekly Options (Call)	Long	30	191	223	
	Electronic Sector Index Options (Put)	Long	20	318	470	
	Finance Sector Index Options (Call)	Long	29	327	508	
	Finance Sector Index Options (Put)	Long	44	237	154	
	Finance Sector Index Options (Call)	Short	22	(519)	(507)	
	Gold Option (Call)	Long	87	207	351	
	Gold Option (Put)	Long	223	223	217	
	Gold Option (Call)	Short	2	(41)	(83)	
	CSI 300 Index Call Options	Short	150	(1,219)	(623)	
	Subtotal			(36,055)		
Total				\$ (411,893)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{6,540,298}{941,921}$	6.94	$\frac{6,358,605}{706,507}$	9.00	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{43,719,998}{38,554,732}$	1.13	$\frac{47,910,361}{43,006,955}$	1.11	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{6,540,298}{1,115,000}$	586.57 %	$\frac{6,358,605}{1,115,000}$	570.28 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{4,876,556}{7,623,344}$	63.97 %	$\frac{5,045,719}{9,637,179}$	52.36 %	$\geq 20\%$ $\geq 15\%$	"

- (c) Unique risk for futures trading

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to others:

(In Thousands Dollars)

Number	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related party	Maximum Balance of the Period	Ending balance	Capital Employed	Range of interest rate	Type of Loans (Note)	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on Loans to a Single Business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	US 29,322	US 29,322	US 28,322	- %	2	-	Operations	-	-	-	US 53,762	US 53,762
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	US 3,380	US 3,380	US 3,380	- %	2	-	Operations & repayment of financing	-	-	-	US 3,380	US 3,380
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	HK 1,463	HK 1,463	HK 1,463	- %	2	-	Repayment of financing	-	-	-	HK 1,463	HK 1,463
4	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables - Customer	No	39,621	39,621	2,830	5 %	2	-	Tradings	-	-	-	178,994	894,969
5	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables - Customer	No	169,804	169,804	139,522	2.24 %	2	-	Tradings	-	-	-	178,994	894,969
6	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables - Customer	No	84,902	84,902	28,301	1.24 % ~ 3.24 %	2	-	Tradings	-	-	-	178,994	894,969
7	CSC Futures (HK) Ltd.	Alpha Rnd Singapore Pte Ltd.	Account receivables - Customer	No	79,242	79,242	-	3.24 %	2	-	Tradings	-	-	-	178,994	894,969
8	CSC Futures (HK) Ltd.	Derivatives China Alpha Fund	Account receivables - Customer	No	79,242	79,242	-	3.24 %	2	-	Tradings	-	-	-	178,994	894,969
9	CSC Futures (HK) Ltd.	Perfect Hexagon Limited	Account receivables - Customer	No	84,902	84,902	-	3.24 %	2	-	Tradings	-	-	-	178,994	894,969

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 three months ended March 31, 2021:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	1,732		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	19,566		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivable	4,572		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	57,552		0.03 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,817		- %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	46,099	General transaction	1.45 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	4,506	General transaction	0.14 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	126	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	40	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	41	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	4,278	General transaction	0.13 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	9	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	2,300	General transaction	0.07 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	12,811	General transaction	0.40 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	11	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other payable	17,250		0.01 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	17,250	General transaction	0.54 %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	2		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	31		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	16		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	53		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	1,604	General transaction	0.05 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	36		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	183		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Non-operating revenue	184	General transaction	0.01 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	1,085,570		0.62 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,085,570		0.62 %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Professional service fees	4,906	General transaction	0.15 %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Other payable	1,620		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	653,698		0.37 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	4,276,816		2.43 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	8,078		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	1,818	General transaction	0.06 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	32,210	General transaction	1.01 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	217	General transaction	0.01 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	768	General transaction	0.02 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Other payable	768		- %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	3,933,609		2.24 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	310,491		0.18 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payable	65		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	291	General transaction	0.01 %

(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	Accumulated depreciation	1,200		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Professional service fees	85	General transaction	- %
3	CSC Securities (HK) Ltd.	Capital Securities Corp.	3	Other receivable	38		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivable	HK 227		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK 990	General transaction	0.11 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage handling fee expense	HK 85	General transaction	0.01 %
4	CSC Venture Capital Corp.	CSC Capital Management Co.	3	Guarantee deposits received	20		- %
4	CSC Venture Capital Corp.	CSC Capital Management Co.	3	Advance receipts	2		- %
4	CSC Venture Capital Corp.	CSC Capital Management Co.	3	Lease revenue	18	General transaction	- %

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		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on March 31, 2021	Balance on December 31, 2020	Shares	Ratio	Book value					
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	7,000,000	100.00 %	75,733	19,383	(147)	(147)	-	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei, Taiwan, R.O.C.	February 26, 1997	No. FSC-105004467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58 %	3,700,643	572,884	159,578	90,333	-	"
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business.	1,339,555	1,339,555	45,000,000	100.00 %	1,525,981	2,218	(3,657)	(3,657)	-	"
0	Capital Insurance Advisory Corp.	Taipei, Taiwan, R.O.C.	November 9, 2000		Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00 %	58,363	26,983	6,377	6,377	-	Subsidiary
0	Capital Insurance Agency Corp.	Taipei, Taiwan, R.O.C.	November 8, 2000		Manages personal insurance agent business.	7,400	7,400	740,000	100.00 %	39,644	12,693	454	454	-	"
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	300	100.00 %	11	(275)	(275)	(275)	-	The transaction has been eliminated in the consolidated financial statements
0	CSC Venture Capital Corp.	Taipei, Taiwan, R.O.C.	January 12, 2016	No. FSC-1040034071 dated September 8, 2015	Venture Capital and consulting business	1,000,000	1,000,000	100,000,000	100.00 %	838,945	71	(2,132)	(2,132)	-	"

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on March 31, 2021	Balance on December 31, 2020	Shares	Ratio	Book value					
0	CSC Capital Management Co.	Taipei, Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Investment and management consulting, venture capital and general investing	330,000	330,000	33,000,000	100.00 %	329,114	-	(628)	(628)	-	The transaction has been eliminated in the consolidated financial statements
0	Capital Investment Trust Corp.	Taipei, Taiwan, R.O.C.	October 16, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00 %	1,384,310	547,689	212,251	42,450	-	Associates
1	CSC Securities (HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931 dated January 5, 1998	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK 128,000 thousands	HK 128,000 thousands	128,000,000	100.00 %	HK 173,432 thousands	HK 10,333 thousands	HK 604 thousands	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities (HK) Limited. (Note 4)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	HK (26,126) thousands	HK -	HK (75) thousands	-	-	-
3	Taiwan International Capital (HK) Ltd. (Note 4)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00 %	HK (66,062) thousands	HK -	HK (42) 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	214,000,000	97.27 %	870,537	105,122	(12,797)	-	-	-
4	Capital International Technology Co., Ltd.	Taipei, Taiwan, R.O.C.	December 29, 2014	No. FSC-1030038387 dated November 18, 2014	Management and consulting business. Information technology software	50,000	50,000	5,000,000	100.00 %	38,961	768	(1,939)	-	-	-
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	245,000	49.00 %	49,762	25,171	1,023	-	-	Associates
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	2	100.00 %	HK -	HK -	HK -	-	-	The transaction has been eliminated 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 board of directors of the Company resolved to dissolve the investee company on December 30, 2011. The representative office of China dissolved in 2014 as well. According to the laws of Hong Kong, it can't be liquidated voluntarily because the total assets of TIS Securities (HK) Limited. and Taiwan International Capital (HK) Ltd. can't cover the liabilities. The company has briefed it to the accountant in Hong Kong to plan the solutions.

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

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

(Continued)

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, 2021	Remittance of recoverable investment this period		Accumulated remittance as of March 31, 2021	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of March 31, 2021
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	(55)	28.86%	(16) B(3)	12,577	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(1,162)	56.58%	(657) B(3)	8,201	-

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

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

Note 2: Investment gains and losses recognized during the period

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

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

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>1,591,813</u>	<u>76,962</u>	<u>733,196</u>	<u>148,263</u>	<u>57,398</u>	<u>643,979</u>	<u>(75,666)</u>	<u>3,175,945</u>
Segment profit or loss	\$ <u>874,195</u>	<u>30,893</u>	<u>649,235</u>	<u>73,437</u>	<u>(195,272)</u>	<u>197,325</u>	<u>(83,450)</u>	<u>1,546,363</u>

For the three months ended March 31, 2020								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>970,435</u>	<u>48,574</u>	<u>(844,393)</u>	<u>(224,426)</u>	<u>44,926</u>	<u>629,035</u>	<u>(82,016)</u>	<u>542,135</u>
Segment profit or loss	\$ <u>445,462</u>	<u>15,095</u>	<u>(972,581)</u>	<u>(274,508)</u>	<u>(7,522)</u>	<u>216,401</u>	<u>(74,390)</u>	<u>(652,043)</u>

Note 1: Internal segment revenues are eliminated on consolidation.

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

(d) Information about products and services

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

(e) Information about regions

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

(f) Information about major customers

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