

**CAPITAL SECURITIES CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For The Six Months Ended June 30, 2021 and 2020**

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

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## Independent Auditors' Report

To the Board of Directors of  
Capital Securities Corporation:

### Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries (“the Group”), which comprise the consolidated statements of financial position as of June 30, 2021, December 31, 2020 and June 30, 2020, and the consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020 as well as the changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021, December 31, 2020 and June 30, 2020, and its consolidated financial performance for the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020 as well as its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards (“IASs”)34 “Interim Financial Reporting”, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

## 1. Valuation of financial instruments

Please refer to Note 4(g) of the consolidated financial statements as of and for the year ended December 31, 2020 for the related accounting policy regarding the valuation of financial instruments, Note 6(b) financial assets, Note 6(l) financial liabilities at fair value through profit or loss and Note 6(v)(v), fair value and fair value hierarchy of financial instruments for details.

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

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

### Procedures performed:

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

### **Other Matter**

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.74%, 0.82% and 0.81% of consolidated total assets as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively, and the recognized profit or loss under using equity method constituted 3.13%, 2.21%, 2.94% and 6.99% of consolidated net income before income tax for the three months and six months ended June 30, 2021 and 2020, respectively.

The Group has prepared its parent-company-only financial statements as of and for the six months ended June 30, 2021 and 2020, on which we have issued an unmodified opinion with other matters paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards ("IASs") 34 "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

August 26, 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 such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

**Consolidated Balance Sheets**

**June 30, 2021, December 31, 2020, and June 30, 2020**

**(Expressed in Thousands of New Taiwan Dollar)**

	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
110000 Cash and cash equivalents (note 6(a))	\$ 8,735,066	4	8,497,082	5	10,822,717	7
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	41,757,666	22	35,198,904	22	33,767,792	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	16,497,766	9	18,663,479	11	20,016,386	13
114030 Receivable for securities provided as collateral	23,437,603	12	15,000,045	9	10,661,908	7
114040 Refinancing margin	2,490	-	97,714	-	81,489	-
114050 Refinancing collateral receivable	5,643	-	85,261	-	67,023	-
114060 Receivable of securities business money lending	2,947,132	2	2,310,230	1	2,184,522	2
114070 Customers' margin account (note 6(d))	37,284,037	19	38,349,832	24	39,011,759	25
114080 Receivable - futures margin	-	-	-	-	1,144	-
114090 Collateral for securities borrowed	296,525	-	796,262	1	263,862	-
114100 Security borrowing margin	1,411,633	1	760,815	1	551,021	-
114110 Notes receivable	28,476	-	22,779	-	35,942	-
114130 Accounts receivable (note 6(c))	17,680,589	9	11,039,256	7	10,729,585	7
114150 Prepayments	32,458	-	37,313	-	43,003	-
114170 Other receivables	520,337	-	145,404	-	420,320	-
114300 Leverage contract trading - customers' margin account	448,035	-	352,962	-	368,326	-
114600 Current income tax assets	22,265	-	23,599	-	23,590	-
119095 Amounts held for each customer in the account (note 6(n))	22,950,860	12	13,063,932	8	8,759,850	6
119990 Other current assets-others	1,320,742	1	1,813,868	1	353,581	-
	175,379,323	91	146,258,737	90	138,163,820	89
<b>Non-current assets:</b>						
122000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	180,416	-	180,929	-	181,029	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,004,803	1	2,287,085	1	2,123,848	2
124100 Investments accounted for under equity method (note 6(e))	1,588,633	1	1,481,286	1	1,390,107	1
125000 Property and equipment (notes 6(f) and 8)	3,278,420	2	3,111,323	2	3,135,551	2
125800 Right-of-use assets (notes 6(g))	850,814	-	850,210	1	881,943	1
126000 Investment property (notes 6(h) and 8)	3,476,924	2	3,611,107	2	3,624,052	2
127000 Intangible assets (note 6(i))	3,608,371	2	3,619,563	2	3,615,217	2
128000 Deferred income tax assets	65,687	-	78,124	-	64,005	-
129000 Other non-current assets	1,530,906	1	1,584,270	1	1,588,069	1
	17,584,974	9	16,803,897	10	16,603,821	11
<b>Total assets</b>	\$ 192,964,297	100	163,062,634	100	154,767,641	100

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

Consolidated Balance Sheets

June 30, 2021, December 31, 2020, and June 30, 2020

(Expressed in Thousands of New Taiwan Dollar)

	June 30, 2021		December 31, 2020		June 30, 2020		
	Amount	%	Amount	%	Amount	%	
<b>Liabilities and Equity</b>							
<b>Current liabilities:</b>							
210000	\$						
211100	Short-term borrowings (note 6(j))	4,859,285	3	3,671,111	2	4,573,090	3
211200	Commercial paper payable (note 6(k))	10,048,897	5	2,299,692	1	-	-
212000	Financial liabilities at fair value through profit or loss - current (note 6(l))	6,139,143	3	3,630,866	2	1,667,558	1
214010	Bonds sold under repurchase agreements (note 6(m))	34,864,327	18	35,265,582	22	39,488,135	26
214040	Guarantee deposited for short sales	2,486,622	1	2,631,763	2	2,073,592	1
214050	Proceeds payable from short sales	2,724,103	2	3,021,249	2	2,285,928	2
214070	Securities lending refundable deposits	2,122,433	1	1,033,425	1	1,053,695	1
214080	Futures traders' equity (note 6(d))	37,231,053	19	38,316,621	23	38,978,222	25
214090	Equity for each customer in the account (note 6(n))	22,950,860	12	13,063,932	8	8,759,850	6
214100	Leverage contract trading - customers' equity	449,378	-	352,056	-	363,661	-
214110	Notes payable	-	-	152	-	-	-
214130	Accounts payable (note 6(o))	18,095,282	10	10,746,724	7	10,440,402	7
214150	Advance receipts	40,823	-	35,477	-	57,214	-
214160	Receipts under custody	306,749	-	1,636,517	1	126,714	-
214170	Other payables	3,904,226	2	1,100,126	1	2,556,164	2
214200	Other financial liabilities - current (note 6(w))	4,489,877	3	4,235,829	3	3,733,356	2
214600	Current income tax liabilities	640,660	-	579,999	-	427,601	-
215100	Provisions - current (note 6(q))	62,285	-	50,169	-	61,148	-
216000	Current lease liabilities (note 6(p))	176,917	-	173,381	-	190,353	-
219000	Other current liabilities	21,373	-	19,629	-	17,940	-
		151,614,293	79	121,864,300	75	116,854,623	76
220000	<b>Non-Current liabilities:</b>						
224200	Other financial liabilities - non-current (note 6(w))	530,431	-	515,261	-	388,993	-
226000	Non-current lease liabilities (note 6(p))	731,191	1	736,969	-	746,903	1
228000	Deferred income tax liabilities	427,374	-	427,566	-	423,759	-
229000	Other non-current liabilities (note 6(q))	608,677	-	843,808	1	625,516	-
		2,297,673	1	2,523,604	1	2,185,171	1
	<b>Total liabilities</b>	153,911,966	80	124,387,904	76	119,039,794	77
	<b>Equity attributable to shareholders of the parent:</b>						
301010	Common stock (note 6(s))	21,709,081	11	21,709,081	13	21,709,081	14
302000	Capital surplus (note 6(s))	2,743,465	1	2,743,430	2	2,743,205	2
304000	Retained earnings:						
304010	Legal reserve	2,267,833	1	1,922,939	1	1,922,939	1
304020	Special reserve	4,806,142	3	4,116,356	3	4,116,356	3
304040	Unappropriated earnings (note 6(s))	2,794,612	2	3,600,038	2	839,912	-
305120	Exchange differences on translation of foreign operations	(376,774)	-	(293,175)	-	(147,415)	-
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,449,446	1	2,087,400	1	1,874,294	1
	<b>Total equity attributable to the parent company</b>	36,393,805	19	35,886,069	22	33,058,372	21
306000	<b>Non-controlling interests</b>	2,658,526	1	2,788,661	2	2,669,475	2
	<b>Total equity</b>	39,052,331	20	38,674,730	24	35,727,847	23
	<b>Total liabilities and equity</b>	\$ 192,964,297	100	163,062,634	100	154,767,641	100

See accompanying notes to consolidated financial statements.



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

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Consolidated Statement of Comprehensive Income

For the three months and six months ended June 30, 2021 and 2020

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

	For the three months ended June 30				For the six months ended June 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>Income:</b>									
401000	Brokerage commissions (note 6(u))	\$ 2,326,164	67	1,266,568	43	4,040,855	61	2,503,409	72
402000	Revenues from securities business money lending	94	-	45	-	109	-	62	-
403000	Revenue from securities lending	79,225	2	47,923	2	134,940	2	92,157	3
404000	Underwriting commissions (note 6(u))	23,811	1	28,737	1	46,792	1	55,402	2
406000	Commissions on wealth management business	20,852	1	18,319	1	44,047	1	41,165	1
410000	Net gains (losses) on sale of trading securities (note 6(u))	1,255,051	36	360,844	12	2,311,597	35	(420,829)	(12)
421100	Securities management, distribution, and management fees	37,303	1	38,107	1	73,353	1	75,334	2
421200	Interest revenue (note 6(u))	423,980	12	320,737	11	826,324	12	673,326	20
421300	Dividend revenue	28,704	1	28,664	1	41,397	1	37,670	1
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(u))	1,389,514	40	976,110	34	1,524,963	23	(230,562)	(7)
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements	127,818	4	(25,253)	(1)	179,353	3	67,184	2
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(185,689)	(5)	(23,126)	(1)	(164,237)	(3)	(36,397)	(1)
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	16,679	1	104,854	4	70,406	1	152,957	4
422000	Net gains (losses) from exchange traded notes (note 6(w))	(58)	-	(77)	-	(25)	-	(3)	-
422100	Management and commissions revenue from exchange traded notes (note 6(w))	2	-	1	-	5	-	3	-
422200	Net gains (losses) on stock warrants issued (note 6(u) and (w))	(1,795,313)	(52)	78,272	3	(2,010,322)	(30)	121,198	4
424100	Futures commission revenues (note 6(u))	94,394	3	86,958	3	191,626	3	147,736	4
424400	Net gains (losses) on derivative instruments - futures (note 6(w))	(122,793)	(4)	(102,869)	(4)	(289,024)	(4)	145,542	4
424500	Net gains (losses) on derivative instruments - OTC (note 6(w))	(339,520)	(10)	(339,273)	(12)	(491,234)	(8)	(8,059)	-
424800	Management fee revenues	781	-	186	-	1,721	-	392	-
424900	Consultancy fee revenue	7,922	-	3,437	-	13,578	-	6,248	-
425300	Impairment losses and reversal gains (note 6(v))	(11,894)	-	(2,578)	-	(10,414)	-	(2,882)	-
428000	Other operating revenues	83,890	2	49,026	2	101,052	1	36,694	1
		<u>3,460,917</u>	<u>100</u>	<u>2,915,612</u>	<u>100</u>	<u>6,636,862</u>	<u>100</u>	<u>3,457,747</u>	<u>100</u>
<b>Expenses:</b>									
501000	Brokerage fees	253,636	7	161,775	6	456,100	7	290,901	8
502000	Brokerage and clearing fees - proprietary trading	6,856	-	3,130	-	11,439	-	7,779	-
503000	Clearing and exchange fees - refinancing	1,072	-	1,110	-	1,794	-	1,783	-
504000	Clearing and exchange fees - underwriting	129	-	262	-	324	-	628	-
507000	Issuance and management fees on exchange traded notes (note 6(w))	-	-	-	-	85	-	-	-
521200	Financial costs	49,496	2	108,058	4	100,215	1	244,936	7
521640	Loss from securities borrowing transactions	-	-	-	-	2,745	-	-	-
524100	Futures commission expense (note 6(u))	83,067	2	84,256	3	169,772	3	187,370	6
524300	Cleaning and settlement expenses	50,497	2	43,537	1	96,399	1	89,576	3
528000	Other operating expenditure	6,556	-	3,335	-	13,228	-	6,149	-
531000	Employee benefits expenses (note 6(u))	1,003,079	29	687,871	24	1,892,888	28	1,288,636	37
532000	Depreciation and amortization expense (note 6(u))	122,469	4	112,089	4	239,915	4	223,697	7
533000	Other operating expenses (note 6(u))	525,194	15	362,101	12	966,932	15	704,115	20
		<u>2,102,051</u>	<u>61</u>	<u>1,567,524</u>	<u>54</u>	<u>3,951,836</u>	<u>59</u>	<u>3,045,570</u>	<u>88</u>
<b>Other income (expenses):</b>									
601000	Shares of profits of associates and joint ventures accounted for using equity method (note 6(e))	54,370	2	41,275	1	104,152	2	91,152	3
602000	Other gains and losses (note 6(u))	154,199	4	282,460	10	324,620	5	516,451	15
		<u>208,569</u>	<u>6</u>	<u>323,735</u>	<u>11</u>	<u>428,772</u>	<u>7</u>	<u>607,603</u>	<u>18</u>
902001	<b>Net income before income tax</b>	1,567,435	45	1,671,823	57	3,113,798	48	1,019,780	30
701000	<b>Less: Income tax expenses (note 6(r))</b>	251,539	7	99,909	3	437,093	7	225,358	7
	<b>Net income</b>	<u>1,315,896</u>	<u>38</u>	<u>1,571,914</u>	<u>54</u>	<u>2,676,705</u>	<u>41</u>	<u>794,422</u>	<u>23</u>
<b>Other comprehensive income:</b>									
805500	<b>Components that may not be reclassified to profit or loss in subsequent periods:</b>								
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	210,439	6	441,000	15	719,311	11	43,617	1
805550	Shares of other comprehensive income of associates and joint ventures accounted for using equity method	2,629	-	344	-	3,659	-	344	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-
	<b>Subtotal of components that may not be subsequently reclassified into profit or loss</b>	<u>213,068</u>	<u>6</u>	<u>441,344</u>	<u>15</u>	<u>722,970</u>	<u>11</u>	<u>43,961</u>	<u>1</u>
805600	<b>Components that may be reclassified to profit or loss in subsequent periods:</b>								
805610	Exchange differences on translation of foreign operations	(104,086)	(3)	(75,222)	(3)	(100,325)	(2)	(35,344)	(1)
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	58,296	2	577,727	20	(278,486)	(4)	163,870	5
805699	Less: Income tax related to components of other comprehensive income (note 6(r))	(7,199)	-	(6,403)	-	(6,911)	-	(3,260)	-
	<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	<u>(38,591)</u>	<u>(1)</u>	<u>508,908</u>	<u>17</u>	<u>(371,900)</u>	<u>(6)</u>	<u>131,786</u>	<u>4</u>
805000	<b>Other comprehensive income, net</b>	<u>174,477</u>	<u>5</u>	<u>950,252</u>	<u>32</u>	<u>351,070</u>	<u>5</u>	<u>175,747</u>	<u>5</u>
902006	<b>Total comprehensive income</b>	<u>\$ 1,490,373</u>	<u>43</u>	<u>2,522,166</u>	<u>86</u>	<u>3,027,775</u>	<u>46</u>	<u>970,169</u>	<u>28</u>
<b>Net income attributable to:</b>									
913100	Shareholders of the parent	\$ 1,260,816	36	1,508,552	52	2,552,712	39	658,534	19
913200	Non-controlling interests	55,080	2	63,362	2	123,993	2	135,888	4
		<u>\$ 1,315,896</u>	<u>38</u>	<u>1,571,914</u>	<u>54</u>	<u>2,676,705</u>	<u>41</u>	<u>794,422</u>	<u>23</u>
<b>Total comprehensive income attributable to:</b>									
914100	Shareholders of the parent	\$ 1,436,290	41	2,467,501	85	2,895,700	44	837,552	24
914200	Non-controlling interests	54,083	2	54,665	1	132,075	2	132,617	4
		<u>\$ 1,490,373</u>	<u>43</u>	<u>2,522,166</u>	<u>86</u>	<u>3,027,775</u>	<u>46</u>	<u>970,169</u>	<u>28</u>
975000	<b>Basic earnings per share (note 6(t))</b>	<u>\$ 0.58</u>		<u>0.69</u>		<u>1.18</u>		<u>0.30</u>	
985000	<b>Diluted earnings per share (note 6(t))</b>	<u>\$ 0.58</u>		<u>0.69</u>		<u>1.17</u>		<u>0.30</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Changes in Equity  
For the six months ended June 30, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to the parent company											
	Stock	Retained earnings				Total other equity interest			Treasury shares	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				
<b>Balance at January 1, 2020</b>	\$ 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 six months ended June 30, 2020	-	-	-	-	658,534	-	-	-	658,534	135,888	794,422	
Other comprehensive income	-	-	-	-	-	(28,872)	207,890	-	179,018	(3,271)	175,747	
Total comprehensive income	-	-	-	-	658,534	(28,872)	207,890	-	837,552	132,617	970,169	
Appropriation and distribution of retained earnings: (note 6(s))												
Legal reserve	-	-	264,579	-	(264,579)	-	-	-	-	-	-	
Special reserve	-	-	-	529,159	(529,159)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(1,736,726)	-	-	-	(1,736,726)	-	(1,736,726)	
Purchase of treasury shares	-	-	-	-	-	-	-	(30,387)	(30,387)	-	(30,387)	
Retirement of treasury shares	(1,500,000)	(104,387)	-	-	-	-	-	1,604,387	-	-	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	30,273	-	(30,273)	-	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	(4,707)	-	-	-	-	-	-	(4,707)	-	(4,707)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	313,369	313,369	
<b>Balance at June 30, 2020</b>	\$ 21,709,081	2,743,205	1,922,939	4,116,356	839,912	(147,415)	1,874,294	-	33,058,372	2,669,475	35,727,847	
<b>Balance at January 1, 2021</b>	\$ 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 six months ended June 30, 2021	-	-	-	-	2,552,712	-	-	-	2,552,712	123,993	2,676,705	
Other comprehensive income	-	-	-	-	-	(83,599)	426,587	-	342,988	8,082	351,070	
Total comprehensive income	-	-	-	-	2,552,712	(83,599)	426,587	-	2,895,700	132,075	3,027,775	
Appropriation and distribution of retained earnings: (note 6(s))												
Legal reserve	-	-	344,894	-	(344,894)	-	-	-	-	-	-	
Special reserve	-	-	-	689,786	(689,786)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(2,387,999)	-	-	-	(2,387,999)	-	(2,387,999)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	64,541	-	(64,541)	-	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	35	-	35	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(262,210)	(262,210)	
<b>Balance at June 30, 2021</b>	\$ 21,709,081	2,743,465	2,267,833	4,806,142	2,794,612	(376,774)	2,449,446	-	36,393,805	2,658,526	39,052,331	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statement of Cash Flows**

**For the six months ended June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollar)**

	<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Net income (loss) before tax	\$ 3,113,798	1,019,780
Adjustments:		
Income and expenses items:		
Depreciation expense	222,267	205,991
Amortization expense	17,648	17,706
Impairment loss	10,414	2,882
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	(1,360,726)	266,959
Financial cost	100,215	244,936
Interest revenue (including financial revenue)	(932,219)	(906,165)
Dividend revenue	(41,652)	(93,143)
Shares of profit of associates and joint ventures accounted for using equity method	(104,152)	(91,152)
Losses (gains) on disposal and retirement of property and equipment	137	(11,317)
Net gains on non-operating financial instruments at fair value through profit or loss	(943)	(20,507)
Net losses on lease modifications	111	-
Impairment loss on non-financial assets	2,398	-
<b>Subtotal of income of non-cash activities</b>	<b>(2,086,502)</b>	<b>(383,810)</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(5,199,024)	(3,012,577)
Decrease (increase) in financial assets at fair value through other comprehensive income	1,899,675	(3,689,502)
Decrease (increase) in receivable for securities provided as collateral	(8,437,984)	1,504,645
Decrease in refinancing margin	95,224	9,664
Decrease in receivable on refinancing collateral	79,618	70,316
Increase in receivable of securities business money lending	(636,902)	(188,318)
Decrease (increase) in customers' margin account	1,065,795	(4,208,040)
Decrease (increase) in margin receivable of futures trading	126	(2,675)
Decrease in collateral for securities borrowed	499,737	80,661
Increase in security borrowing margin	(650,818)	(235,063)
Increase in notes receivable	(5,697)	(13,541)
Increase in accounts receivable	(6,609,356)	(4,332,399)
Decrease (increase) in prepayments	4,855	(9,361)
Increase in other receivables	(48,410)	(74,169)
Increase in leverage contract trading - customers' margin account	(95,073)	(59,783)
Decrease in other current assets	493,126	399,628
Decrease in guarantee deposited for business operations	897	77
Increase in settlement fund	(10,736)	(7,485)
Decrease (increase) in other non-current assets	63,097	(25,394)
Increase in financial liabilities at fair value through profit or loss	2,510,751	209,555
Increase (decrease) in bonds sold under repurchase agreements	(401,255)	7,640,604
Decrease in guarantee deposited for short sales	(145,141)	(316,872)
Decrease in proceeds payable from short sales	(297,146)	(469,477)
Increase in securities lending refundable deposits	1,089,008	716,983
Increase (decrease) in futures traders' equity	(1,085,568)	4,230,691
Increase in leverage contract trading - customers' equity	97,322	55,071
Decrease in notes payable	(152)	-
Increase in accounts payable	7,354,733	4,232,171
Increase (decrease) in advance receipts	5,346	(3,653)
Increase (decrease) in receipts under custody	(1,329,768)	12,272
Decrease in other payable	(188,585)	(15,617)
Increase in other financial liabilities - current	254,048	153,405
Increase in provision - current	12,116	8,582
Increase in other current liabilities	1,744	4,223
Increase in other financial liabilities - non-current	15,170	39,475
Decrease in other non-current liabilities	(235,872)	(11,586)
<b>Total changes in assets and liabilities from operating activities</b>	<b>(9,835,099)</b>	<b>2,692,511</b>
<b>Total adjustments</b>	<b>(11,921,601)</b>	<b>2,308,701</b>

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES****Consolidated Statement of Cash Flows****For the six months ended June 30, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollar)**

	<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Cash generated from operating activities	\$ (8,807,803)	3,328,481
Interest received	921,035	1,023,670
Dividends received	23,770	72,340
Interest paid	(105,971)	(274,334)
Income taxes paid	(355,952)	(56,285)
<b>Net Cash flows (used in) provided by operating activities</b>	<b>(8,324,921)</b>	<b>4,093,872</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(209,245)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	200,560	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	202,681
Increase in deferred debits	(136)	(54)
Acquisition of property and equipment	(148,565)	(47,930)
Proceeds from disposal of property and equipment	-	20,287
Acquisition of intangible assets	(8,672)	(22,931)
<b>Net cash flows (used in) provided by investing activities</b>	<b>(166,058)</b>	<b>152,053</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	1,188,174	(2,057,912)
Increase in commercial papers payable	7,749,205	-
Payment of lease liabilities	(110,143)	(106,534)
Proceeds from issue of share capital	-	482,278
Purchase of treasury shares	-	(30,387)
Proceeds from right of inclusion options exercised	62	-
<b>Net cash flows provided by (used in) financing activities</b>	<b>8,827,298</b>	<b>(1,712,555)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(98,335)</b>	<b>(34,289)</b>
<b>Increase in cash and cash equivalents</b>	<b>237,984</b>	<b>2,499,081</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>8,497,082</b>	<b>8,323,636</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 8,735,066</b>	<b>10,822,717</b>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollar, 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 June 30, 2021, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of June 30, 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) Proprietary trading of securities-related futures;
- (l) Securities business money lending;
- (m) Managing the unexpended balance of clients’ securities accounts within their authorization;
- (n) Trust business;
- (o) Offshore securities business;
- (p) Other relevant services as approved by the authority in charge.

(Continued)

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

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

The consolidated financial statements were authorized for issuance by the board of directors on August 26, 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. 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 the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(Continued)

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

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	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 new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the 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.

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are 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
			June 30, 2021	December 31, 2020	June 30, 2020	
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment.	100.00 %	100.00 %	100.00 %	The corporation established in February, 1990. As of June 30, 2021, the paid-in capitals amounted to \$70,000.

(Continued)



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

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2021	December 31, 2020	June 30, 2020	
The Company	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %	The corporation established in March, 1996. As of June 30, 2021, the paid-in capitals amounted to US\$45,000 thousands.
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %	The corporation established in February, 1997. As of June 30, 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 June 30, 2021, the paid-in capitals amounted to US\$9,516 thousands.
"	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 June 30, 2021, the paid-in capitals amounted to \$1,000,000.
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	- %	The corporation established in December 2020. As of June 30, 2021, the paid-in capitals amounted to \$330,000.
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %	97.27 %	The corporation established in December, 1998. As of June 30, 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 June 30, 2021, the paid-in capitals amounted to \$50,000.
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 %	The corporation established in August 20, 2008. Acquired 51% of the equity on February 9, 2015 and held controlling interest. As of June 30, 2021, the paid-in capitals amounted to CN¥1,000 thousands.
"	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 June 30, 2021, the paid-in capitals amounted to CN¥4,000 thousands.
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	100.00 %	The corporation established in May, 1994.
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %	The corporation established in April, 1995.
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 %	Liquidation in progress.
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %	Liquidation in progress.
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	- %	- %	The corporation established in April, 2021. As of June 30, 2021, the paid-in capitals amounted to \$300,000.

(Continued)

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

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2021	December 31, 2020	June 30, 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 June 30, 2021, December 31, 2020 and June 30, 2020, the total assets constituted 0.02%, 0.03% and 0.03% of the Group's total assets, respectively. For the six months ended June 30, 2021 and 2020, the operation revenue constituted 0.42% and 0.95% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of June 30, 2021, December 31, 2020 and June 30, 2020, the total assets constituted 0.04%, 0.05% and 0.08% of the Group's total assets, respectively. For the six months ended June 30, 2021 and 2020, the operation revenue constituted 0.75% and 1.92% 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 Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

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

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

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

(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 taxes

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

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

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

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

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms and 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.

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

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

Except the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2020 for the detail disclosures of Explanation of significant accounts.

(a) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash	\$ 2,794	2,723	2,756
Bank deposits			
Checking accounts	30,319	34,481	33,635
Demand deposits	<u>1,811,526</u>	<u>1,761,846</u>	<u>3,194,987</u>
Subtotal	<u>1,841,845</u>	<u>1,796,327</u>	<u>3,228,622</u>
Cash equivalents			
Time deposits	5,253,636	5,238,883	5,696,858
Futures margin - excess margin	1,629,853	1,365,163	1,834,501
Commercial papers	<u>6,938</u>	<u>93,986</u>	<u>59,980</u>
Subtotal	<u>6,890,427</u>	<u>6,698,032</u>	<u>7,591,339</u>
Total	<u>\$ 8,735,066</u>	<u>8,497,082</u>	<u>10,822,717</u>

(b) Financial assets

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<b>Open-ended funds and money-market instruments</b>			
Open-ended funds and money-market instruments	\$ 224,576	187,563	540,256
Valuation adjustment	<u>18,463</u>	<u>14,275</u>	<u>32,994</u>
Subtotal	<u>243,039</u>	<u>201,838</u>	<u>573,250</u>
<b>Securities invested by securities broker</b>			
Securities invested by securities broker	61,278	48,166	-
Valuation adjustment	<u>559</u>	<u>934</u>	<u>-</u>
Subtotal	<u>61,837</u>	<u>49,100</u>	<u>-</u>

(Continued)

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<b>Trading securities - proprietary trading</b>			
Listed stocks	\$ 1,510,343	907,307	1,154,477
Listed funds	870,131	666,617	571,873
OTC stocks	317,436	252,856	345,149
OTC funds	151,470	149,083	138,788
Emerging market stocks	674,067	617,219	469,884
Convertible bonds	706,648	921,050	777,591
Government bonds	2,327,574	3,328,813	5,599,771
Corporate bonds	9,466,811	8,266,818	8,195,146
International bonds	5,404,809	5,149,292	5,064,366
Financial debentures	1,457,778	957,778	1,262,042
Foreign stocks	250,470	159,732	86,043
Foreign bonds	155,594	191,652	91,207
Others	<u>226,094</u>	<u>7,500</u>	<u>10,300</u>
	23,519,225	21,575,717	23,766,637
Valuation adjustment	<u>240,008</u>	<u>211,927</u>	<u>111,457</u>
Subtotal	<u>23,759,233</u>	<u>21,787,644</u>	<u>23,878,094</u>
<b>Trading securities - underwriting:</b>			
Listed stocks	153,188	203,906	24,389
OTC stocks	-	700	16,196
Convertible bonds	<u>-</u>	<u>39,845</u>	<u>211,351</u>
	153,188	244,451	251,936
Valuation adjustment	<u>(1,634)</u>	<u>4,393</u>	<u>(537)</u>
Subtotal	<u>151,554</u>	<u>248,844</u>	<u>251,399</u>
<b>Trading securities - hedging</b>			
Listed stocks	3,711,938	2,371,659	1,420,519
OTC stocks	985,845	751,136	486,115
Convertible bonds	8,275,501	6,864,305	6,632,895
Others	<u>1,871,440</u>	<u>1,826,385</u>	<u>27,000</u>
	14,844,724	11,813,485	8,566,529
Valuation adjustment	<u>1,971,288</u>	<u>468,042</u>	<u>128,547</u>
Subtotal	<u>16,816,012</u>	<u>12,281,527</u>	<u>8,695,076</u>

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<b>Derivatives</b>			
Call options	\$ 64,861	40,215	2,167
Futures margin - proprietary fund	306,941	348,012	187,616
IRS asset swaps	13,976	13,100	16,143
Asset swap options - long position	272,692	157,459	114,957
Leverage derivatives - non-hedging	61,872	63,380	45,805
Structured notes	3,658	7,785	1,923
Currency swaps	<u>1,991</u>	<u>-</u>	<u>1,362</u>
Subtotal	<u>725,991</u>	<u>629,951</u>	<u>369,973</u>
Total	<u>\$ 41,757,666</u>	<u>35,198,904</u>	<u>33,767,792</u>

As of June 30, 2021, December 31, 2020 and June 30, 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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 2,218,496	2,220,744	2,215,213
International bonds	780,047	797,101	828,940
Foreign bonds	<u>12,514,827</u>	<u>14,607,024</u>	<u>16,032,671</u>
	15,513,370	17,624,869	19,076,824
Valuation adjustment	<u>311,082</u>	<u>593,315</u>	<u>527,728</u>
Subtotal	<u>15,824,452</u>	<u>18,218,184</u>	<u>19,604,552</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	450,594	272,065	186,375
OTC stocks	103,986	48,478	87,496
Emerging market stocks	<u>68,557</u>	<u>59,622</u>	<u>61,747</u>
	623,137	380,165	335,618
Valuation adjustment	<u>50,177</u>	<u>65,130</u>	<u>76,216</u>
Subtotal	<u>673,314</u>	<u>445,295</u>	<u>411,834</u>
Total	<u>\$ 16,497,766</u>	<u>18,663,479</u>	<u>20,016,386</u>

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

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

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

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

For the three months and the six months ended June 30, 2021 and 2020, the dividends were recognized from the Group designated the aforementioned equity instrument investments measured at fair value through other comprehensive income – current amounted to \$1,192, \$6,220, \$1,392 and \$6,220, 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 \$422,203, \$264,951, \$519,183 and \$267,470, respectively with cumulative dispose gains (losses) amounted to \$59,087, \$31,747, \$80,715 and \$30,273, respectively for the three months and the six months ended June 30, 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 six months ended June 30, 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).

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 180,329	180,329	180,329
Valuation adjustment	<u>87</u>	<u>600</u>	<u>700</u>
Total	<u>\$ 180,416</u>	<u>180,929</u>	<u>181,029</u>

As of June 30, 2021, December 31, 2020 and June 30, 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).

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 1,035,163	945,135	919,345
Valuation adjustment	<u>1,969,640</u>	<u>1,341,950</u>	<u>1,204,503</u>
Total	<u>\$ 3,004,803</u>	<u>2,287,085</u>	<u>2,123,848</u>

For the three months and the six months ended June 30, 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, \$27,552, \$0 and \$55,473, respectively.

For the three months and the six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 2021 and 2020 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	June 30, 2021	December 31, 2020	June 30, 2020	For the six months ended June 30,					
				2021			2020		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,723,112	1,351,429	1,135,789	1,666,787	1,883,240	1,527,654	1,166,920	1,330,276	1,066,520

- (c) Accounts Receivable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Receivable on securities purchased by customers	\$ 193,602	40,983	111,882
Settlement	-	1,426,058	1,057,862
Interests receivable	448,881	434,085	416,332
Receivables on securities sold	16,933,931	9,066,249	9,059,110
Others	<u>104,218</u>	<u>72,122</u>	<u>86,105</u>
Subtotal	17,680,632	11,039,497	10,731,291
Less: allowance for doubtful accounts	<u>(43)</u>	<u>(241)</u>	<u>(1,706)</u>
Total	<u>\$ 17,680,589</u>	<u>11,039,256</u>	<u>10,729,585</u>

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

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

(ii) For the six months ended June 30, 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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Customers' margin account			
Cash in banks	\$ 26,696,344	28,320,264	28,218,724
Customers' margin account - futures clearing house	7,272,072	6,038,034	5,496,032
Customers' margin account - other futures commission merchants	3,313,888	3,990,936	5,296,447
Marketable securities	<u>1,733</u>	<u>598</u>	<u>556</u>
Total customers' margin account	<u>37,284,037</u>	<u>38,349,832</u>	<u>39,011,759</u>
Add:			
Commission expense	1,822	2,352	5,431
Other	1,241	26	1,150
Less:			
Brokerage fee revenue	(11,709)	(11,746)	(23,239)
Futures transaction tax	(2,833)	(2,289)	(1,529)
Interest revenues	(880)	(789)	(4,367)
Temporary receipts	(1,040)	(3,034)	(803)
Remittance amount of the customers after the market closed	(13,972)	(11,879)	(11,957)
Other receivables	(25,613)	(5,848)	1,777
Other	<u>-</u>	<u>(4)</u>	<u>-</u>
Futures traders' equity	<u>\$ 37,231,053</u>	<u>38,316,621</u>	<u>38,978,222</u>

(e) Investments accounted for under equity method

Investments under equity method consisted of the following:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 63,385	51,986	42,961
Capital Insurance Agency Corp.	<u>39,596</u>	<u>39,190</u>	<u>40,366</u>
Subtotal	<u>102,981</u>	<u>91,176</u>	<u>83,327</u>
Associates			
True Partner Advisor Hong Kong Ltd.	49,588	49,281	49,546
Capital Investment Trust Corp.	<u>1,436,064</u>	<u>1,340,829</u>	<u>1,257,234</u>
Subtotal	<u>1,485,652</u>	<u>1,390,110</u>	<u>1,306,780</u>
Total	<u>\$ 1,588,633</u>	<u>1,481,286</u>	<u>1,390,107</u>

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

## (i) Subsidiaries:

For the three months and the six months ended June 30, 2021 and 2020, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
The Group's share of gains based on the subsidiaries' financial statements	\$ <u>4,974</u>	<u>3,569</u>	<u>11,805</u>	<u>18,059</u>
Total assets		\$ <u>June 30, 2021</u> <u>131,926</u>	<u>December 31, 2020</u> <u>120,492</u>	<u>June 30, 2020</u> <u>172,821</u>
Total liabilities		\$ <u>28,945</u>	<u>29,316</u>	<u>89,494</u>
		For the three months ended June 30,	For the six months ended June 30,	
		2021	2021	2020
Revenue	\$ <u>38,230</u>	<u>31,443</u>	<u>77,906</u>	<u>99,120</u>
Net income	\$ <u>4,974</u>	<u>3,569</u>	<u>11,805</u>	<u>18,059</u>

## (ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights		
			June 30, 2021	December 31, 2020	June 30, 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:

	June 30, 2021	December 31, 2020	June 30, 2020
Total carrying amount of interests in associates that were individually immaterial	\$ <u>1,485,652</u>	<u>1,390,110</u>	<u>1,306,780</u>

(Continued)

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Group's share of total comprehensive income in associates:				
Profit from continuing operations	\$ 49,396	37,706	92,347	73,093
Other comprehensive income (losses)	2,273	54	3,287	232
Total comprehensive income (losses)	<u>\$ 51,669</u>	<u>37,760</u>	<u>95,634</u>	<u>73,325</u>

## (iii) Collateral

As of June 30, 2021, December 31, 2020 and June 30, 2020, none of the investment accounted for under equity method of the Group was pledged for collateral.

## (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	-	-	117,242	31,323	148,565
Transferred from investment property	238,339	135,003	-	-	373,342
Reclassified to investment property	(174,920)	(154,814)	-	-	(329,734)
Disposals and retirements	-	-	(93,193)	(37,747)	(130,940)
Effect of exchange rate changes	-	(2,177)	(1,824)	(268)	(4,269)
Balance at June 30, 2021	<u>\$ 2,054,272</u>	<u>1,293,816</u>	<u>629,934</u>	<u>261,618</u>	<u>4,239,640</u>
Balance at January 1, 2020	\$ 1,881,232	1,182,520	667,875	265,792	3,997,419
Additions	-	-	41,148	6,783	47,931
Transferred from investment property	410,861	288,361	-	-	699,222
Reclassified to investment property	(303,060)	(150,766)	-	-	(453,826)
Disposals and retirements	-	(255)	(137,583)	(18,826)	(156,664)
Effect of exchange rate changes	-	(1,229)	(842)	(109)	(2,180)
Balance at June 30, 2020	<u>\$ 1,989,033</u>	<u>1,318,631</u>	<u>570,598</u>	<u>253,640</u>	<u>4,131,902</u>
Accumulated depreciation and impairment loss					
Balance at January 1, 2021	\$ -	577,627	344,866	148,860	1,071,353
Depreciation	-	13,918	63,757	25,777	103,452
Transferred from investment property	-	26,765	-	-	26,765
Reclassified to investment property	-	(106,937)	-	-	(106,937)
Disposals and retirements	-	-	(93,064)	(37,739)	(130,803)
Effect of exchange rate changes	-	(1,024)	(1,473)	(113)	(2,610)
Balance at June 30, 2021	<u>\$ -</u>	<u>510,349</u>	<u>314,086</u>	<u>136,785</u>	<u>961,220</u>

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

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Balance at January 1, 2020	\$ -	460,046	394,091	117,677	971,814
Depreciation	-	12,354	50,686	26,114	89,154
Transferred from investment property	-	126,190	-	-	126,190
Reclassified to investment property	-	(32,738)	-	-	(32,738)
Disposals and retirements	-	(255)	(137,583)	(18,826)	(156,664)
Effect of exchange rate changes	-	(553)	(761)	(91)	(1,405)
Balance at June 30, 2020	<u>\$ -</u>	<u>565,044</u>	<u>306,433</u>	<u>124,874</u>	<u>996,351</u>
Carrying amount:					
At June 30, 2021	<u>\$ 2,054,272</u>	<u>783,467</u>	<u>315,848</u>	<u>124,833</u>	<u>3,278,420</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 June 30, 2020	<u>\$ 1,989,033</u>	<u>753,587</u>	<u>264,165</u>	<u>128,766</u>	<u>3,135,551</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(g) Right-of-use assets

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Carrying amount:			
At June 30, 2021	<u>\$ 841,893</u>	<u>8,921</u>	<u>850,814</u>
At January 1, 2021	<u>\$ 838,501</u>	<u>11,709</u>	<u>850,210</u>
At June 30, 2020	<u>\$ 866,146</u>	<u>15,797</u>	<u>881,943</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Additions of Right-of-use assets	<u>\$ 52,371</u>	<u>21,739</u>	<u>109,369</u>	<u>31,747</u>
Depreciation for the period				
Buildings	54,833	50,141	105,060	100,500
Others	1,608	2,194	3,352	4,312
	<u>\$ 56,441</u>	<u>52,335</u>	<u>108,412</u>	<u>104,812</u>

(h) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
At June 30, 2021	<u>\$ 2,901,435</u>	<u>575,489</u>	<u>3,476,924</u>
At January 1, 2021	<u>\$ 2,964,854</u>	<u>646,253</u>	<u>3,611,107</u>
At June 30, 2020	<u>\$ 2,966,675</u>	<u>657,377</u>	<u>3,624,052</u>
<u>Fair Value:</u>			
At June 30, 2021			<u>7,258,253</u>
At January 1, 2021			<u>7,295,403</u>
At June 30, 2020			<u>7,295,403</u>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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 June 30, 2021, December 31, 2020 and June 30, 2020, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months and the six months ended June 30, 2021 and 2020, the depreciation expense of the Group amounted to \$5,379, \$5,764, \$10,403 and \$12,025, respectively.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the six months ended June 30, 2021 and 2020. For the six months ended June 30, 2021 and 2020, \$222,797 and \$421,088 of land and buildings out of use were transferred to investment property, and \$346,577 and \$573,032 of investment property were transferred to property and equipment. Please refer to 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).

Lessor

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Within 1 year	\$ 159,336	141,942	149,028
1-5 years	502,770	452,023	430,587
Over 5 years	323,020	301,791	404,411
	<u>\$ 985,126</u>	<u>895,756</u>	<u>984,026</u>

The rental revenue from investment property for the three months and the six months ended June 30, 2021 and 2020 amounted to \$37,828, \$39,820, \$76,496 and \$82,236 respectively.

(i) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of June 30, 2021, December 31, 2020 and June 30, 2020, the carrying amounts of related goodwill were all \$3,126,698.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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 June 30, 2021, December 31, 2020 and June 30, 2020, the carrying amounts of goodwill were \$18,486, \$20,884 and \$22,088, respectively. Furthermore, the Group recognized an impairment loss of \$2,398 for the six months ended June 30, 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 June 30, 2021, December 31, 2020 and June 30, 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 June 30, 2021, December 31, 2020 and June 30, 2020, the carrying amounts of intangible assets were \$46,103, \$46,146 and \$46,221, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of June 30, 2021, December 31, 2020 and June 30, 2020, the amortized book value were \$27,085, \$35,836 and \$30,211, respectively.

(j) Short-term borrowings

<u>Nature of borrowings</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Collateralized loan	\$ 1,083,754	1,449,632	1,362,980
Credit loan	<u>3,775,531</u>	<u>2,221,479</u>	<u>3,210,110</u>
Total	<u>\$ 4,859,285</u>	<u>3,671,111</u>	<u>4,573,090</u>
Interest rate range	<u>0.48%~1.46%</u>	<u>0.44%~1.45%</u>	<u>0.55%~1.50%</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group had provided land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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## (k) Commercial paper payable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Commercial paper payable	\$ 10,050,000	2,300,000	-
Less: Unamortized discount	(1,103)	(308)	-
Net amount	<u>\$ 10,048,897</u>	<u>2,299,692</u>	<u>-</u>
Interest rate range	<u>0.308%-0.408%</u>	<u>0.358%-0.418%</u>	

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Liabilities on sale of borrowed securities	\$ 648,621	947,588	341,833
Redeem liabilities on sale of borrowed securities	(21,163)	-	(2,740)
Valuation adjustment	147,010	(17,227)	(13,898)
Subtotal	<u>774,468</u>	<u>930,361</u>	<u>325,195</u>
Settlement coverage bonds payable of short sale	-	-	49,794
Valuation adjustment	-	-	(17)
Subtotal	<u>-</u>	<u>-</u>	<u>49,777</u>
Liabilities for issuance of Exchange Traded Notes	764	868	697
Valuation adjustment	247	260	8
Subtotal	<u>1,011</u>	<u>1,128</u>	<u>705</u>
Stock warrants issued	15,171,316	9,668,055	15,552,800
Stock warrants repurchased	(12,314,575)	(8,941,544)	(15,014,656)
Subtotal	<u>2,856,741</u>	<u>726,511</u>	<u>538,144</u>
Put options	70,965	59,577	4,290
IRS asset swaps	18,897	10,968	12,617
Asset swap options - short position	1,828,703	1,267,802	715,957
Structured notes	582,573	619,483	16,639
Leverage derivatives - non-hedging	1,996	1,772	2,758
Currency swaps	3,610	12,759	422
Interest rate swaps	179	505	1,054
Subtotal	<u>2,506,923</u>	<u>1,972,866</u>	<u>753,737</u>
Total	<u>\$ 6,139,143</u>	<u>3,630,866</u>	<u>1,667,558</u>

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

(m) Bonds sold under repurchase agreements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Bonds sold under repurchase agreements	\$ <u>34,864,327</u>	<u>35,265,582</u>	<u>39,488,135</u>
Agreed-upon repurchase amounts	<u>34,902,299</u>	<u>35,315,617</u>	<u>39,606,648</u>
Interest rates	<u>0.05%~2.55%</u>	<u>0.10%~2.60%</u>	<u>0.10%~2.70%</u>
Date of repurchase	<u>2021.7.1~2022.6.30</u>	<u>2021.1.4~2021.12.16</u>	<u>2020.7.1~2021.6.30</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.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Equity for each customer in the account	\$ <u>22,950,860</u>	<u>13,063,932</u>	<u>8,759,850</u>

(o) Accounts payable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Payable of securities sold by customers	\$ 231,587	65,929	107,704
Settlement	593,097	-	-
Payable of settlements	17,116,707	10,333,791	9,959,166
Others	<u>153,891</u>	<u>347,004</u>	<u>373,532</u>
Total	<u>\$ 18,095,282</u>	<u>10,746,724</u>	<u>10,440,402</u>

(p) Lease liabilities

The Group’s lease liabilities are as follow:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current	\$ <u>176,917</u>	<u>173,381</u>	<u>190,353</u>
Non-current	<u>\$ 731,191</u>	<u>736,969</u>	<u>746,903</u>

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

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Interest on lease liabilities	\$ 3,184	3,346	6,242	6,851
Expenses relating to short-term leases	\$ 1,978	1,618	3,588	3,064
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	\$ 1,525	8,340	3,033	13,692

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

	For the six months ended June 30,	
	2021	2020
Total cash outflow for leases	\$ 122,997	130,130

(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 and the six months ended June 30, 2021 and 2020, the Group's pension expenses recognized in profit or loss were \$2,105, \$1,967, \$4,207 and \$3,923, 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 \$25,389, \$21,643, \$50,086 and \$42,959 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the six months ended June 30, 2021 and 2020, respectively.

(iii) For the three months and the six months ended June 30, 2021 and 2020, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,069, \$761, \$2,235 and \$1,768, respectively.

(iv) Provision for employee benefits liabilities

	December 31,		
	June 30, 2021	2020	June 30, 2020
Compensated absences	\$ 62,285	50,169	61,148

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

(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 six months ended June 30, 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 six months ended June 30, 2021 and 2020.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the six months ended June 30, 2021 and 2020.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the six months ended June 30, 2021 and 2020.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Current tax expense	\$ 237,718	149,765	417,937	218,459
Deferred income tax expense (benefit)	13,821	(49,856)	19,156	6,899
Total	<u>\$ 251,539</u>	<u>99,909</u>	<u>437,093</u>	<u>225,358</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Foreign exchange difference from translating financial statement of foreign operations	<u>\$ (7,199)</u>	<u>(6,403)</u>	<u>(6,911)</u>	<u>(3,260)</u>

(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.

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

- 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 June 30, 2021, December 31, 2020 and June 30, 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.

The followings are the capital surplus of the Company:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 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>30,080</u>
	<u>\$ 2,743,465</u>	<u>2,743,430</u>	<u>2,743,205</u>

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

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

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

3) Undistributed earnings

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

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

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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The Company's fiscal year 2020 earnings distribution has reached the statutory resolution threshold by electronic voting on June 25, 2021, and the Company held the resolution of the shareholder's meeting on July 14, 2021. Besides, 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**  
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(t) Earnings per share

The basic earnings per share and dilutive earnings per share for the three months and the six months ended June 30, 2021 and 2020 were calculated as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Net income attributable to common shareholders of the Company	\$ <u>1,260,816</u>	<u>1,508,552</u>	<u>2,552,712</u>	<u>658,534</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,924</u>	<u>2,170,908</u>	<u>2,170,924</u>
Basic earnings per share (dollar)	\$ <u>0.58</u>	<u>0.69</u>	<u>1.18</u>	<u>0.30</u>
Effect of potentially dilutive common stock				
- Employee remuneration (thousands of shares) (Note)	<u>988</u>	<u>881</u>	<u>2,123</u>	<u>881</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,171,896</u>	<u>2,171,805</u>	<u>2,173,031</u>	<u>2,171,805</u>
Dilutive earnings per share (dollar)	\$ <u>0.58</u>	<u>0.69</u>	<u>1.17</u>	<u>0.30</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 June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Brokerage commission from TSE market	\$ 1,506,461	571,682	2,429,870	1,053,590
Brokerage commission from OTC market	304,559	205,249	560,299	350,323
Handling fee from security financing	12,076	8,431	19,421	15,591
Futures commission income - brokerage	459,654	443,225	926,943	1,010,601
Overseas subsidiaries	8,584	10,885	24,709	21,755
Others	<u>34,830</u>	<u>27,096</u>	<u>79,613</u>	<u>51,549</u>
	\$ <u>2,326,164</u>	<u>1,266,568</u>	<u>4,040,855</u>	<u>2,503,409</u>

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

(ii) Underwriting commissions

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Revenue from underwriting securities on a firm commitment basis	\$ 20,716	23,119	37,672	41,952
Handling fee revenues from underwriting securities on consignment	123	119	243	251
Processing fee revenues from underwriting operations	1,602	4,178	5,811	7,918
Revenue from underwriting consultation	970	840	2,050	4,400
Others	400	481	1,016	881
	<u>\$ 23,811</u>	<u>28,737</u>	<u>46,792</u>	<u>55,402</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Gains (losses) on securities sold - proprietary trading	\$ 289,362	236,130	718,718	(329,419)
Gains (losses) on securities sold - underwriting	12,060	9,200	16,766	33,347
Gains (losses) on securities sold - hedging	953,629	115,514	1,576,113	(124,757)
	<u>\$ 1,255,051</u>	<u>360,844</u>	<u>2,311,597</u>	<u>(420,829)</u>

(iv) Interest revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Interest revenue - margin loans	\$ 245,229	122,702	454,402	271,793
Interest revenue - bonds	126,653	158,581	265,275	321,407
Overseas subsidiaries	7,971	15,404	20,970	27,189
Others	44,127	24,050	85,677	52,937
	<u>\$ 423,980</u>	<u>320,737</u>	<u>826,324</u>	<u>673,326</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Trading securities - proprietary	\$ (32,046)	502,938	27,744	(53,231)
Trading securities - underwriting	(8,866)	15,228	(6,027)	(26,589)
Trading securities - hedging	1,430,426	456,923	1,503,246	(150,759)
Settlement coverage bonds payable of short sale	-	1,021	-	17
	<u>\$ 1,389,514</u>	<u>976,110</u>	<u>1,524,963</u>	<u>(230,562)</u>

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Gains on changes in fair value of stock warrants	\$ (8,625,494)	1,155,538	(8,964,270)	5,466,449
Gains on exercise of stock warrants before maturity	18,966,485	7,056,361	28,090,777	15,752,120
Losses on changes in fair value of stock warrants repurchased	(12,092,644)	(8,098,328)	(21,035,627)	(21,040,356)
Gains on expiration of stock warrants	11,099	11,914	18,325	29,187
Stock warrants issuance expenses	(54,759)	(47,213)	(119,527)	(86,202)
	<u>\$ (1,795,313)</u>	<u>78,272</u>	<u>(2,010,322)</u>	<u>121,198</u>

(vii) Futures commission revenues

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Futures commission revenues - CSC Futures (HK) Ltd.	\$ <u>94,394</u>	<u>86,958</u>	<u>191,626</u>	<u>147,736</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.

(viii) Commission expenses - future

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Future trading - reconignment	\$ 51,913	64,121	112,270	149,327
Future trading - introducing brokers	287	387	641	945
Commission expenses - CSC Futures (HK) Ltd.	30,867	19,748	56,861	37,098
	<u>\$ 83,067</u>	<u>84,256</u>	<u>169,772</u>	<u>187,370</u>

(ix) Employee benefits, depreciation, and amortization expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Employee benefit expenses				
Salary expense	\$ 907,539	608,685	1,697,606	1,127,568
Health and labor insurance expense	47,856	40,263	103,592	83,688
Pension expense	28,563	24,371	56,528	48,650
Others	19,121	14,552	35,162	28,730
Depreciation expense	113,713	103,227	222,267	205,991
Amortization expense	8,756	8,862	17,648	17,706
	<u>\$ 1,125,548</u>	<u>799,960</u>	<u>2,132,803</u>	<u>1,512,333</u>

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

(x) Other operating expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Rental expense	\$ 3,497	9,951	6,610	16,743
Taxes	181,540	90,499	318,955	188,631
Information technology expense	66,280	58,870	123,925	113,917
Postage expense	56,869	54,618	110,826	104,083
Professional service fee	6,245	7,876	12,795	13,441
Other expenses	210,763	140,287	393,821	267,300
	<u>\$ 525,194</u>	<u>362,101</u>	<u>966,932</u>	<u>704,115</u>

(xi) Other gains and losses

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Financial revenue	\$ 52,421	107,072	105,895	232,839
Currency exchange gains (losses)	(18,567)	(4,326)	(15,261)	(9,682)
Net gains (losses) on disposal of investment	3,540	2,221	17,368	(5,281)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	4,251	32,604	943	20,507
Revenue from bank's allocation fee	46,015	39,159	91,407	77,136
Net gains (losses) on disposal of property and equipment	(137)	-	(137)	11,317
Dividend revenue	255	27,552	255	55,473
Gains on reversal of prior year's liabilities	3,484	15,189	12,568	20,113
Rental income	37,828	39,820	76,496	82,236
Others	25,109	23,169	35,086	31,793
	<u>\$ 154,199</u>	<u>282,460</u>	<u>324,620</u>	<u>516,451</u>

(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.

(Continued)

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

For the three months and the six months ended June 30, 2021 and 2020, the estimated amounts of remuneration to employees were \$18,269, \$9,121, \$35,983 and \$9,121, respectively, and to directors were \$27,404, \$15,201, \$53,974 and \$15,201, 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 of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the three months and the six months ended June 30, 2021 and 2020, the estimated amounts of remuneration to employees were \$1,750, \$2,100, \$4,100 and \$4,600 and to directors were \$1,750, \$2,100, \$4,100 and \$4,600 by the domestic subsidiaries of the Group, respectively.

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of June 30, 2021, December 31, 2020 and June 30, 2020, the maximum credit exposure amounted to \$148,357,115, \$128,261,021 and \$124,536,696, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Group is as the list below. The region of exposure is mostly in Taiwan (accounted for 81.77%); secondly, is in Asia (accounted for 10.02%, exclusion of Taiwan); then, is in Europe (accounted for 5.08%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

(Continued)

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

<u>Region</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taiwan	\$ 121,317,707	99,319,538	93,429,970
Asia (Taiwan is excluded)	14,868,264	15,927,212	16,696,523
Europe	7,537,973	3,761,898	3,274,597
America	4,606,287	8,348,552	10,231,184
Other	26,884	903,821	904,422
Total	<u>\$ 148,357,115</u>	<u>128,261,021</u>	<u>124,536,696</u>

2) Impairment loss

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

	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 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	\$ 44,608,333	30,117	28,531,443	36,508	24,013,380	9,040
Past due 0~30 days	6,557	-	182	182	229	229
Past due 31~120 days	12,887	12,217	399	399	2,082	2,082
Past due 121~360 days	7,127	6,939	841	841	16	16
Past due more than 360 days	274,838	274,808	276,004	276,004	304,594	304,594
	<u>\$ 44,909,742</u>	<u>324,081</u>	<u>28,808,869</u>	<u>313,934</u>	<u>24,320,301</u>	<u>315,961</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 June 30, 2021, December 31, 2020 and June 30, 2020, the impairment losses of receivables were \$324,081, \$313,934 and \$315,961, respectively.

3) Credit risk of receivables and debt securities

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

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

The loss allowance provision for the six months ended June 30, 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	-	(2,169)	-	-	12,583	-	10,414
Amounts written off	-	-	-	-	(942)	-	(942)
Effect of exchange rate	-	-	-	-	(1,494)	-	(1,494)
Balance on June 30, 2021	<u>\$ -</u>	<u>7,222</u>	<u>-</u>	<u>-</u>	<u>324,081</u>	<u>-</u>	<u>331,303</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	-	1,708	-	-	1,174	-	2,882
Amounts written off	-	-	-	-	(299)	-	(299)
Effect of exchange rate	-	-	-	-	(468)	-	(468)
Balance on June 30, 2020	<u>\$ -</u>	<u>9,275</u>	<u>-</u>	<u>-</u>	<u>315,961</u>	<u>-</u>	<u>325,236</u>

(Continued)

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

(ii) Liquidity risk

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

June 30, 2021	<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>
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 774,468	774,468	774,468	-	-	-	-
Stock warrants issued	2,856,741	2,856,741	2,344,475	512,266	-	-	-
Put options	70,965	70,965	70,965	-	-	-	-
Exchange traded notes	1,011	1,011	1,011	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	22,686	22,686	682	4,258	10,712	7,034	-
Asset swap option - short position	1,828,703	1,828,703	150,643	208,174	554,536	915,350	-
Leverage derivatives - non-hedging	1,996	1,996	1,996	-	-	-	-
Structured notes	582,573	582,573	11,841	440	952	569,340	-
Short-term borrowings	4,859,285	4,859,285	4,859,285	-	-	-	-
Commercial paper payable	10,048,897	10,050,000	10,050,000	-	-	-	-
Bonds sold under repurchase agreements	34,864,327	34,902,299	24,919,845	9,982,454	-	-	-
Guarantee deposited for short sales	2,486,622	2,486,622	2,486,622	-	-	-	-
Proceeds payable from short sales	2,724,103	2,724,103	2,724,103	-	-	-	-
Securities lending refundable deposits	2,122,433	2,122,433	2,122,433	-	-	-	-
Futures traders' equity	37,231,053	37,231,053	37,231,053	-	-	-	-
Equity for each customer in the account	22,950,860	22,950,860	22,950,860	-	-	-	-
Leverage contract trading customers' equity	449,378	449,378	449,378	-	-	-	-
Notes payable and accounts payable	153,891	153,891	153,891	-	-	-	-
Receipts under custody	306,749	306,749	306,749	-	-	-	-
Other payables	3,904,226	3,904,226	3,901,764	2,462	-	-	-
Other financial liabilities	5,020,308	5,020,308	4,290,244	199,633	230,244	300,187	-
Lease liabilities	908,108	946,047	96,068	91,800	158,468	392,235	207,476
	<u>\$ 134,169,383</u>	<u>134,246,397</u>	<u>119,898,376</u>	<u>11,001,487</u>	<u>954,912</u>	<u>2,184,146</u>	<u>207,476</u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 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	-	-	-	-
Structured notes	619,483	619,483	10,768	359	-	608,356	-
Short-term borrowings	3,671,111	3,671,111	3,671,111	-	-	-	-
Commercial paper payable	2,299,692	2,300,000	2,300,000	-	-	-	-
Bonds sold under repurchase agreements	35,265,582	35,315,617	26,903,159	8,412,458	-	-	-
Guarantee deposited for short sales	2,631,763	2,631,763	2,631,763	-	-	-	-
Proceeds payable from short sales	3,021,249	3,021,249	3,021,249	-	-	-	-
Securities lending refundable deposits	1,033,425	1,033,425	1,033,425	-	-	-	-
Futures traders' equity	38,316,621	38,316,621	38,316,621	-	-	-	-
Equity for each customer in the account	13,063,932	13,063,932	13,063,932	-	-	-	-
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	-	-	-
Other financial liabilities	4,751,090	4,751,090	3,969,342	266,487	171,945	343,316	-
Lease liabilities	910,350	950,943	104,433	79,719	143,812	361,069	261,910
	<u>\$ 112,068,896</u>	<u>112,159,832</u>	<u>100,426,957</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**

June 30, 2020	<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>
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 325,195	325,195	325,195	-	-	-	-
Settlement coverage bonds payable of short sale	49,777	49,777	49,777	-	-	-	-
Stock warrants issued	538,144	538,144	480,494	57,650	-	-	-
Put options	4,290	4,290	4,290	-	-	-	-
Exchange traded notes	705	705	-	-	705	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	14,093	14,093	892	1,462	(6,268)	18,007	-
Asset swap option - short position	715,957	715,957	55,299	82,737	312,011	265,910	-
Leverage derivatives - non-hedging	2,758	2,758	2,758	-	-	-	-
Structured notes	16,639	16,639	8,070	(448)	-	9,017	-
Short-term borrowings	4,573,090	4,573,090	4,573,090	-	-	-	-
Bonds sold under repurchase agreements	39,488,135	39,606,648	25,819,116	13,787,532	-	-	-
Guarantee deposited for short sales	2,073,592	2,073,592	2,073,592	-	-	-	-
Proceeds payable from short sales	2,285,928	2,285,928	2,285,928	-	-	-	-
Securities lending refundable deposits	1,053,695	1,053,695	1,053,695	-	-	-	-
Futures traders' equity	38,978,222	38,978,222	38,978,222	-	-	-	-
Equity for each customer in the account	8,759,850	8,759,850	8,759,850	-	-	-	-
Leverage contract trading customers' equity	363,661	363,661	363,661	-	-	-	-
Notes payable and accounts payable	439,545	439,545	439,545	-	-	-	-
Receipts under custody	126,714	126,714	126,714	-	-	-	-
Other payables	2,556,164	2,556,164	2,553,016	3,148	-	-	-
Other financial liabilities	4,123,349	4,123,349	3,620,965	112,391	297,195	91,798	-
Lease liabilities	937,256	982,306	105,340	96,488	142,574	330,692	307,212
	<u>\$ 107,426,759</u>	<u>107,590,322</u>	<u>91,679,509</u>	<u>14,140,960</u>	<u>746,217</u>	<u>715,424</u>	<u>307,212</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:

	<b>June 30, 2021</b>		
	<b>Foreign Currency (thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 670,223	27.8600	18,672,413
AUD	2,926	20.9400	61,270
CAD	103	22.4800	2,315
CHF	8	30.1950	242
EUR	8,003	33.1500	265,299
GBP	3,005	38.5400	115,813
HKD	147,527	3.5870	529,179
JPY	868,752	0.2521	219,012
SGD	1,146	20.7300	23,757
CNY	148,844	4.3090	641,369
ZAR	379	1.9490	739
KRW	776,407	0.0249	19,333
NZD	95	19.4900	1,852
THB	5,478	0.8744	4,790
MYR	35	6.4400	225
<b><u>Non-Monetary Item</u></b>			
USD	555,279	27.8600	15,470,073
AUD	133,492	20.9400	2,795,322
CAD	1	22.4800	22
CHF	3	30.1950	91
EUR	12,808	33.1500	424,585
HKD	18,323	3.5870	65,725
JPY	18,995	0.2521	4,789
CNY	60,509	4.3090	260,733
ZAR	4	1.9490	8
<b><u>Investments under equity method</u></b>			
HKD	13,824	3.5870	49,588

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

	<b>June 30, 2021</b>		
	<b>Foreign Currency (thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,217,069	27.8600	33,907,542
AUD	126,703	20.9400	2,653,161
CHF	2	30.1950	60
EUR	19,291	33.1500	639,497
GBP	2,895	38.5400	111,573
HKD	266,510	3.5870	955,971
JPY	829,000	0.2521	208,991
SGD	668	20.7300	13,848
CNY	61,808	4.3090	266,331
ZAR	8	1.9490	16
KRW	680,925	0.0249	16,955
THB	4,290	0.8744	3,751
MYR	20	6.4400	129
<b><u>Non-Monetary Item</u></b>			
USD	67	27.8600	1,867
GBP	1	38.5400	39
JPY	301	0.2521	76
NZD	1	19.4900	19

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

				December 31, 2020		
				Foreign Currency		
				(thousands)	Exchange Rate	Amount
<b><u>Financial assets</u></b>						
<b><u>Monetary Item</u></b>						
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
<b><u>Non-Monetary Item</u></b>						
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
<b><u>Investments under equity method</u></b>						
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 (thousands)	Exchange Rate	Amount
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
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
<b><u>Non-Monetary Item</u></b>			
USD	12	28.4800	342
CAD	4	22.3500	89
JPY	1,023	0.2763	283
CNY	240	4.3770	1,050
ZAR	1	1.9490	2

(Continued)

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

	June 30, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 811,758	29.6300	24,052,390
AUD	2,917	20.3350	59,317
CAD	2	21.6800	43
CHF	53	31.1150	1,649
EUR	10,904	33.2700	362,776
GBP	2,921	36.4300	106,412
HKD	121,863	3.8230	465,882
JPY	1,036,138	0.2751	285,042
SGD	433	21.2400	9,197
CNY	84,069	4.1910	352,333
KRW	381,687	0.0249	9,504
NZD	3	19.0200	57
THB	14,783	0.9645	14,258
MYR	421	6.6195	2,787
<b><u>Non-Monetary Item</u></b>			
USD	639,643	29.6300	18,952,622
AUD	109,571	20.3350	2,228,126
CAD	5	21.6800	108
EUR	6,120	33.2700	203,612
GBP	3	36.4300	109
HKD	342	3.8230	1,307
JPY	1,195	0.2751	329
CNY	251,173	4.1910	1,052,666
<b><u>Investments under equity method</u></b>			
HKD	12,960	3.8230	49,546

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

	June 30, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,427,749	29.6300	42,304,203
AUD	101,418	20.3350	2,062,335
CHF	52	31.1150	1,618
EUR	16,797	33.2700	558,836
GBP	2,848	36.4300	103,753
HKD	212,971	3.8230	814,188
JPY	1,014,327	0.2751	279,041
SGD	539	21.2400	11,448
CNY	180,241	4.1910	755,390
KRW	219,707	0.0249	5,471
NZD	1	19.0200	19
THB	12,059	0.9645	11,631
MYR	408	6.6195	2,701
<b><u>Non-Monetary Item</u></b>			
USD	87	29.6300	2,578
CNY	38	4.1910	159
NZD	1	19.0200	19

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 and the six months ended June 30, 2021 and 2020, the realized and unrealized currency exchange gains (losses) amounted to \$33,807, \$18,842, \$18,647 and \$(22,636), respectively.

(Continued)

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

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 six months ended June 30, 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 six months ended June 30,		For the six months ended June 30,	
	2021		2020	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
Net income	(511,093)	511,093	(644,407)	644,407
Other comprehensive income	545,043	(545,043)	696,272	(696,272)

(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	June 30, 2021	December 31, 2020	June 30, 2020	For the six months ended June 30,					
				2021			2020		
				Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,498,290	1,560,150	1,760,464	1,439,730	1,510,260	1,373,366	1,521,318	1,760,464	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 June 30, 2021, December 31, 2020 and June 30, 2020, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	June 30, 2021		December 31, 2020		June 30, 2020	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets:						
Cash and cash equivalents	\$ 8,735,066	8,735,066	8,497,082	8,497,082	10,822,717	10,822,717
Accrued receivable	69,303,553	69,303,553	43,345,297	43,345,297	33,780,256	33,780,256
Customers' margin account	37,284,037	37,284,037	38,349,832	38,349,832	39,011,759	39,011,759
Leverage contract trading - customers' margin account	448,035	448,035	352,962	352,962	368,326	368,326
Restricted assets - current	265,814	265,814	87,357	87,357	90,019	90,019
Other non-current assets	1,473,531	1,473,531	1,469,407	1,469,407	1,477,799	1,477,799
Financial liabilities:						
Short-term borrowings	4,859,285	4,859,285	3,671,111	3,671,111	4,573,090	4,573,090
Commercial paper payable	10,048,897	10,048,897	2,299,692	2,299,692	-	-
Bonds sold under repurchase agreements	34,864,327	34,864,327	35,265,582	35,265,582	39,488,135	39,488,135
Accrued payable	53,230,935	53,230,935	33,813,887	33,813,887	27,723,946	27,723,946
Futures traders' equity	37,231,053	37,231,053	38,316,621	38,316,621	38,978,222	38,978,222
Leverage contract trading - customers' equity	449,378	449,378	352,056	352,056	363,661	363,661
Other financial liabilities - current	4,489,877	4,489,877	4,235,829	4,235,829	3,733,356	3,733,356
Other financial liabilities - non- current	530,431	530,431	515,261	515,261	388,993	388,993
Other non-current liabilities	98,774	98,774	99,911	99,911	98,285	98,285

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

	Level 1	Level 2	Level 3	Total
Investment property				
June 30, 2021	\$ -	-	7,258,253	7,258,253
December 31, 2020	\$ -	-	7,295,403	7,295,403
June 30, 2020	\$ -	-	7,295,403	7,295,403

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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>
<b>June 30, 2021</b>				
Financial assets at fair value through profit or loss	\$ 15,280,363	25,931,728	-	41,212,091
Financial assets at fair value through other comprehensive income	2,921,322	13,576,444	3,004,803	19,502,569
Derivative financial assets	<u>371,802</u>	<u>354,189</u>	<u>-</u>	<u>725,991</u>
	<u>\$ 18,573,487</u>	<u>39,862,361</u>	<u>3,004,803</u>	<u>61,440,651</u>
Financial liabilities at fair value through profit or loss	\$ 3,632,220	-	-	3,632,220
Derivative financial liabilities	<u>641,257</u>	<u>1,865,666</u>	<u>-</u>	<u>2,506,923</u>
	<u>\$ 4,273,477</u>	<u>1,865,666</u>	<u>-</u>	<u>6,139,143</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>
<b>December 31, 2020</b>				
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>
<b>June 30, 2020</b>				
Financial assets at fair value through profit or loss	\$ 11,217,738	22,361,110	-	33,578,848
Financial assets at fair value through other comprehensive income	2,659,141	17,357,245	2,123,848	22,140,234
Derivative financial assets	<u>189,783</u>	<u>180,190</u>	<u>-</u>	<u>369,973</u>
	<u>\$ 14,066,662</u>	<u>39,898,545</u>	<u>2,123,848</u>	<u>56,089,055</u>
Financial liabilities at fair value through profit or loss	\$ 913,821	-	-	913,821
Derivative financial liabilities	<u>13,307</u>	<u>740,430</u>	<u>-</u>	<u>753,737</u>
	<u>\$ 927,128</u>	<u>740,430</u>	<u>-</u>	<u>1,667,558</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 six months ended June 30, 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 six months ended June 30, 2021								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,287,085	-	653,718	64,000	-	-	-	-	3,004,803

  

Item	For the six months ended June 30, 2020								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,464,932	-	(60,745)	45,000	-	(202,681)	-	122,658	2,123,848

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

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

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

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

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

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

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

	<b>Change in fair value recognized in other comprehensive income</b>	
	<b>Favorable change</b>	<b>Unfavorable change</b>
<b>June 30, 2021</b>		
Financial assets fair value through other comprehensive income	\$ <u>30,048</u>	<u>(30,048)</u>
<b>December 31, 2020</b>		
Financial assets fair value through other comprehensive income	\$ <u>22,871</u>	<u>(22,871)</u>
<b>June 30, 2020</b>		
Financial assets fair value through other comprehensive income	\$ <u>21,238</u>	<u>(21,238)</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	June 30, 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>36,725,717</u>	<u>34,864,327</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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	-	-	-

  

June 30, 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	\$ 45,166,205	39,488,135	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Group; hence according to IFRS 7p42D(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:

June 30, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	(e)=(c)-(d)
Derivative financial assets	\$ 354,189	-	354,189	-	-	354,189

  

June 30, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	(e)=(c)-(d)
Derivative financial liabilities	\$ 2,435,958	-	2,435,958	-	-	2,435,958
Under repurchase agreements	34,864,327	-	34,864,327	34,864,327	-	-
Total	\$ 37,300,285	-	37,300,285	34,864,327	-	2,435,958

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

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
June 30, 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	\$ 180,190	-	180,190	-	-	180,190
June 30, 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	\$ 749,447	-	749,447	-	-	749,447
Under repurchase agreements	39,488,135	-	39,488,135	39,488,135	-	-
Total	\$ 40,237,582	-	40,237,582	39,488,135	-	749,447

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

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

(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 June 30, 2021, December 31, 2020 and June 30, 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	June 30, 2021		December 31, 2020		June 30, 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	\$ 24,508,523	-	14,988,329	-	15,646,789	-

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

(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 and the six months ended June 30, 2021:

a) Gains (losses) on valuation

	<u>For the three months ended June 30, 2021</u>	<u>For the six months ended June 30, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 4,932,296	11,908,815	Gains (losses) on stock warrants issued
Stock warrants repurchased	(6,564,564)	(13,664,200)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the three months ended June 30, 2021</u>	<u>For the six months ended June 30, 2021</u>	<u>Account</u>
Security borrowing	\$ 126,378	167,849	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	653,134	996,873	Gains (losses) on sale of trading securities
Futures transaction	(30,866)	(197,301)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended June 30, 2021</u>	<u>For the six months ended June 30, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 5,419,794	7,236,017	Gains (losses) on stock warrants issued
Stock warrants repurchased	(5,528,080)	(7,371,427)	Gains (losses) on stock warrants issued

2) For the three months and the six months ended June 30, 2020:

a) Gains (losses) on valuation

	<u>For the three months ended June 30, 2020</u>	<u>For the six months ended June 30, 2020</u>	<u>Account</u>
Stock warrants issued	\$ 206,878	8,838,494	Gains (losses) on stock warrants issued
Stock warrants repurchased	(289,013)	(8,869,419)	Gains (losses) on stock warrants issued

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b) Gains (losses) on sale

	<u>For the three months ended June 30, 2020</u>	<u>For the six months ended June 30, 2020</u>	<u>Account</u>
Security borrowing	\$ 36,278	71,867	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	30,777	(213,682)	Gains (losses) on sale of trading securities
Futures transaction	(112,806)	12,985	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended June 30, 2020</u>	<u>For the six months ended June 30, 2020</u>	<u>Account</u>
Stock warrants issued	\$ 8,016,935	12,409,262	Gains (losses) on stock warrants issued
Stock warrants repurchased	(7,809,315)	(12,170,937)	Gains (losses) on stock warrants issued

Exchange traded notes

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

Financial Instruments	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 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:						
Exchange traded notes issued	\$ 1,011	-	1,128	-	705	-

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

(ii) Market risk:

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

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

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

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

(iv) Type, purpose, and strategy of other financial 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.

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

	June 30, 2021		December 31, 2020		June 30, 2020	Account
	Margin - exchange traded notes	\$	25		25	25
Outstanding liabilities - exchange traded notes		1,011		1,128	705	Financial liabilities at fair value through profit or loss - current
	For the three months ended June 30,		For the six months ended June 30,			Account
	2021		2020		2021	2020
Gains (losses) on exchange traded notes	\$	(58)	(77)	(25)	(3)	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes		2	1	5	3	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 June 30, 2021, December 31, 2020 and June 30, 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.

- (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.

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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>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>		<u>Account</u>
	\$						
Futures margin - proprietary fund	306,941		348,012		187,616		Financial assets at fair value through profit or loss - current
Excess futures margin	1,629,853		1,365,163		1,834,501		Cash and cash equivalent
Buy options	64,861		40,215		2,167		Financial assets at fair value through profit or loss - current
Sale options	70,965		59,577		4,290		Financial liabilities at fair value through profit or loss - current
	<u>For the three months ended June 30, 2021</u>		<u>For the six months ended June 30, 2020</u>		<u>For the six months ended June 30, 2021</u>		<u>Account</u>
	\$						
Gains (losses) on futures transactions	(122,793)		(102,869)		(289,024)	145,542	Gains (losses) on derivatives - futures

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

<u>Financial Instruments</u>	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 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	-	15,300,000	-

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

2) Market risk:

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

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

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

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

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

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

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

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

(ii) Structured notes

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

Financial Instruments	June 30, 2021		December 31, 2020		June 30, 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	\$ 1,398,000	-	1,311,000	-	351,778	-
Principal guaranteed notes	3,486,192	-	3,264,693	-	3,079,807	-
Credit-linked notes	760,900	-	783,100	-	685,900	-
Principal guaranteed notes (in USD thousands)	USD -	-	USD 100	-	USD 560	-

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.

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- 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	June 30, 2021		December 31, 2020		June 30, 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	\$ 1,306,700	-	1,109,900	-	1,651,300	-
Convertible bond options	8,323,400	-	7,035,300	-	6,880,900	-

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.

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(iv) Options

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

Financial Instruments	June 30, 2021		December 31, 2020		June 30, 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.

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	June 30, 2021		December 31, 2020		June 30, 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	\$ 1,843,335	-	1,321,887	-	1,592,312	-
Leverage derivatives-short position	1,717,496	-	1,282,847	-	1,583,926	-

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.

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

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

(vi) Presentation of derivative instruments in financial statement

As of June 30, 2021, December 31, 2020 and June 30, 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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 13,976	13,100	16,143
Asset swap options-long position	272,692	157,459	114,957
Leverage derivatives - non-hedging	61,872	63,380	45,805
Structured notes	3,658	7,785	1,923
Currency swaps	1,991	-	1,362
Total	<u>\$ 354,189</u>	<u>241,724</u>	<u>180,190</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 18,897	10,968	12,617
Asset swap options-short position	1,828,703	1,267,802	715,957
Structured notes	582,573	619,483	16,639
Leverage derivatives - non-hedging	1,996	1,772	2,758
Currency swaps	3,610	12,759	422
Interest rate swaps	179	505	1,054
Total	<u>\$ 2,435,958</u>	<u>1,913,289</u>	<u>749,447</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 4,489,877</u>	<u>4,235,829</u>	<u>3,733,356</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 530,431</u>	<u>515,261</u>	<u>388,993</u>

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For the three months and the six months ended June 30, 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:

	<u>For the three months ended June 30, 2021</u>		<u>For the six months ended June 30, 2021</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 23	48	(88)	(179)
Structured notes	(48,545)	(26,015)	1,611	30,616
IRS asset swaps	(61)	1,885	(93)	(4,922)
Asset swap options	(295,074)	5,400	(523,410)	(176,995)
Currency swaps	(13,440)	(2,447)	(7,333)	(1,618)
Leverage derivatives - non-hedging	17,577	657	38,079	(1,731)
Total	<u>\$ (339,520)</u>	<u>(20,472)</u>	<u>(491,234)</u>	<u>(154,829)</u>
	<u>For the three months ended June 30, 2020</u>		<u>For the six months ended June 30, 2020</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 452	1,288	(1,028)	(1,054)
Equity derivatives	-	-	(61)	-
Structured notes	(21,801)	(13,812)	27,666	(6,117)
IRS asset swaps	35	(11,177)	94	3,526
Asset swap options	(331,563)	(217,400)	(65,732)	107,275
Currency swaps	698	373	4,090	941
Leverage derivatives - non-hedging	12,906	23,814	26,912	11,554
Total	<u>\$ (339,273)</u>	<u>(216,914)</u>	<u>(8,059)</u>	<u>116,125</u>

(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.

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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’).

The following tables show the total amounts of unreformed contracts and those with appropriate fallback language as of June 30 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.)

	<b>USD LIBOR</b>				<b>EUR LIBOR</b>			
	<b>Total amount of unreformed contracts</b>		<b>Amount with appropriate fallback clause</b>		<b>Total amount of unreformed contracts</b>		<b>Amount with appropriate fallback clause</b>	
<b>June 30, 2021</b>								
<b>Financial assets</b>								
Corporate bonds	USD	183,000	USD	178,000	-		-	
<b>Financial liabilities</b>								
Secured bank loans	USD	38,900	USD	38,900	-		-	
Credit loan	USD	63,000	USD	63,000	EUR	500	EUR	500
<b>January 1, 2021</b>								
<b>Financial assets</b>								
Corporate bonds	USD	208,000	USD	203,000	-		-	
<b>Financial liabilities</b>								
Secured bank loans	USD	50,900	USD	50,900	-		-	
Credit loan	USD	46,500	USD	46,500	EUR	1,200	EUR	1,200
<b>Derivatives</b>								
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.

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Capital adequacy ratio	334 %	369 %	333 %

(y) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the six months ended June 30, 2021 and 2020, were as follows:

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

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>June 30, 2021</b>
			<b>Other</b>	<b>Foreign exchange movement</b>	<b>Fair value changes</b>	
Lease liabilities	\$ 910,350	(115,945)	114,313	(610)	-	908,108
	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>June 30, 2020</b>
			<b>Other</b>	<b>Foreign exchange movement</b>	<b>Fair value changes</b>	
Lease liabilities	\$ 1,012,605	(113,374)	38,319	(294)	-	937,257

**(7) Related-party transactions:**

(a) Parent company and ultimate controlling party

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

(b) Names of related parties and relationships

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

<b>Names of related parties</b>	<b>Relationships</b>
Capital Insurance Advisory Corp.	Subsidiary
Capital 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

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(c) Key management personnel transactions

(i) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$ 52,364	41,089	187,806	117,980
Post-employment benefits	630	701	1,255	1,391
Total	<u>\$ 52,994</u>	<u>41,790</u>	<u>189,061</u>	<u>119,371</u>

(ii) Bonds sold under repurchase agreements

	June 30, 2021		December 31, 2020		June 30, 2020	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Key management personnel	\$ 8,072	8,153	8,262	8,267	22,500	22,710
	For the three months ended June 30,		For the six months ended June 30,			
<b>Total financial expenses</b>	2021	2020	2021	2020		
Key management personnel	\$ 4	27	9	58		

(iii) Structured notes transactions - remaining balance

	June 30, 2021	December 31, 2020	June 30, 2020
Key management personnel	\$ 74,100	106,800	95,756

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	June 30, 2021		December 31, 2020		June 30, 2020	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Subsidiaries	\$ 52,000	52,007	27,000	27,000	-	-
Funds issued by associate	25,639	25,647	31,178	30,871	35,624	35,641
Total	<u>\$ 77,639</u>	<u>77,654</u>	<u>58,178</u>	<u>57,871</u>	<u>35,624</u>	<u>35,641</u>
	For the three months ended June 30,		For the six months ended June 30,			
<b>Total financial expenses</b>	2021	2020	2021	2020		
Subsidiaries	\$ 43	-	66	-		
Funds issued by associate	113	34	243	34		
Total	<u>\$ 156</u>	<u>34</u>	<u>309</u>	<u>34</u>		

Transaction terms are the same as the general clients.

(ii) Futures transactions

	June 30, 2021	December 31, 2020	June 30, 2020
<b>Futures traders' equity</b>			
Funds issued by associate	\$ 272,305	335,742	341,624

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	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Total financial expenses</b>				
Funds issued by associate	\$ <u>14</u>	<u>23</u>	<u>14</u>	<u>23</u>

## (iii) Lease agreements

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Lease revenue</b>				
Associates	\$ <u>4,309</u>	<u>4,311</u>	<u>8,618</u>	<u>8,623</u>

	June 30, 2021	December 31, 2020	June 30, 2020
<b>Guarantee deposits received</b>			
Associates	\$ <u>3,811</u>	<u>3,811</u>	<u>3,811</u>

## (iv) Insurance commission revenues

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Commission revenues</b>				
Subsidiaries	\$ <u>1,541</u>	<u>1,308</u>	<u>3,487</u>	<u>5,390</u>
<b>Accounts receivable</b>				
Subsidiaries	\$ <u>841</u>	<u>811</u>	<u>811</u>	<u>586</u>

## (v) Brokerage and sub-brokerage

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Brokerage commissions</b>				
Funds issued by associate	\$ 12,243	9,955	21,684	16,846
Other related parties	1,252	845	2,095	1,099
Total	\$ <u>13,495</u>	<u>10,800</u>	<u>23,779</u>	<u>17,945</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Re-consigned handling commissions</b>				
Funds issued by associate	\$ 2,784	1,086	6,982	3,862
Other related parties	24	108	158	174
Total	\$ <u>2,808</u>	<u>1,194</u>	<u>7,140</u>	<u>4,036</u>

## (vi) Fund services business

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Fund services revenue</b>				
Associates	\$ <u>1,288</u>	<u>-</u>	<u>2,569</u>	<u>-</u>

(Continued)

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Channel services revenue</b>				
Associates	\$ <u>1,288</u>	<u>-</u>	<u>2,569</u>	<u>-</u>

	June 30, 2021	December 31, 2020	June 30, 2020
<b>Accounts receivable</b>			
Associates	\$ <u>861</u>	<u>870</u>	<u>-</u>

## (vii) Wealth management business

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Trust account commissions revenue</b>				
Associates	\$ <u>3,415</u>	<u>1,818</u>	<u>6,859</u>	<u>3,489</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Trust account management fee revenue</b>				
Associates	\$ <u>250</u>	<u>9</u>	<u>461</u>	<u>460</u>

## (viii) Underwriting business

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Stock service income</b>				
Associates	\$ <u>30</u>	<u>32</u>	<u>60</u>	<u>62</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Handling fee revenues from underwriting securities on consignment</b>				
Funds issued by associate	\$ <u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

	June 30, 2021	December 31, 2020	June 30, 2020
<b>Accounts receivable</b>			
Associates	\$ <u>10</u>	<u>10</u>	<u>12</u>

## (ix) Other revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Associates	\$ 1	1	2	2
Other related parties	15	15	26	18
Total	\$ <u>16</u>	<u>16</u>	<u>28</u>	<u>20</u>

## (x) Custody account business

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Custody account business revenue</b>				
Second-level subsidiaries (note)	\$ <u>2,021</u>	<u>1,611</u>	<u>3,869</u>	<u>3,079</u>

(Continued)

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

(xi) Accrued receivable

<u>Accounts receivable/ Other receivable</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Second-level subsidiaries (note)	\$ 665	680	601
Subsidiaries	87	114	73
Associates	15	-	115,743
Other related parties	-	3	4
Total	<u>\$ 767</u>	<u>797</u>	<u>116,421</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.

(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:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>	<u>The collateral use</u>
Restricted assets - current	\$ 265,814	87,357	90,019	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	35,227,879	35,557,111	40,527,826	Repurchase agreement
Property	1,908,429	1,758,898	1,750,737	Bank borrowings
Financial assets at fair value through profit or loss - non - current	180,416	180,929	181,029	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property	<u>3,363,358</u>	<u>2,787,973</u>	<u>2,813,725</u>	Bank borrowings
Total	<u>\$ 40,945,896</u>	<u>40,372,268</u>	<u>45,363,336</u>	

(Continued)

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

**(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:

	June 30, 2021		December 31, 2020		June 30, 2020	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	654,375	\$ 6,543,750	595,559	5,955,590	425,795	4,257,950
Collateral for margin purchase	10,499	104,985	10,578	105,780	18,791	187,910
Lending securities to customers through short sales	43,486	434,860	67,810	678,100	65,736	657,360
Collateral for short sales	3,671	36,710	13,284	132,840	5,970	59,700

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

	June 30, 2021		December 31, 2020		June 30, 2020	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	84	\$ 840	2,117	21,170	8,785	87,850
Collateral for refinancing margin	43	430	83	830	28	280

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

	June 30, 2021	December 31, 2020	June 30, 2020
Promissory notes	<u>\$ 23,180,000</u>	<u>21,980,000</u>	<u>21,980,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 65,000</u>	<u>USD 60,000</u>

- (d) As of June 30, 2021, December 31, 2020 and June 30, 2020, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$9,804,235, \$7,031,255 and \$6,136,685, 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 unrecognized 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 unrecognized 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 unrecognized this amount.

(Continued)



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

- (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 June 30, 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.
- (j) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and property list of trust accounts were declared as follows:
- (i) Balance sheet of trust accounts

**Balance Sheet of Trust Accounts**

**June 30, 2021, December 31, 2020 and June 30, 2020**

<b>Trust Assets</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>	<b>Trust Liabilities</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Bank deposits	\$ 1,383,412	1,459,272	1,300,642	Accounts payable	\$ 88	72	95
Short-term investment				Trust capital	11,883,627	12,097,468	12,660,357
Funds	10,144,144	9,959,655	10,445,900	Net income	378,651	401,500	(574,491)
Stocks	269,346	252,364	213,516	Accumulated earnings or deficit	207,570	(102,859)	(10,222)
Bonds	67,430	57,995	66,471				
Structured notes	569,097	610,954	29,054				
Accounts receivable	36,507	55,941	20,156				
<b>Total Assets</b>	<b>\$ 12,469,936</b>	<b>12,396,181</b>	<b>12,075,739</b>	<b>Total Liabilities</b>	<b>\$ 12,469,936</b>	<b>12,396,181</b>	<b>12,075,739</b>

(Continued)

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

(ii) Income statement of trust accounts

	<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Trust revenue		
Interest revenue	\$ 42,991	2,352
Cash dividends revenue	185,906	221,238
Rental revenue	4,280	1,442
Investment gains - realized	56,007	-
Investment gains - unrealized	110,639	-
Subtotal	399,823	225,032
Trust expense		
Management fee	219	168
Service fee	20,912	22,036
Investment losses - realized	-	174,787
Investment losses - unrealized	-	602,407
Supplementary insurance premium	-	1
Subtotal	21,131	799,399
Gain (loss) before income tax	378,692	(574,367)
Income tax expense	(41)	(124)
Net gain (loss)	<b>\$ 378,651</b>	<b>(574,491)</b>

(Continued)

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

(iii) Property list of trust accounts

**Property list of trust accounts**

**June 30, 2021, December 31, 2020 and June 30, 2020**

<u>Investment items</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Bank deposits	\$ 1,383,412	1,459,272	1,300,642
Short-term investment			
Funds	10,144,144	9,959,655	10,445,900
Stocks	269,346	252,364	213,516
Bonds	67,430	57,995	66,471
Structured Notes	569,097	610,954	29,054
Account receivables	<u>36,507</u>	<u>55,941</u>	<u>20,156</u>
Total	<u>\$ 12,469,936</u>	<u>12,396,181</u>	<u>12,075,739</u>

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

**(11) Significant Subsequent Events: None**

(Continued)

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

**(12) Other:**

(a) As of June 30, 2021, December 31, 2020 and June 30, 2020, the open positions of futures and option contracts were as follows:

(i) June 30, 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	30	\$ 92,235	103,504	
	TAIEX Futures	Short	233	(823,386)	(825,379)	
	Mini-TAIEX Futures	Long	443	376,799	389,165	
	Mini-TAIEX Futures	Short	6	(4,896)	(5,074)	
	Electronic Sector Index Futures	Long	3	9,819	9,913	
	Electronic Sector Index Futures	Short	72	(233,908)	(237,931)	
	Finance Sector Index Futures	Long	10	14,940	15,050	
	Finance Sector Index Futures	Short	5	(7,435)	(7,525)	
	Single Stock Futures	Long	322	67,197	69,797	
	Single Stock Futures	Short	4,816	(901,508)	(927,938)	
	HSI Futures	Short	17	(88,885)	(87,291)	
	Mini-HSI Futures	Short	47	(48,819)	(48,267)	
	E-mini-Nasdaq Futures	Short	28	(227,023)	(226,988)	
	Soybean Futures	Short	9	(16,744)	(17,539)	
	Copper Futures	Long	8	23,783	23,898	
	Gold Futures	Short	5	(24,678)	(24,678)	
	Micro Gold Futures	Short	58	(30,446)	(28,627)	
	FTSE Taiwan Index Futures	Short	16	(26,665)	(26,960)	
	FTSE China A50 Index Futures	Long	107	51,935	51,572	
	FTSE China A50 Index Futures	Short	318	(153,889)	(153,269)	
	FTSE Vietnam 30 Index Futures	Short	20	(7,351)	(7,433)	
	TPEX 200 Index Futures	Long	6	2,734	2,720	
	E-mini-S&P 500 Futures	Short	6	(35,394)	(35,844)	
	SGX Nikkei 225 Index Futures	Short	11	(40,224)	(39,849)	
	10 Year U.S. T-Note Futures	Short	50	(184,068)	(184,573)	
	Ultra 10 Year U.S. T-Note Futures	Short	38	(155,647)	155,841	
	TOPIX Futures	Short	14	(68,857)	(68,576)	
	Crude Oil Futures	Long	7	13,985	14,270	
	Crude Oil Futures	Short	6	(12,361)	(12,281)	
	U.S. dollar Index Futures	Long	32	81,827	82,404	
	U.S. dollar Index Futures	Short	2	(5,010)	(5,150)	
	Brent Crude Oil Futures	Short	114	(234,337)	(236,996)	
	Subtotal			(2,596,277)		
Options contract :						
	TAIEX Options (Call)	Long	1,489	29,149	49,669	
	TAIEX Options (Put)	Long	2,693	27,092	13,224	
	TAIEX Options (Call)	Short	1,690	(30,163)	(57,120)	
	TAIEX Options (Put)	Short	2,067	(23,869)	(12,732)	
	Stock Options (Call)	Long	42	249	70	
	Stock Options (Put)	Long	79	174	174	
	Stock Options (Call)	Short	18	(218)	(138)	
	TAIEX Weekly Options (Call)	Long	189	1,126	1,006	
	TAIEX Weekly Options (Put)	Long	187	554	472	
	TAIEX Weekly Options (Call)	Short	74	(606)	(543)	
	TAIEX Weekly Options (Put)	Short	31	(243)	(229)	
	Finance Insurance Index Options (Put)	Long	40	333	246	
	Finance Insurance Index Options (Call)	Short	40	(166)	(203)	
	Subtotal			3,412		
Total				\$ (2,592,865)		

(Continued)

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

(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 500 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-Bond Futures	Short	10	(62,338)	(62,210)	
	VIX Futures	Long	391	281,920	273,810	
	Brent Crude Oil Futures	Long	3	4,316	4,426	
	Subtotal			(101,259)		
Options contract :						
	TAIEX Options (Call)	Long	858	\$ 9,293	27,885	
	TAIEX Options (Put)	Long	1,376	12,285	6,320	
	TAIEX Options (Call)	Short	1,494	(23,968)	(51,486)	
	TAIEX Options (Put)	Short	748	(11,981)	(7,066)	
	Stock Options (Put)	Long	15	62	51	
	TAIEX Weekly Options (Call)	Long	144	1,007	1,836	
	TAIEX Weekly Options (Put)	Long	222	1,085	923	
	TAIEX Weekly Options (Call)	Short	231	(688)	(753)	
	TAIEX Weekly Options (Put)	Short	98	(274)	(195)	
	CSI 300 Index Call Options (Call)	Long	30	2,803	3,194	
	CSI 300 Index Put Options (Put)	Long	18	11	6	
	CSI 300 Index Put Options (Put)	Short	18	(122)	(77)	
	Subtotal			(10,487)		
Total				\$ (111,746)		

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

(iii) June 30, 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	11	\$ 24,827	24,799	
	TAIEX Futures	Short	108	(246,578)	(247,752)	
	Mini-TAIEX Futures	Long	17	9,608	9,610	
	Electronic Sector Index Futures	Long	1	2,007	2,060	
	Electronic Sector Index Futures	Short	23	(46,650)	(47,385)	
	Finance Sector Index Futures	Short	11	(13,836)	(13,713)	
	Non-Finance Non-Electronics Sub-Index Futures	Long	4	4,678	4,697	
	Single Stock Futures	Long	597	95,093	98,023	
	Single Stock Futures	Short	1,936	(356,715)	(363,118)	
	HSI Futures	Short	1	(4,590)	(4,635)	
	Mini-HSI Futures	Short	8	(7,344)	(7,416)	
	Mini-Dow Futures	Long	8	30,862	30,447	
	Gold Futures	Long	7	36,979	37,344	
	MSCI Taiwan Index Futures	Long	94	120,589	120,516	
	FTSE China A50 Index Futures	Long	2	808	812	
	FTSE China A50 Index Futures	Short	377	(152,545)	(153,064)	
	10 Year U.S. T-Note Futures	Short	5	(20,611)	(20,618)	
	Crude Oil Futures	Long	49	48,805	57,598	
	Mini-Weekly Stock Index Futures	Short	18	(10,387)	(10,430)	
	AUD Futures	Long	3	6,119	6,133	
	Japanese Yen Futures	Long	4	13,550	13,735	
	VIX Futures	Short	90	(85,017)	(83,376)	
	Brent Crude Oil Futures	Long	43	52,583	52,582	
	Euro Futures	Long	5	20,823	20,840	
	Subtotal			<u>(476,942)</u>		
Options contract :						
	TAIEX Options (Call)	Long	264	925	632	
	TAIEX Options (Put)	Long	664	2,628	1,400	
	TAIEX Options (Call)	Short	412	(3,376)	(3,640)	
	TAIEX Options (Put)	Short	252	(1,024)	(594)	
	TAIEX Weekly Options (Call)	Long	46	28	5	
	TAIEX Weekly Options (Put)	Long	61	176	130	
	TAIEX Weekly Options (Call)	Short	6	(12)	(14)	
	TAIEX Weekly Options (Put)	Short	26	(48)	(42)	
	Subtotal			<u>(703)</u>		
Total				<u>\$ (477,645)</u>		

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**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	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{6,062,051}{895,211}$	6.77	$\frac{6,081,181}{1,091,429}$	5.57	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{42,610,236}{37,894,757}$	1.12	$\frac{44,509,513}{39,849,895}$	1.12	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{6,062,051}{1,115,000}$	543.68 %	$\frac{6,081,181}{1,115,000}$	545.40 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{4,531,413}{7,967,419}$	56.87 %	$\frac{4,733,712}{8,634,695}$	54.82 %	$\geq 20\%$ $\geq 15\%$	"

- (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	-	Working capital	-	-	-	US 53,409	US 53,409
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	-	Working capital & 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.	F190402	Account receivables - Customer	No	38,660	38,660	16,569	5 %	1	13,029		-	-	-	174,302	871,508
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	276,144	276,144	276,144	1.44 % ~ 2.69 %	1	152,940		-	-	-	276,144	871,508
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	82,843	82,843	22,092	1.19 % ~ 3.19 %	1	30,912		-	-	-	174,302	871,508
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	77,320	77,320	4,886	3.19 %	1	1,641		-	-	-	174,302	871,508
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	77,320	77,320	-	3.19 %	1	803		-	-	-	174,302	871,508
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	82,843	82,843	-	3.19 %	1	6,828		-	-	-	174,302	871,508

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:

(In Thousands of New Taiwan Dollars)

Company of classification-account receivables	Name of transaction parties	Relationship	Balance of account receivables-Related parties	Turnover	Expiration of account receivables-Related parties		Subsequent recoverable amount	Allowance of doubtful accounts
					Amount	Treatment		
Capital Securities Corp.	Capital Futures Corp.	Subsidiary	341,719	N/A	-	N/A	341,719	-

(Continued)



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

(vii) Significant transactions between parent company and subsidiaries for the six months ended June 30, 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	3,398		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	15,477		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	342,173		0.18 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	47,573		0.02 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,803		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	93,197	General transaction	1.40 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	8,984	General transaction	0.14 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	274	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	101	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	117	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	12,094	General transaction	0.18 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	35	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	4,870	General transaction	0.07 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	24,143	General transaction	0.36 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	86	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	96		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	34,500	General transaction	0.52 %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	1		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	29		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	16		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	63		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	2,515	General transaction	0.04 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	50		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	10	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Financial costs	1	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	183		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	367	General transaction	0.01 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	1,131,780		0.59 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,131,780		0.59 %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Other payable	1,821		- %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Professional service fees	9,989	General transaction	0.15 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	601,239		0.31 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	3,760,873		1.95 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	8,786		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	3,035	General transaction	0.05 %

(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
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	66,566	General transaction	1.00 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	416	General transaction	0.01 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	1,536	General transaction	0.02 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Prepayments	1,536		- %
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	3,425,202		1.78 %
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	265,568		0.14 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payable	171		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	773	General transaction	0.01 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Accumulated depreciation	1,200		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HK 713		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK 1,841	General transaction	0.10 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage handling fee expense	HK 118	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	4		- %
4	CSC Venture Capital Corp.	CSC Capital Management Co.	3	Lease revenue	36	General transaction	- %
5	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Other receivables	45		- %
5	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	45	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 June 30, 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, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00 %	79,627	38,062	3,747	3,747	-	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 %	3,430,083	1,153,064	286,244	162,034	341,719	-
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 %	1,485,294	2,393	(8,901)	(8,901)	-	-
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 %	63,385	49,790	11,399	11,399	-	Subsidiary

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## 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 June 30, 2021	Balance on December 31, 2020	Shares	Ratio	Book value					
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 %	39,596	28,116	406	406	-	Subsidiary
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 %	44	(132)	(132)	(132)	-	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 %	792,638	71	(6,630)	(6,630)	-	
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 %	342,329	-	(1,507)	(1,507)	-	
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 %	1,436,064	1,148,678	457,878	91,576	-	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 173,488 thousands	HK 18,618 thousands	HK 659 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 (26,088) thousands	HK -	HK (36) 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 (66,040) thousands	HK -	HK (20) 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 %	847,716	213,013	(15,767)	-	-	
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 %	37,307	1,536	(3,461)	-	-	
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 %	49,588	51,241	1,574	-	-	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
6	Capital Private Equity Fund I Co.	Taipei, Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business	300,000	-	30,000,000	100.00 %	313,935	-	(159)	-	-	

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

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	-	-	-	-	-	-	-	-

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**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 June 30, 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 June 30, 2021
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	279	28.86%	80 B(2)	11,985	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(2,135)	56.58%	(1,208) B(2)	7,589	-

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**

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the six months ended June 30, 2021 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd. June 30, 2021	Taiwan International Securities (B.V.I) Corp. June 30, 2021
<b>Nature</b>		
Current assets	9,824	1
Long-term investments	22,342	-
Property and premises	1,769	-
Other assets	19,515	3,380
Total assets	53,450	3,381
Current liabilities	41	20
Other liabilities	-	3,360
Total liabilities	41	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	8,464	(9,436)
Cumulative translation adjustments	(55)	(79)
Total stockholders' equity	53,409	1
Total liabilities and stockholders' equity	53,450	3,381

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

## 2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd. For the six months ended June 30, 2021	Taiwan International Securities (B.V.I) Corp. For the six months ended June 30, 2021
<b>Nature</b>		
Operating revenue	85	-
Operating expense	(402)	(5)
Non-operating revenue	2	-
Non-operating expense	(1)	-
Income (loss) before tax	(316)	(5)
Net income (loss)	(316)	(5)

## (ii) Securities held as of June 30, 2021

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	June 30, 2021	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u>22,342</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	\$ <u>(3,360)</u>

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

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

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

**(14) Segment information:**

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

For the three months ended June 30, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 2,267,498	76,696	420,603	74,423	48,335	652,498	(79,136)	3,460,917
Segment profit or loss	\$ 1,310,340	25,311	340,368	(13,535)	(186,562)	156,439	(64,926)	1,567,435

  

For the three months ended June 30, 2020								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,073,143	100,015	1,050,117	133,271	56,574	568,886	(66,394)	2,915,612
Segment profit or loss	\$ 500,651	59,183	948,443	83,397	(26,862)	185,221	(78,210)	1,671,823

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

For the six months ended June 30, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 3,859,311	153,658	1,153,799	222,686	105,733	1,296,477	(154,802)	6,636,862
Segment profit or loss	\$ 2,184,535	56,204	989,603	59,902	(381,834)	353,764	(148,376)	3,113,798

  

For the six months ended June 30, 2020								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 2,043,578	148,589	205,724	(91,155)	101,500	1,197,921	(148,410)	3,457,747
Segment profit or loss	\$ 946,113	74,278	(24,138)	(191,111)	(34,384)	401,622	(152,600)	1,019,780

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.