

**CAPITAL SECURITIES CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For The Nine Months Ended September 30, 2021 and 2020**

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

Telephone: 886-2-87898888

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Overview	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	10~14
(5) Major sources of significant accounting assumptions, judgments and estimation uncertainty	14
(6) Explanation of significant accounts	15~72
(7) Related-party transactions	72~76
(8) Pledged assets	76
(9) Significant contingent liability and unrecognized contract commitment	77~78
(10) Significant catastrophic loss	78
(11) Significant subsequent events	78
(12) Other	79~83
(13) Other disclosures	
(a) Information on significant transactions	84~87
(b) Related information of investee companies	87~88
(c) Information on overseas branches and representative offices	88
(d) Information on investments in the Mainland China	88~89
(e) Major shareholders	89
(14) Segment information	90~91



安侯建業聯合會計師事務所

KPMG

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

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 home.kpmg/tw

## Independent Auditors' Review Report

To the Board of Directors of  
Capital Securities Corporation:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$2,972,137 thousands and \$6,142,645 thousands, constituting 1.55% and 3.77% of consolidated total assets as of September 30, 2021 and 2020, respectively, total liabilities amounting to \$230,618 thousands and \$3,608,684 thousands, constituting 0.15% and 2.88% of consolidated total liabilities as of September 30, 2021 and 2020, respectively, and total comprehensive income (loss) amounting to \$6,811 thousands, \$6,022 thousands, \$(37,996) thousands and \$53,782 thousands, constituting 0.54%, 0.38%, (0.89)% and 2.09% of consolidated total comprehensive income (loss) for the three months and the nine months ended September 30, 2021 and 2020, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Capital Securities Corporation and its subsidiaries in its investee companies of \$1,472,960 thousands and \$1,436,800 thousands as of September 30, 2021 and 2020, respectively, and its equity in net earnings on these investee companies of \$42,389 thousands, \$47,041 thousands, \$146,541 thousands and \$138,193 thousands for the three months and the nine months ended September 30, 2021 and 2020, respectively, and its equity in other comprehensive income (loss) on these investee companies of \$(52) thousands, \$(279) thousands, \$3,235 thousands and \$(47) thousands for the three months and the nine months ended September 30, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Capital Securities Corporation and its subsidiaries as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and the nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 11, 2021

### **Notes to Readers**

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

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

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING**  
**STANDARDS AS OF SEPTEMBER 30, 2021 AND 2020**

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

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

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
110000 Cash and cash equivalents (note 6(a))	\$ 10,181,508	5	8,497,082	5	8,127,108	5
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	41,726,326	22	35,198,904	22	36,172,009	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	17,425,748	9	18,663,479	11	19,083,718	12
114030 Receivable for securities provided as collateral	18,058,468	10	15,000,045	9	15,766,794	10
114040 Refinancing margin	63,546	-	97,714	-	37,530	-
114050 Refinancing collateral receivable	56,457	-	85,261	-	34,800	-
114060 Receivable of securities business money lending	2,538,896	1	2,310,230	1	2,298,986	2
114070 Customers' margin account (note 6(d))	37,882,937	20	38,349,832	24	38,393,523	24
114080 Receivable - futures margin	-	-	-	-	5	-
114090 Collateral for securities borrowed	51,704	-	796,262	1	566,777	-
114100 Security borrowing margin	4,738,640	2	760,815	1	536,596	-
114110 Notes receivable	23,684	-	22,779	-	15,699	-
114130 Accounts receivable (note 6(c))	12,841,980	7	11,039,256	7	6,919,889	4
114150 Prepayments	75,301	-	37,313	-	33,779	-
114170 Other receivables	501,327	-	145,404	-	179,028	-
114300 Leverage contract trading - customers' margin account	508,917	-	352,962	-	322,938	-
114600 Current income tax assets	228	-	23,599	-	23,587	-
119095 Amounts held for each customer in the account (note 6(n))	25,562,448	13	13,063,932	8	9,344,348	6
119990 Other current assets-others	1,609,920	1	1,813,868	1	8,241,020	5
	173,848,035	90	146,258,737	90	146,098,134	90
<b>Non-current assets:</b>						
120000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	180,145	-	180,929	-	181,106	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,091,678	2	2,287,085	1	2,226,789	1
124100 Investments accounted for under equity method (note 6(e))	1,472,960	1	1,481,286	1	1,436,800	1
125000 Property and equipment (notes 6(f) and 8)	2,894,991	2	3,111,323	2	3,130,026	2
125800 Right-of-use assets (notes 6(g))	819,928	-	850,210	1	833,999	1
126000 Investment property (notes 6(h) and 8)	3,830,086	2	3,611,107	2	3,616,577	2
127000 Intangible assets (note 6(i))	3,601,363	2	3,619,563	2	3,611,063	2
128000 Deferred income tax assets	30,626	-	78,124	-	17,099	-
129000 Other non-current assets	1,584,699	1	1,584,270	1	1,611,173	1
	17,506,476	10	16,803,897	10	16,664,632	10
<b>Total assets</b>	\$ 191,354,511	100	163,062,634	100	162,762,766	100

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING**  
**STANDARDS AS OF SEPTEMBER 30, 2021 AND 2020**

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

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

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
210000 Short-term borrowings (note 6(j))	\$ 4,058,203	2	3,671,111	2	7,296,290	5
211200 Commercial paper payable (note 6(k))	3,649,676	2	2,299,692	1	2,799,825	2
212000 Financial liabilities at fair value through profit or loss - current (note 6(l))	2,924,919	2	3,630,866	2	2,563,087	2
214010 Bonds sold under repurchase agreements (note 6(m))	39,324,178	21	35,265,582	22	38,408,657	24
214040 Guarantee deposited for short sales	3,204,497	2	2,631,763	2	1,993,074	1
214050 Proceeds payable from short sales	3,692,847	2	3,021,249	2	2,337,509	1
214070 Securities lending refundable deposits	7,166,596	4	1,033,425	1	1,171,623	1
214080 Futures traders' equity (note 6(d))	37,845,682	20	38,316,621	23	38,331,644	24
214090 Equity for each customer in the account (note 6(n))	25,562,448	13	13,063,932	8	9,344,348	6
214100 Leverage contract trading - customers' equity	510,823	-	352,056	-	321,355	-
214110 Notes payable	228	-	152	-	228	-
214130 Accounts payable (note 6(o))	11,646,349	6	10,746,724	7	5,850,600	4
214150 Advance receipts	34,256	-	35,477	-	28,245	-
214160 Receipts under custody	1,368,312	1	1,636,517	1	8,089,185	5
214170 Other payables	1,199,233	1	1,100,126	1	735,184	-
214200 Other financial liabilities - current (note 6(w))	5,755,063	3	4,235,829	3	3,194,662	2
214600 Current income tax liabilities	467,575	-	579,999	-	316,338	-
215100 Provisions - current (note 6(q))	62,262	-	50,169	-	60,222	-
216000 Current lease liabilities (note 6(p))	175,146	-	173,381	-	173,672	-
219000 Other current liabilities	22,543	-	19,629	-	16,720	-
	148,670,836	79	121,864,300	75	123,032,468	77
<b>Non-Current liabilities:</b>						
224200 Other financial liabilities - non-current (note 6(w))	570,440	-	515,261	-	570,333	-
226000 Non-current lease liabilities (note 6(p))	708,323	-	736,969	-	722,425	-
228000 Deferred income tax liabilities	494,598	-	427,566	-	484,507	-
229000 Other non-current liabilities (note 6(q))	600,926	-	843,808	1	624,824	-
	2,374,287	-	2,523,604	1	2,402,089	-
<b>Total liabilities</b>	151,045,123	79	124,387,904	76	125,434,557	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	13
302000 Capital surplus (note 6(s))	2,743,465	2	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))	4,098,540	2	3,600,038	2	2,374,610	1
305120 Exchange differences on translation of foreign operations	(381,065)	-	(293,175)	-	(212,566)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,366,127	1	2,087,400	1	1,937,967	1
	37,610,123	20	35,886,069	22	34,591,592	21
<b>Total equity attributable to the parent company</b>	37,610,123	20	35,886,069	22	34,591,592	21
306000 Non-controlling interests	2,699,265	1	2,788,661	2	2,736,617	2
<b>Total equity</b>	40,309,388	21	38,674,730	24	37,328,209	23
<b>Total liabilities and equity</b>	\$ 191,354,511	100	163,062,634	100	162,762,766	100

See accompanying notes to consolidated financial statements.

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and nine months ended September 30, 2021 and 2020**

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

	For the three months ended September 30				For the nine months ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Income:</b>								
401000 Brokerage commissions (note 6(u))	\$ 2,132,412	64	1,523,829	47	6,173,267	62	4,027,238	60
402000 Revenues from securities business money lending	39	-	12	-	148	-	74	-
403000 Revenue from securities lending	89,795	3	51,730	2	224,735	2	143,887	2
404000 Underwriting commissions (note 6(u))	38,048	1	119,617	4	84,840	1	175,019	3
406000 Commissions on wealth management business	16,944	1	15,280	1	60,991	1	56,445	1
410000 Net gains (losses) on sale of trading securities (note 6(u))	896,535	27	829,561	26	3,208,132	32	408,732	6
421100 Securities management, distribution, and management fees	40,656	1	37,569	1	114,009	1	112,903	2
421200 Interest revenue (note 6(u))	444,016	13	383,251	12	1,270,340	13	1,056,577	16
421300 Dividend revenue	216,600	6	138,013	4	257,997	3	175,683	3
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(u))	(2,581,250)	(77)	(148,173)	(5)	(1,056,287)	(11)	(378,735)	(6)
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements	(24,427)	(1)	37,229	1	154,926	2	104,413	2
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	150,246	4	(7,781)	-	(13,991)	-	(44,178)	(1)
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	18,012	1	197,806	6	88,418	1	350,763	5
422000 Net gains (losses) from exchange traded notes (note 6(w))	92	-	(106)	-	67	-	(109)	-
422100 Management and commissions revenue from exchange traded notes (note 6(w))	3	-	2	-	8	-	5	-
422200 Net gains (losses) on stock warrants issued (note 6(u) and (w))	1,346,550	40	164,100	5	(663,772)	(7)	285,298	4
424100 Futures commission revenues (note 6(u))	72,318	2	94,741	3	263,944	3	242,477	4
424400 Net gains (losses) on derivative instruments - futures (note 6(w))	120,892	4	(42,058)	(1)	(168,132)	(2)	103,484	1
424500 Net gains (losses) on derivative instruments - OTC (note 6(w))	322,702	10	(213,930)	(7)	(168,532)	(2)	(221,989)	(3)
424800 Management fee revenues	398	-	169	-	2,119	-	561	-
424900 Consultancy fee revenue	4,467	-	2,791	-	18,045	-	8,978	-
425300 Impairment losses and reversal gains (note 6(v))	(2,216)	-	(32,271)	(1)	(12,630)	-	(35,153)	(1)
428000 Other operating revenues	36,586	1	79,461	2	137,638	1	116,216	2
	<u>3,339,418</u>	<u>100</u>	<u>3,230,842</u>	<u>100</u>	<u>9,976,280</u>	<u>100</u>	<u>6,688,589</u>	<u>100</u>
<b>Expenses:</b>								
501000 Brokerage fees	240,247	7	194,248	6	696,347	7	485,149	7
502000 Brokerage and clearing fees - proprietary trading	5,717	-	5,170	-	17,156	-	12,949	-
503000 Clearing and exchange fees - refinancing	686	-	704	-	2,480	-	2,487	-
504000 Clearing and exchange fees - underwriting	343	-	352	-	667	-	980	-
507000 Issuance and management fees on exchange traded notes (note 6(w))	353	-	-	-	438	-	-	-
521200 Financial costs	41,573	2	72,136	2	141,788	1	317,072	5
521640 Loss from securities borrowing transactions	3,127	-	1,874	-	5,872	-	1,874	-
524100 Futures commission expense (note 6(u))	74,934	2	78,754	2	244,706	2	266,124	4
524300 Cleaning and settlement expenses	51,089	2	47,232	2	147,488	1	136,808	2
528000 Other operating expenditure	5,401	-	5,376	-	18,629	-	11,525	-
531000 Employee benefits expenses (note 6(u))	1,002,342	30	815,561	25	2,895,230	29	2,104,197	31
532000 Depreciation and amortization expense (note 6(u))	113,924	3	111,644	4	353,839	4	335,341	5
533000 Other operating expenses (note 6(u))	522,587	16	418,708	13	1,489,519	15	1,122,823	17
	<u>2,062,323</u>	<u>62</u>	<u>1,751,759</u>	<u>54</u>	<u>6,014,159</u>	<u>59</u>	<u>4,797,329</u>	<u>71</u>
<b>Other income (expenses):</b>								
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(e))	42,389	1	47,041	2	146,541	1	138,193	2
602000 Other gains and losses (note 6(u))	202,462	6	229,641	7	527,082	5	746,092	11
	<u>244,851</u>	<u>7</u>	<u>276,682</u>	<u>9</u>	<u>673,623</u>	<u>6</u>	<u>884,285</u>	<u>13</u>
902001 <b>Net income before income tax</b>	1,521,946	45	1,755,765	55	4,635,744	47	2,775,545	42
701000 <b>Less: Income tax expenses (note 6(r))</b>	178,184	5	156,170	5	615,277	6	381,528	6
<b>Net income</b>	<u>1,343,762</u>	<u>40</u>	<u>1,599,595</u>	<u>50</u>	<u>4,020,467</u>	<u>41</u>	<u>2,394,017</u>	<u>36</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	467	-	72,744	2	719,778	7	116,361	2
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	-	-	-	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>467</u>	<u>-</u>	<u>72,744</u>	<u>2</u>	<u>723,437</u>	<u>7</u>	<u>116,705</u>	<u>2</u>
805600 <b>Components that may be reclassified to profit or loss in subsequent periods:</b>								
805610 Exchange differences on translation of foreign operations	(5,930)	-	(78,616)	(2)	(106,255)	(1)	(113,960)	(2)
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(81,710)	(3)	868	-	(360,196)	(4)	164,738	3
805699 Less: Income tax related to components of other comprehensive income (note 6(r))	(468)	-	(5,771)	-	(7,379)	-	(9,031)	-
<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	<u>(87,172)</u>	<u>(3)</u>	<u>(71,977)</u>	<u>(2)</u>	<u>(459,072)</u>	<u>(5)</u>	<u>59,809</u>	<u>1</u>
805000 <b>Other comprehensive income, net</b>	<u>(86,705)</u>	<u>(3)</u>	<u>767</u>	<u>-</u>	<u>264,365</u>	<u>2</u>	<u>176,514</u>	<u>3</u>
902006 <b>Total comprehensive income</b>	<u>\$ 1,257,057</u>	<u>37</u>	<u>1,600,362</u>	<u>50</u>	<u>4,284,832</u>	<u>43</u>	<u>2,570,531</u>	<u>39</u>
<b>Net income attributable to:</b>								
913100 Shareholders of the parent	\$ 1,297,012	39	1,524,795	48	3,849,724	39	2,183,329	33
913200 Non-controlling interests	46,750	1	74,800	2	170,743	2	210,688	3
	<u>\$ 1,343,762</u>	<u>40</u>	<u>1,599,595</u>	<u>50</u>	<u>4,020,467</u>	<u>41</u>	<u>2,394,017</u>	<u>36</u>
<b>Total comprehensive income attributable to:</b>								
914100 Shareholders of the parent	\$ 1,216,318	36	1,533,220	48	4,112,018	41	2,370,772	36
914200 Non-controlling interests	40,739	1	67,142	2	172,814	2	199,759	3
	<u>\$ 1,257,057</u>	<u>37</u>	<u>1,600,362</u>	<u>50</u>	<u>4,284,832</u>	<u>43</u>	<u>2,570,531</u>	<u>39</u>
975000 <b>Basic earnings per share (note 6(t))</b>	<u>\$ 0.60</u>		<u>0.70</u>		<u>1.77</u>		<u>1.01</u>	
985000 <b>Diluted earnings per share (note 6(t))</b>	<u>\$ 0.60</u>		<u>0.70</u>		<u>1.77</u>		<u>1.00</u>	

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the nine months ended September 30, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	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
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 nine months ended September 30, 2020	-	-	-	-	2,183,329	-	-	-	2,183,329	210,688	2,394,017
Other comprehensive income	-	-	-	-	-	(94,023)	281,466	-	187,443	(10,929)	176,514
Total comprehensive income	-	-	-	-	2,183,329	(94,023)	281,466	-	2,370,772	199,759	2,570,531
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	-	-	-	-	40,176	-	(40,176)	-	-	-	-
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 September 30, 2020</b>	\$ 21,709,081	2,743,205	1,922,939	4,116,356	2,374,610	(212,566)	1,937,967	-	34,591,592	2,736,617	37,328,209
<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 nine months ended September 30, 2021	-	-	-	-	3,849,724	-	-	-	3,849,724	170,743	4,020,467
Other comprehensive income	-	-	-	-	-	(87,890)	350,184	-	262,294	2,071	264,365
Total comprehensive income	-	-	-	-	3,849,724	(87,890)	350,184	-	4,112,018	172,814	4,284,832
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	-	-	-	-	71,457	-	(71,457)	-	-	-	-
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	35	-	35
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(262,210)	(262,210)
<b>Balance at September 30, 2021</b>	\$ 21,709,081	2,743,465	2,267,833	4,806,142	4,098,540	(381,065)	2,366,127	-	37,610,123	2,699,265	40,309,388



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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2021 and 2020**

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

	<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 4,635,744	2,775,545
<b>Adjustments:</b>		
<b>Income and expenses items:</b>		
Depreciation expense	327,414	308,904
Amortization expense	26,425	26,437
Impairment loss	12,630	35,153
Net losses on financial assets or liabilities at fair value through profit or loss	1,070,278	422,913
Financial cost	141,788	317,072
Interest revenue (including financial revenue)	(1,415,724)	(1,373,171)
Dividend revenue	(309,329)	(258,438)
Cash dividend received from investments under equity method	158,395	172,822
Share of profit of associates and joint ventures accounted for using equity method	(146,541)	(138,193)
Losses (gains) on disposal and retirement of property and equipment	138	(11,317)
Net losses (gains) on non-operating financial instruments at fair value through profit or loss	16,003	(28,786)
Net losses (gains) on lease modifications	111	(24)
Impairment loss on non-financial assets	3,643	-
<b>Subtotal of income of non-cash activities</b>	<u>(114,769)</u>	<u>(526,628)</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(7,612,846)	(5,564,537)
Decrease (increase) in financial assets at fair value through other comprehensive income	750,363	(2,764,189)
Increase in receivable for securities provided as collateral	(3,058,861)	(3,600,243)
Decrease in refinancing margin	34,168	53,623
Decrease in receivable on refinancing collateral	28,804	102,539
Increase in receivable of securities business money lending	(228,666)	(302,782)
Decrease (increase) in customers' margin account	466,895	(3,589,804)
Decrease (increase) in margin receivable of futures trading	181	(1,454)
Decrease (increase) in collateral for securities borrowed	744,558	(222,254)
Increase in security borrowing margin	(3,977,825)	(220,638)
Decrease (increase) in notes receivable	(905)	6,702
Increase in accounts receivable	(1,713,001)	(545,988)
Increase in prepayments	(37,988)	(170)
Increase in other receivables	(375,244)	(42,994)
Increase in leverage contract trading - customers' margin account	(155,955)	(14,395)
Decrease (increase) in other current assets	203,949	(7,483,489)
Decrease (increase) in guarantee deposited for business operations	(16,132)	272
Increase in settlement fund	(42,118)	(9,438)
Decrease (increase) in other non-current assets	57,586	(46,811)
Increase (decrease) in financial liabilities at fair value through profit or loss	(705,947)	1,105,101
Increase in bonds sold under repurchase agreements	4,058,596	6,561,126
Increase (decrease) in guarantee deposited for short sales	572,734	(397,390)
Increase (decrease) in proceeds payable from short sales	671,598	(417,896)
Increase in securities lending refundable deposits	6,133,171	834,910
Increase (decrease) in futures traders' equity	(470,939)	3,584,113
Increase in leverage contract trading - customers' equity	158,767	12,765
Increase in notes payable	76	228
Increase (decrease) in accounts payable	906,475	(354,763)
Decrease in advance receipts	(1,221)	(32,622)
Increase (decrease) in receipts under custody	(268,205)	7,974,743
Increase in other payable	98,603	73,674
Increase (decrease) in other financial liabilities - current	1,519,234	(385,289)
Increase in provision - current	12,093	7,656
Increase in other current liabilities	2,914	3,003
Increase in other financial liabilities - non-current	55,179	220,815
Decrease in other non-current liabilities	(243,014)	(12,278)
<b>Total changes in assets and liabilities from operating activities</b>	<u>(2,432,923)</u>	<u>(5,468,154)</u>
<b>Total adjustments</b>	<u>(2,547,692)</u>	<u>(5,994,782)</u>

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2021 and 2020**

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Cash generated from operating activities	\$ 2,088,052	(3,219,237)
Interest received	1,344,556	1,510,708
Dividends received	296,177	246,414
Interest paid	(148,310)	(349,033)
Income taxes paid	(582,431)	(214,616)
<b>Net Cash flows provided by (used in) operating activities</b>	<b>2,998,044</b>	<b>(2,025,764)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(386,994)	(49,880)
Proceeds from disposal of financial assets at fair value through other comprehensive income	430,896	27,421
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	202,681
Increase in deferred debits	(124)	(126)
Proceeds from disposal of subsidiaries	(400)	-
Acquisition of property and equipment	(176,775)	(87,477)
Proceeds from disposal of property and equipment	-	20,287
Acquisition of intangible assets	(11,573)	(27,378)
<b>Net cash flows (used in) provided by investing activities</b>	<b>(144,970)</b>	<b>85,528</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	387,092	665,288
Increase in commercial papers payable	1,349,984	2,799,825
Payment of lease liabilities	(151,331)	(151,325)
Cash dividends paid	(2,650,236)	(1,910,332)
Proceed from issue of share capital	-	482,278
Purchase of treasury shares	-	(30,387)
Change in non-controlling interests	-	(10)
Proceed from right of inclusion options exercised	62	-
<b>Net cash flows (used in) provided by financing activities</b>	<b>(1,064,429)</b>	<b>1,855,337</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(104,219)</b>	<b>(111,629)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,684,426</b>	<b>(196,528)</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>\$ 10,181,508</b>	<b>8,127,108</b>

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**September 30, 2021 and 2020**

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

**(1) Overview:**

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of September 30, 2021, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of September 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.

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

The consolidated financial statements were authorized for issuance by the board of directors on November 11, 2021.

(Continued)

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

**(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”

- (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

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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.

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);

(Continued)

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

- 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		
			September 30, 2021	December 31, 2020	September 30, 2020
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment.	100.00 %	100.00 %	100.00 % (Note 1)
The Company	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 % (Note 2)
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 % (Note 3)
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	100.00 % (Note 4)
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	- % (Note 5)

(Continued)

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

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		
			September 30, 2021	December 31, 2020	September 30, 2020
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %	97.27 %
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 % (Note 6)
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 % (Note 6)
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 % (Note 6)
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 % (Note 2)
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 % (Note 2)
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 % (Note 3)
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 % (Note 3)
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	- %	- % (Note 5)

Note 1: Capital Investment Management Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2021 and 2020, the total assets amounted to \$123,491 and \$131,722, and the total liabilities amounted to \$44,208 and \$52,123, respectively. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2021 and 2020 were \$(344), \$(4,484), \$3,403 and \$(12,845), respectively.

Note 2: CSC International Holdings Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2021 and 2020, the total consolidated assets amounted to \$1,661,660 and \$5,101,961, and the total consolidated liabilities amounted to \$166,616 and \$3,540,186, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2021 and 2020 were \$12,300, \$10,854, \$3,399 and \$618, respectively.

Note 3: Taiwan International Securities (B.V.I) Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2021 and 2020, the total consolidated assets amounted to \$48 and \$28, and the total consolidated liabilities amounted to \$0 and \$0, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2021 and 2020 were \$(273), \$1, \$(405) and \$484, respectively.

Note 4: CSC Venture Capital Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2021 and 2020, the total assets amounted to \$790,963 and \$836,607, and the total liabilities amounted to \$13,242 and \$10,857, respectively. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2021 and 2020 were \$(12,067), \$(316), \$(60,550) and \$62,638, respectively.

Note 5: CSC Capital Management Co. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2021, the total assets amounted to \$350,998, and the total liabilities amounted to \$508. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2021 were \$8,161 and \$20,748.

(Continued)

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

Note 6: Capital International Technology Co., Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2021 and 2020, the total consolidated assets amounted to \$44,977 and \$72,327, and the total consolidated liabilities amounted to \$6,044 and \$5,518, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2021 and 2020 were \$(966), \$(33), \$(4,591) and \$2,887, respectively.

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			September 30, 2021	December 31, 2020	September 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 September 30, 2021, December 31, 2020 and September 30, 2020, the total assets constituted 0.02%, 0.03% and 0.03% of the Group's total assets, respectively. For the nine months ended September 30, 2021 and 2020, the operation revenue constituted 0.40% and 0.62% 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 September 30, 2021, December 31, 2020 and September 30, 2020, the total assets constituted 0.03%, 0.05% and 0.05% of the Group's total assets, respectively. For the nine months ended September 30, 2021 and 2020, the operation revenue constituted 0.68% and 1.33% 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.

(Continued)



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

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.

(e) Employee benefits

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

(f) Income tax

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

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.

(Continued)

**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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash	\$ 2,758	2,723	2,747
Bank deposits			
Checking accounts	28,584	34,481	32,736
Demand deposits	<u>2,975,409</u>	<u>1,761,846</u>	<u>1,095,508</u>
Subtotal	<u>3,003,993</u>	<u>1,796,327</u>	<u>1,128,244</u>
Cash equivalents			
Time deposits	5,290,298	5,238,883	5,111,755
Futures margin - excess margin	1,884,459	1,365,163	1,870,369
Commercial papers	<u>-</u>	<u>93,986</u>	<u>13,993</u>
Subtotal	<u>7,174,757</u>	<u>6,698,032</u>	<u>6,996,117</u>
Total	<u>\$ 10,181,508</u>	<u>8,497,082</u>	<u>8,127,108</u>

(b) Financial assets

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<b>Open-ended funds and money-market instruments</b>			
Open-ended funds and money-market instruments	\$ 175,577	187,563	391,230
Valuation adjustment	<u>2,267</u>	<u>14,275</u>	<u>40,444</u>
Subtotal	<u>177,844</u>	<u>201,838</u>	<u>431,674</u>
<b>Securities invested by securities broker</b>			
Securities invested by securities broker	25,790	48,166	6,142
Valuation adjustment	<u>(44)</u>	<u>934</u>	<u>125</u>
Subtotal	<u>25,746</u>	<u>49,100</u>	<u>6,267</u>

(Continued)

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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
<b>Trading securities - proprietary trading</b>			
Listed stocks	\$ 2,019,299	907,307	1,957,582
Listed funds	808,461	666,617	686,917
OTC stocks	294,065	252,856	300,073
OTC funds	199,060	149,083	128,922
Emerging market stocks	650,174	617,219	404,862
Convertible bonds	803,860	921,050	736,876
Government bonds	4,131,177	3,328,813	5,081,497
Corporate bonds	10,667,136	8,266,818	8,392,452
International bonds	5,354,680	5,149,292	4,813,074
Financial debentures	1,457,778	957,778	1,159,251
Foreign stocks	490,967	159,732	345,430
Foreign bonds	210,174	191,652	277,856
Others	<u>76,480</u>	<u>7,500</u>	<u>8,300</u>
	27,163,311	21,575,717	24,293,092
Valuation adjustment	<u>(18,553)</u>	<u>211,927</u>	<u>159,210</u>
Subtotal	<u>27,144,758</u>	<u>21,787,644</u>	<u>24,452,302</u>
<b>Trading securities - underwriting:</b>			
Listed stocks	34,488	203,906	212,446
OTC stocks	-	700	-
Convertible bonds	<u>56,185</u>	<u>39,845</u>	<u>48,472</u>
	90,673	244,451	260,918
Valuation adjustment	<u>(4,873)</u>	<u>4,393</u>	<u>(1,679)</u>
Subtotal	<u>85,800</u>	<u>248,844</u>	<u>259,239</u>
<b>Trading securities - hedging</b>			
Listed stocks	2,908,587	2,371,659	1,643,111
OTC stocks	647,233	751,136	454,986
Convertible bonds	8,970,725	6,864,305	6,720,713
Others	<u>1,518,649</u>	<u>1,826,385</u>	<u>1,862,520</u>
	14,045,194	11,813,485	10,681,330
Valuation adjustment	<u>(347,816)</u>	<u>468,042</u>	<u>(66,475)</u>
Subtotal	<u>13,697,378</u>	<u>12,281,527</u>	<u>10,614,855</u>

(Continued)

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<b>Derivatives</b>			
Call options	\$ 57,046	40,215	24,020
Futures margin - proprietary fund	218,702	348,012	214,831
IRS asset swaps	13,888	13,100	14,029
Asset swap options - long position	236,080	157,459	112,465
Leverage derivatives - non-hedging	51,950	63,380	35,647
Structured notes	9,088	7,785	6,680
Currency swaps	7,685	-	-
Equity derivatives	359	-	-
Interest rate swaps	<u>2</u>	<u>-</u>	<u>-</u>
Subtotal	<u>594,800</u>	<u>629,951</u>	<u>407,672</u>
Total	<u>\$ 41,726,326</u>	<u>35,198,904</u>	<u>36,172,009</u>

As of September 30, 2021, December 31, 2020 and September 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 2,217,353	2,220,744	2,221,885
International bonds	445,600	797,101	814,282
Foreign bonds	<u>13,978,958</u>	<u>14,607,024</u>	<u>15,118,656</u>
	16,641,911	17,624,869	18,154,823
Valuation adjustment	<u>228,419</u>	<u>593,315</u>	<u>518,915</u>
Subtotal	<u>16,870,330</u>	<u>18,218,184</u>	<u>18,673,738</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	410,891	272,065	221,120
OTC stocks	45,052	48,478	65,743
Emerging market stocks	<u>85,345</u>	<u>59,622</u>	<u>59,622</u>
	541,288	380,165	346,485
Valuation adjustment	<u>14,130</u>	<u>65,130</u>	<u>63,495</u>
Subtotal	<u>555,418</u>	<u>445,295</u>	<u>409,980</u>
Total	<u>\$ 17,425,748</u>	<u>18,663,479</u>	<u>19,083,718</u>

(Continued)

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

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

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

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

For the three months and the nine months ended September 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 \$30,909, \$10,260, \$32,301 and \$16,480, 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 \$342,466, \$25,298, \$861,649 and \$292,768, respectively, cumulative dispose gains (losses) for the three months and the nine months ended September 30, 2021 and 2020, amounted to \$4,666, \$9,903, \$85,381 and \$40,176, respectively, were transferred from other equity items to retained earnings.

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

4) For the nine months ended September 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>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 180,329	180,329	180,329
Valuation adjustment	<u>(184)</u>	<u>600</u>	<u>777</u>
Total	<u>\$ 180,145</u>	<u>180,929</u>	<u>181,106</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group took advantage of government bonds as operation deposits for businesses of bills, interest rate swaps, structured notes, settlement fund and compensation reserve for trust business (for details please refer to note 8).

(Continued)

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 1,090,193	945,135	946,725
Valuation adjustment	<u>2,001,485</u>	<u>1,341,950</u>	<u>1,280,064</u>
Total	<u>\$ 3,091,678</u>	<u>2,287,085</u>	<u>2,226,789</u>

For the three months and the nine months ended September 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 \$48,842, \$29,583, \$48,842 and \$85,056, respectively.

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

Type of market risk	September 30, 2021	December 31, 2020	September 30, 2020	For the nine months ended September 30,					
				2021			2020		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,634,872	1,351,429	1,244,449	1,665,163	1,883,240	1,527,654	1,213,470	1,378,457	1,066,520

(c) Accounts Receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Receivable on securities purchased by customers	\$ 106,212	40,983	24,564
Settlement prices	-	1,426,058	623,247
Interests receivable	511,048	434,085	401,552
Receivables on securities sold	12,088,684	9,066,249	5,801,221
Others	<u>136,076</u>	<u>72,122</u>	<u>71,011</u>
Subtotal	12,842,020	11,039,497	6,921,595
Less: allowance for doubtful accounts	<u>(40)</u>	<u>(241)</u>	<u>(1,706)</u>
Total	<u>\$ 12,841,980</u>	<u>11,039,256</u>	<u>6,919,889</u>

(Continued)

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

- (i) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(v).
- (ii) For the nine months ended September 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>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Customers' margin account			
Cash in banks	\$ 28,359,785	28,320,264	27,569,926
Customers' margin account - futures clearing house	5,990,182	6,038,034	5,535,011
Customers' margin account - other futures commission merchants	3,530,232	3,990,936	5,288,284
Marketable securities	<u>2,738</u>	<u>598</u>	<u>302</u>
Total customers' margin account	<u>37,882,937</u>	<u>38,349,832</u>	<u>38,393,523</u>
Add:			
Commission expense	4,076	2,352	1,769
Other	705	26	43
Less:			
Brokerage fee revenue	(17,849)	(11,746)	(11,514)
Futures transaction tax	(2,857)	(2,289)	(2,066)
Interest revenues	(569)	(789)	(2,344)
Temporary receipts	(2,469)	(3,034)	(15,253)
Remittance amount of the customers after the market closed	(13,515)	(11,879)	(10,442)
Other receivable	(4,777)	(5,848)	(22,072)
Other	<u>-</u>	<u>(4)</u>	<u>-</u>
Futures traders' equity	<u>\$ 37,845,682</u>	<u>38,316,621</u>	<u>38,331,644</u>

(Continued)

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

(e) Investments accounted for under equity method

Investments under equity method consisted of the following:

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 41,120	51,986	48,224
Capital Insurance Agency Corp.	<u>39,248</u>	<u>39,190</u>	<u>40,158</u>
Subtotal	<u>80,368</u>	<u>91,176</u>	<u>88,382</u>
Associates			
True Partner Advisor Hong Kong Ltd.	49,850	49,281	49,850
Capital Investment Trust Corp.	1,342,342	1,340,829	1,298,568
EnnoCap Venture Inc.	<u>400</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,392,592</u>	<u>1,390,110</u>	<u>1,348,418</u>
Total	<u>\$ 1,472,960</u>	<u>1,481,286</u>	<u>1,436,800</u>

(i) Subsidiaries:

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 3,513</u>	<u>5,055</u>	<u>15,318</u>	<u>23,114</u>
		<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Total assets		<u>\$ 110,573</u>	<u>120,492</u>	<u>122,191</u>
Total liabilities		<u>\$ 30,205</u>	<u>29,316</u>	<u>33,809</u>
	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 30,067</u>	<u>31,738</u>	<u>107,973</u>	<u>130,858</u>
Net income	<u>\$ 3,513</u>	<u>5,055</u>	<u>15,318</u>	<u>23,114</u>

(Continued)



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

## (ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights		
			September 30, 2021	December 31, 2020	September 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 %
EnnoCap Venture Inc.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Taiwan	40.00 %	- %	- %

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
Total carrying amount of interests in associates that were individually immaterial	\$ <u>1,392,592</u>	<u>1,390,110</u>	<u>1,348,418</u>
	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021
Group's share of total comprehensive income:			
Profit from continuing operations	\$ 38,876	41,986	131,223
Other comprehensive income (losses)	(52)	(279)	3,235
Total comprehensive income (losses)	\$ <u>38,824</u>	<u>41,707</u>	<u>134,458</u>
	For the nine months ended September 30, 2020		For the nine months ended September 30, 2020
Group's share of total comprehensive income:			
Profit from continuing operations	\$ 38,876	41,986	131,223
Other comprehensive income (losses)	(52)	(279)	3,235
Total comprehensive income (losses)	\$ <u>38,824</u>	<u>41,707</u>	<u>134,458</u>

## (iii) Collateral

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

(Continued)

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

(f) Property and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2021	\$ 1,990,853	1,315,804	607,709	268,310	4,182,676
Additions	-	-	143,996	32,779	176,775
Transferred from investment property	238,339	135,004	-	-	373,343
Reclassified to investment property	(412,682)	(318,139)	-	-	(730,821)
Disposals and retirements	-	-	(93,115)	(37,732)	(130,847)
Effect of exchange rate changes	-	(1,842)	(2,084)	(311)	(4,237)
Balance at September 30, 2021	<u>\$ 1,816,510</u>	<u>1,130,827</u>	<u>656,506</u>	<u>263,046</u>	<u>3,866,889</u>
Balance at January 1, 2020	\$ 1,881,232	1,182,520	667,875	265,792	3,997,419
Additions	-	-	74,209	13,267	87,476
Transferred from investment property	412,681	289,574	-	-	702,255
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	-	(3,091)	(2,545)	(343)	(5,979)
Balance at September 30, 2020	<u>\$ 1,990,853</u>	<u>1,317,982</u>	<u>601,956</u>	<u>259,890</u>	<u>4,170,681</u>
Accumulated depreciation and impairment loss					
Balance at January 1, 2021	\$ -	577,627	344,866	148,860	1,071,353
Depreciation	-	19,645	96,324	39,466	155,435
Transferred from investment property	-	26,765	-	-	26,765
Reclassified to investment property	-	(148,236)	-	-	(148,236)
Disposals and retirements	-	-	(92,986)	(37,723)	(130,709)
Effect of exchange rate changes	-	(870)	(1,703)	(137)	(2,710)
Balance at September 30, 2021	<u>\$ -</u>	<u>474,931</u>	<u>346,501</u>	<u>150,466</u>	<u>971,898</u>
Balance at January 1, 2020	\$ -	460,046	394,091	117,677	971,814
Depreciation	-	19,059	77,230	38,604	134,893
Transferred from investment property	-	127,220	-	-	127,220
Reclassified to investment property	-	(32,738)	-	-	(32,738)
Disposals and retirements	-	(255)	(137,583)	(18,826)	(156,664)
Effect of exchange rate changes	-	(1,399)	(2,171)	(300)	(3,870)
Balance at September 30, 2020	<u>\$ -</u>	<u>571,933</u>	<u>331,567</u>	<u>137,155</u>	<u>1,040,655</u>
Carrying amount:					
At September 30, 2021	<u>\$ 1,816,510</u>	<u>655,896</u>	<u>310,005</u>	<u>112,580</u>	<u>2,894,991</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 September 30, 2020	<u>\$ 1,990,853</u>	<u>746,049</u>	<u>270,389</u>	<u>122,735</u>	<u>3,130,026</u>

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

(Continued)

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

## (g) Right-of-use assets

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Carrying amount:			
At September 30, 2021	\$ <u>812,615</u>	<u>7,313</u>	<u>819,928</u>
At January 1, 2021	\$ <u>838,501</u>	<u>11,709</u>	<u>850,210</u>
At September 30, 2020	\$ <u>820,375</u>	<u>13,624</u>	<u>833,999</u>

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2021	2020	2021	2020
Additions of Right-of-use assets	\$ <u>16,500</u>	<u>2,246</u>	<u>125,869</u>	<u>33,993</u>
Depreciation for the period				
Buildings	45,123	49,588	150,183	150,088
Others	<u>1,608</u>	<u>2,103</u>	<u>4,960</u>	<u>6,415</u>
	\$ <u>46,731</u>	<u>51,691</u>	<u>155,143</u>	<u>156,503</u>

## (h) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
At September 30, 2021	\$ <u>3,139,197</u>	<u>690,889</u>	<u>3,830,086</u>
At January 1, 2021	\$ <u>2,964,854</u>	<u>646,253</u>	<u>3,611,107</u>
At September 30, 2020	\$ <u>2,964,854</u>	<u>651,723</u>	<u>3,616,577</u>
<u>Fair Value:</u>			
At September 30, 2021			<u>7,741,093</u>
At January 1, 2021			<u>7,295,403</u>
At September 30, 2020			<u>7,295,403</u>

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

As of September 30, 2021, December 31, 2020 and September 30, 2020, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months and the nine months ended September 30, 2021 and 2020, the depreciation expense of the Group amounted to \$6,433, \$5,471, \$16,836 and \$17,496, respectively.

(Continued)

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

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 nine months ended September 30, 2021 and 2020. For the nine months ended September 30, 2021 and 2020, \$582,585 and \$421,088 of land and buildings out of use were transferred to investment property, and \$346,578 and \$575,035 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:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Within 1 year	\$ 159,207	141,942	142,555
1-5 years	495,754	452,023	424,713
Over 5 years	219,740	301,791	303,229
	<b><u>\$ 874,701</u></b>	<b><u>895,756</u></b>	<b><u>870,497</u></b>

The rental revenue from investment property for the three months and the nine months ended September 30, 2021 and 2020 amounted to \$41,931, \$39,317, \$118,427 and \$121,553 respectively.

- (i) Intangible assets
- (i) Goodwill

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

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amounts of goodwill were \$17,241, \$20,884 and \$22,088, respectively. Furthermore, the Group recognized an impairment loss of \$3,643 for the nine months ended September 30, 2021, by using a discount rate of 4.65% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(Continued)

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

(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 September 30, 2021, December 31, 2020 and September 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 September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amounts of intangible assets were \$46,098, \$46,146 and \$46,187, 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 September 30, 2021, December 31, 2020 and September 30, 2020, the amortized book value were \$21,327, \$35,836 and \$26,091, respectively.

(j) Short-term borrowings

<u>Nature of borrowings</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Collateralized loan	\$ 921,835	1,449,632	902,100
Credit loan	3,136,368	2,221,479	6,394,190
Total	<u>\$ 4,058,203</u>	<u>3,671,111</u>	<u>7,296,290</u>
Interest rate range	<u>0.50%~1.38%</u>	<u>0.44%~1.45%</u>	<u>0.48%~4.462%</u>

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

(k) Commercial paper payable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Commercial paper payable	\$ 3,650,000	2,300,000	2,800,000
Less: Unamortized discount	(324)	(308)	(175)
Net amount	<u>\$ 3,649,676</u>	<u>2,299,692</u>	<u>2,799,825</u>
Interest rate range	<u>0.338%~0.428%</u>	<u>0.358%~0.418%</u>	<u>0.378%~0.388%</u>

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

(Continued)

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Liabilities on sale of borrowed securities	\$ 57,600	947,588	658,061
Valuation adjustment	<u>(3,237)</u>	<u>(17,227)</u>	<u>(6,117)</u>
Subtotal	<u>54,363</u>	<u>930,361</u>	<u>651,944</u>
Liabilities for issuance of Exchange Traded Notes	764	868	680
Valuation adjustment	<u>152</u>	<u>260</u>	<u>106</u>
Subtotal	<u>916</u>	<u>1,128</u>	<u>786</u>
Stock warrants issued	14,087,340	9,668,055	9,016,337
Stock warrants repurchased	<u>(13,229,653)</u>	<u>(8,941,544)</u>	<u>(8,539,042)</u>
Subtotal	<u>857,687</u>	<u>726,511</u>	<u>477,295</u>
Put options	64,414	59,577	26,606
IRS asset swaps	19,270	10,968	11,247
Asset swap options - short position	1,451,336	1,267,802	771,158
Structured notes	471,566	619,483	609,732
Leverage derivatives - non-hedging	2,510	1,772	2,246
Currency swaps	2,686	12,759	11,207
Interest rate swaps	-	505	866
Equity derivatives	<u>171</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,011,953</u>	<u>1,972,866</u>	<u>1,433,062</u>
Total	<u><u>\$ 2,924,919</u></u>	<u><u>3,630,866</u></u>	<u><u>2,563,087</u></u>

(m) Bonds sold under repurchase agreements

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Bonds sold under repurchase agreements	<u>\$ 39,324,178</u>	<u>35,265,582</u>	<u>38,408,657</u>
Agreed-upon repurchase amounts	<u>39,359,523</u>	<u>35,315,617</u>	<u>38,479,633</u>
Interest rates	<u>0.05%~0.55%</u>	<u>0.10%~2.60%</u>	<u>0.10%~2.45%</u>
Date of repurchase	<u>2021.10.1~2022.9.29</u>	<u>2021.1.4~2021.12.16</u>	<u>2020.10.5~2021.9.17</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.

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Equity for each customer in the account	<u><u>\$ 25,562,448</u></u>	<u><u>13,063,932</u></u>	<u><u>9,344,348</u></u>

(Continued)

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

## (o) Accounts payable

	September 30, 2021	December 31, 2020	September 30, 2020
Payable of securities sold by customers	\$ 84,636	65,929	36,057
Settlement prices	2,855,989	-	-
Payable of settlements	8,582,638	10,333,791	5,589,690
Others	123,086	347,004	224,853
Total	<u>\$ 11,646,349</u>	<u>10,746,724</u>	<u>5,850,600</u>

## (p) Lease liabilities

The Group's lease liabilities are as follow:

	September 30, 2021	December 31, 2020	September 30, 2020
Current	<u>\$ 175,146</u>	<u>173,381</u>	<u>173,672</u>
Non-current	<u>\$ 708,323</u>	<u>736,969</u>	<u>722,425</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest on lease liabilities	<u>\$ 3,016</u>	<u>3,158</u>	<u>9,258</u>	<u>10,009</u>
Expenses relating to short-term leases	<u>\$ 2,077</u>	<u>1,671</u>	<u>5,656</u>	<u>4,735</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 3,283</u>	<u>3,301</u>	<u>6,316</u>	<u>16,993</u>
Covid-19-related rent concessions	<u>\$ 540</u>	<u>-</u>	<u>756</u>	<u>-</u>

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

	For the nine months ended September 30,	
	2021	2020
Total cash outflow for leases	<u>\$ 172,561</u>	<u>183,062</u>

(Continued)

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

(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 nine months ended September 30, 2021 and 2020, the Group's pension expenses recognized in profit or loss were \$6,827, \$1,966, \$11,034 and \$5,889, 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 \$27,404, \$22,585, \$77,490 and \$65,544 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the nine months ended September 30, 2021 and 2020, respectively.

(iii) For the three months and the nine months ended September 30, 2021 and 2020, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,050, \$753, \$3,285 and \$2,521, respectively.

(iv) Provision for employee benefits liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Compensated absences	\$ 62,262	50,169	60,222

(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 nine months ended September 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 nine months ended September 30, 2021 and 2020.

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

(Continued)



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

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

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2021	2020	2021	2020
Current tax expense	\$ 75,432	42,747	493,369	261,206
Deferred income tax expense (benefit)	102,752	113,423	121,908	120,322
Total	<u>\$ 178,184</u>	<u>156,170</u>	<u>615,277</u>	<u>381,528</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2021	2020	2021	2020
Foreign exchange difference from translating financial statement of foreign operations	\$ (468)	(5,771)	(7,379)	(9,031)

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2019 were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 4) Subsidiary - Taiwan International Securities Investment Consulting Corp.'s income tax returns for the liquidation date as of June 30, 2012 and the period of liquidation from July 1, 2012 to September 16, 2019 were assessed by the Tax Authority. On June 15, 2020, the entity was been admitted the completion of liquidation by the court.
- 5) Second level Subsidiary - Capital International Technology Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2019 were assessed by the Tax Authority.
- 7) Subsidiary - CSC Capital Management Co. was approved and established on December 3, 2020 and has not had a case of profit-seeking income tax reporting.

(v) Income tax administrative relief

Since the tax losses 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.

(Continued)

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

(s) Capital and other equity

(i) Capital stock

As of September 30, 2021, December 31, 2020 and September 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:

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

(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.

(Continued)

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

2) Special reserve

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

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

3) Undistributed earnings

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

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

The Company’s 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:

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

(Continued)

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

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.

(t) Earnings per share

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income attributable to common shareholders of the Company	\$ <u>1,297,012</u>	<u>1,524,795</u>	<u>3,849,724</u>	<u>2,183,329</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,918</u>	<u>2,170,908</u>	<u>2,170,918</u>
Basic earnings per share (dollar)	\$ <u>0.60</u>	<u>0.70</u>	<u>1.77</u>	<u>1.01</u>
Effect of potentially dilutive common stock				
- Employee remuneration (thousands of shares) (Note)	<u>1,430</u>	<u>1,734</u>	<u>3,553</u>	<u>2,615</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,172,338</u>	<u>2,172,652</u>	<u>2,174,461</u>	<u>2,173,533</u>
Dilutive earnings per share (dollar)	\$ <u>0.60</u>	<u>0.70</u>	<u>1.77</u>	<u>1.00</u>

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

(Continued)

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

(u) Items of the statements of comprehensive income

(i) Brokerage commissions

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Brokerage commission from TSE market	\$ 1,292,164	736,415	3,722,034	1,790,005
Brokerage commission from OTC market	341,089	268,079	901,388	618,402
Handling fee from security financing	15,260	10,017	34,681	25,608
Futures commission income - brokerage	441,361	459,534	1,368,304	1,470,135
Overseas subsidiaries	9,939	21,261	34,648	43,016
Others	32,599	28,523	112,212	80,072
	<u>\$ 2,132,412</u>	<u>1,523,829</u>	<u>6,173,267</u>	<u>4,027,238</u>

(ii) Underwriting commissions

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue from underwriting securities on a firm commitment basis	\$ 27,485	25,685	65,157	67,637
Handling fee revenues from underwriting securities on consignment	176	147	419	398
Processing fee revenues from underwriting operations	6,222	91,875	12,033	99,793
Revenue from underwriting consultation	2,570	1,260	4,620	5,660
Others	1,595	650	2,611	1,531
	<u>\$ 38,048</u>	<u>119,617</u>	<u>84,840</u>	<u>175,019</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gains (losses) on securities sold - proprietary trading	\$ 177,937	386,955	896,655	57,536
Gains (losses) on securities sold - underwriting	2,264	40,775	19,030	74,122
Gains (losses) on securities sold - hedging	716,334	401,831	2,292,447	277,074
	<u>\$ 896,535</u>	<u>829,561</u>	<u>3,208,132</u>	<u>408,732</u>

(Continued)

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

(iv) Interest revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest revenue - margin loans	\$ 270,913	163,008	725,315	434,801
Interest revenue - bonds	122,900	176,216	388,175	497,623
Overseas subsidiaries	6,109	13,672	27,079	40,861
Others	44,094	30,355	129,771	83,292
	<u>\$ 444,016</u>	<u>383,251</u>	<u>1,270,340</u>	<u>1,056,577</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Trading securities - proprietary	\$ (258,906)	48,007	(231,162)	(5,224)
Trading securities - underwriting	(3,239)	(1,142)	(9,266)	(27,731)
Trading securities - hedging	(2,319,105)	(195,021)	(815,859)	(345,780)
Settlement coverage bonds payable of short sale	-	(17)	-	-
	<u>\$ (2,581,250)</u>	<u>(148,173)</u>	<u>(1,056,287)</u>	<u>(378,735)</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gains on changes in fair value of stock warrants	\$ 12,486,198	3,553,113	3,521,928	9,019,562
Gains on exercise of stock warrants before maturity	2,968,283	16,666,696	31,059,060	32,418,816
Losses on changes in fair value of stock warrants repurchased	(14,059,362)	(19,999,206)	(35,094,989)	(41,039,562)
Gains on expiration of stock warrants	19,889	6,341	38,214	35,528
Stock warrants issuance expenses	(68,458)	(62,844)	(187,985)	(149,046)
	<u>\$ 1,346,550</u>	<u>164,100</u>	<u>(663,772)</u>	<u>285,298</u>

(vii) Futures commission revenues

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Futures commission revenues - CSC Futures (HK) Ltd.	\$ 72,318	94,741	263,944	242,477

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.

(Continued)

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

(viii) Commission expenses - future

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Future trading - reconignment	\$ 50,245	61,227	162,515	210,554
Future trading - introducing brokers	283	300	924	1,245
Commission expenses - CSC Futures (HK) Ltd.	24,406	17,227	81,267	54,325
	<u>\$ 74,934</u>	<u>78,754</u>	<u>244,706</u>	<u>266,124</u>

(ix) Employee benefits, depreciation, and amortization expenses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Employee benefit expenses				
Salary expense	\$ 891,487	731,515	2,589,093	1,859,083
Health and labor insurance expense	55,356	41,519	158,948	125,207
Pension expense	35,281	25,304	91,809	73,954
Others	20,218	17,223	55,380	45,953
Depreciation expense	105,147	102,913	327,414	308,904
Amortization expense	8,777	8,731	26,425	26,437
	<u>\$ 1,116,266</u>	<u>927,205</u>	<u>3,249,069</u>	<u>2,439,538</u>

(x) Other operating expenses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Rental expense	\$ 5,378	4,965	11,988	21,708
Taxes	162,723	127,651	481,678	316,282
Information technology expense	65,591	60,916	189,516	174,833
Postage expense	59,751	53,449	170,577	157,532
Professional service fee	8,225	5,401	21,020	18,842
Other expenses	220,919	166,326	614,740	433,626
	<u>\$ 522,587</u>	<u>418,708</u>	<u>1,489,519</u>	<u>1,122,823</u>

(Continued)

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

(xi) Other gains and losses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Financial revenue	\$ 39,489	83,755	145,384	316,594
Currency exchange gains (losses)	478	1,358	(14,783)	(8,324)
Net gains (losses) on disposal of investment	344	14,001	17,712	8,720
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	(16,946)	8,279	(16,003)	28,786
Revenue from bank's allocation fee	52,406	47,408	143,813	124,544
Net gains (losses) on disposal of property and equipment	(1)	-	(138)	11,317
Dividend revenue	51,077	27,282	51,332	82,755
Gains on reversal of prior year's liabilities	24,203	303	36,771	20,416
Rental income	41,931	39,317	118,427	121,553
Others	9,481	7,938	44,567	39,731
	<u>\$ 202,462</u>	<u>229,641</u>	<u>527,082</u>	<u>746,092</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.

For the three months and the nine months ended September 30, 2021 and 2020, the estimated amounts of remuneration to employees were \$18,023, \$18,992, \$54,006 and \$28,113, respectively, and to directors were \$27,035, \$31,654, \$81,009 and \$46,855, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

(Continued)



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

For the years ended December 31, 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 nine months ended September 30, 2021 and 2020, the estimated amounts of remuneration to employees were \$1,700, \$1,950, \$5,800 and \$6,550 and to directors were \$1,700, \$1,950, \$5,800 and \$6,550 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 September 30, 2021, December 31, 2020 and September 30, 2020, the maximum credit exposure amounted to \$150,894,342, \$128,261,021 and \$126,605,847, 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 81.80%); secondly, is in Asia (accounted for 9.50%, exclusion of Taiwan); then, is in America (accounted for 5.31%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Taiwan	\$ 123,435,013	99,319,538	93,032,302
Asia (Taiwan is excluded)	14,332,101	15,927,212	19,681,969
Europe	5,063,470	3,761,898	3,981,825
America	8,013,237	8,348,552	9,011,160
Other	<u>50,521</u>	<u>903,821</u>	<u>898,591</u>
Total	<u>\$ 150,894,342</u>	<u>128,261,021</u>	<u>126,605,847</u>

(Continued)

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

2) Impairment loss

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 33,970,715	30,044	28,531,443	36,508	25,204,756	40,054
Past due 0~30 days	441	441	182	182	272	272
Past due 31~120 days	1,165	1,165	399	399	2,865	2,865
Past due 121~360 days	12,284	12,284	841	841	144	144
Past due more than 360 days	241,350	241,350	276,004	276,004	299,999	299,999
	<u>\$ 34,225,955</u>	<u>285,284</u>	<u>28,808,869</u>	<u>313,934</u>	<u>25,508,036</u>	<u>343,334</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 September 30, 2021, December 31, 2020 and September 30, 2020, the impairment losses of receivables were \$285,284, \$313,934 and \$343,334, 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.

(Continued)

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

The loss allowance provision for the nine months ended September 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	-	(1,546)	-	-	14,176	-	12,630
Amounts written off	-	-	-	-	(41,127)	-	(41,127)
Effect of exchange rate	-	-	-	-	(1,699)	-	(1,699)
Balance on September 30, 2021	<u>\$ -</u>	<u>7,845</u>	<u>-</u>	<u>-</u>	<u>285,284</u>	<u>-</u>	<u>293,129</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	-	2,193	-	-	32,960	-	35,153
Amounts written off	-	-	-	-	(3,527)	-	(3,527)
Effect of exchange rate	-	-	-	-	(1,653)	-	(1,653)
Balance on September 30, 2020	<u>\$ -</u>	<u>9,760</u>	<u>-</u>	<u>-</u>	<u>343,334</u>	<u>-</u>	<u>353,094</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.

September 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	\$ 54,363	54,363	54,363	-	-	-	-
Stock warrants issued	857,687	857,687	724,774	132,913	-	-	-
Put options	64,414	64,414	64,414	-	-	-	-
Exchange traded notes	916	916	-	916	-	-	-
Equity derivatives	171	171	171	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	21,956	21,956	1,318	2,353	8,317	9,968	-
Asset swap option - short position	1,451,336	1,451,336	95,063	251,226	449,395	655,652	-
Leverage derivatives - non- hedging	2,510	2,510	2,510	-	-	-	-
Structured notes	471,566	471,566	14,338	381	367,763	89,084	-
Short-term borrowings	4,058,203	4,058,203	4,058,203	-	-	-	-
Commercial paper payable	3,649,676	3,650,000	3,650,000	-	-	-	-
Bonds sold under repurchase agreements	39,324,178	39,359,523	30,293,737	9,065,786	-	-	-
Guarantee deposited for short sales	3,204,497	3,204,497	3,204,497	-	-	-	-
Proceeds payable from short sales	3,692,847	3,692,847	3,692,847	-	-	-	-
Securities lending refundable deposits	7,166,596	7,166,596	7,166,596	-	-	-	-
Futures traders' equity	37,845,682	37,845,682	37,845,682	-	-	-	-
Equity for each customer in the account	25,562,448	25,562,448	25,562,448	-	-	-	-
Leverage contract trading customers' equity	510,823	510,823	510,823	-	-	-	-
Notes payable and accounts payable	123,314	123,314	123,314	-	-	-	-
Receipts under custody	1,368,312	1,368,312	1,368,312	-	-	-	-
Other payables	1,199,233	1,199,233	1,197,329	1,904	-	-	-
Other financial liabilities	6,325,503	6,325,503	5,612,946	142,118	407,729	162,710	-
Lease liabilities	883,469	918,650	102,928	82,668	158,037	385,883	189,134
	<u>\$ 137,839,700</u>	<u>137,910,550</u>	<u>125,346,613</u>	<u>9,680,265</u>	<u>1,391,241</u>	<u>1,303,297</u>	<u>189,134</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>

(Continued)

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

September 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	\$ 651,944	651,944	651,944	-	-	-	-
Stock warrants issued	477,295	477,295	424,172	53,123	-	-	-
Put options	26,606	26,606	26,606	-	-	-	-
Exchange traded notes	786	786	-	-	786	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	23,320	23,320	12,445	2,095	1,130	7,650	-
Asset swap option - short position	771,158	771,158	45,998	113,076	306,751	305,333	-
Leverage derivatives - non- hedging	2,246	2,246	2,246	-	-	-	-
Structured notes	609,732	609,732	9,093	-	-	600,639	-
Short-term borrowings	7,296,290	7,296,290	7,296,290	-	-	-	-
Commercial papers payable	2,799,825	2,800,000	2,800,000	-	-	-	-
Bonds sold under repurchase agreements	38,408,657	38,479,585	25,085,465	13,394,120	-	-	-
Guarantee deposited for short sales	1,993,074	1,993,074	1,993,074	-	-	-	-
Proceeds payable from short sales	2,337,509	2,337,509	2,337,509	-	-	-	-
Securities lending refundable deposits	1,171,623	1,171,623	1,171,623	-	-	-	-
Futures traders' equity	38,331,644	38,331,644	38,331,644	-	-	-	-
Equity for each customer in the account	9,344,348	9,344,348	9,344,348	-	-	-	-
Leverage contract trading customers' equity	321,355	321,355	321,355	-	-	-	-
Notes payable and accounts payable	248,762	248,762	248,762	-	-	-	-
Receipts under custody	8,089,185	8,089,185	8,089,185	-	-	-	-
Other payables	735,184	735,184	732,414	2,770	-	-	-
Other financial liabilities	3,764,995	3,764,995	3,105,830	88,832	219,216	351,117	-
Lease liabilities	896,097	938,107	105,112	79,377	138,454	326,037	289,127
	<u>\$ 118,301,635</u>	<u>118,414,748</u>	<u>102,135,115</u>	<u>13,733,393</u>	<u>666,337</u>	<u>1,590,776</u>	<u>289,127</u>

(Continued)

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

(iii) Currency risk

1) Currency risk exposure

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

				<b>September 30, 2021</b>		
				<b>Foreign Currency</b>		
				<b>(thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial assets</u></b>						
<b><u>Monetary Item</u></b>						
USD	\$	861,765		27.8500		24,000,155
AUD		2,667		20.0700		53,527
CAD		180		21.9100		3,944
CHF		85		29.8150		2,534
EUR		8,876		32.3200		286,872
GBP		3,078		37.4600		115,302
HKD		105,329		3.5760		376,657
JPY		801,640		0.2490		199,608
SGD		1,143		20.4700		23,397
CNY		141,676		4.3050		609,915
ZAR		509		1.8420		938
KRW		1,041,437		0.0237		24,682
NZD		162		19.1800		3,107
THB		2,964		0.8284		2,455
MYR		35		6.3780		223
VND		6,855,000		0.0012		8,226
<b><u>Non-Monetary Item</u></b>						
USD		612,741		27.8500		17,064,837
AUD		143,793		20.0700		2,885,926
EUR		6,296		32.3200		203,487
HKD		597		3.5760		2,135
JPY		27,067		0.2490		6,740
CNY		10,310		4.3050		44,385
ZAR		25		1.8420		46
NZD		1		19.1800		19
<b><u>Investments under equity method</u></b>						
HKD		13,940		3.5760		49,850

(Continued)

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

				September 30, 2021
				Foreign Currency
				(thousands)
				Exchange Rate
				Amount
<b><u>Financial liabilities</u></b>				
<b><u>Monetary Item</u></b>				
USD	\$	1,527,444	27.8500	42,539,315
AUD		137,074	20.0700	2,751,075
CHF		33	29.8150	984
EUR		13,853	32.3200	447,729
GBP		2,945	37.4600	110,320
HKD		171,061	3.5760	611,714
JPY		775,387	0.2490	193,071
SGD		710	20.4700	14,534
CNY		56,498	4.3050	243,224
KRW		987,705	0.0237	23,409
THB		1,523	0.8284	1,262
MYR		20	6.3780	128
<b><u>Non-Monetary Item</u></b>				
USD		4	27.8500	111
CAD		6	21.9100	131
CHF		2	29.8150	60
CNY		516	4.3050	2,221

(Continued)



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

	<b>December 31, 2020</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	\$ 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

(Continued)

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

	<b>December 31, 2020</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	\$ 1,259,306	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**

				September 30, 2020
				Foreign Currency
				(thousands)
				Exchange Rate
				Amount
<b><u>Financial assets</u></b>				
<b><u>Monetary Item</u></b>				
USD	\$	694,549	29.1000	20,211,376
AUD		3,262	20.7150	67,572
CAD		7	21.7200	152
CHF		52	31.5850	1,642
EUR		15,386	34.1500	525,432
GBP		2,335	37.3000	87,096
HKD		107,216	3.7540	402,489
JPY		1,004,084	0.2756	276,726
SGD		397	21.2600	8,440
CNY		72,965	4.2690	311,488
KRW		340,460	0.0251	8,546
NZD		13	19.1500	249
THB		4,681	0.9242	4,326
MYR		562	6.7035	3,767
<b><u>Non-Monetary Item</u></b>				
USD		579,420	29.1000	16,861,122
AUD		105,316	20.7150	2,181,621
CAD		1	21.7200	22
EUR		38,560	34.1500	1,316,824
GBP		2	37.3000	75
HKD		353	3.7540	1,325
CNY		249,409	4.2690	1,064,727
<b><u>Investments under equity method</u></b>				
HKD		13,279	3.7540	49,850

(Continued)

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

	September 30, 2020		
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,253,190	29.1000	36,467,829
AUD	97,670	20.7150	2,023,234
CAD	2	21.7200	43
CHF	52	31.5850	1,642
EUR	53,238	34.1500	1,818,078
GBP	2,257	37.3000	84,186
HKD	178,613	3.7540	670,513
JPY	986,158	0.2756	271,785
SGD	484	21.2600	10,290
CNY	169,224	4.2690	722,417
KRW	338,179	0.0251	8,488
THB	4,021	0.9242	3,716
MYR	547	6.7035	3,667
<b><u>Non-Monetary Item</u></b>			
USD	16	29.1000	466
JPY	1,792	0.2756	494
CNY	296	4.2690	1,264
NZD	2	19.1500	38

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 nine months ended September 30, 2021 and 2020, the realized and unrealized currency exchange gains (losses) amounted to \$(7,006), \$48,911, \$11,641 and \$26,275, 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 nine months ended September 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 nine months ended September 30, 2021		For the nine months ended September 30, 2020	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(625,956)	625,956	(606,988)
Other comprehensive income	587,145	(587,145)	658,857	(658,857)

(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	September 30, 2021	December 31, 2020	September 30, 2020	For the nine months ended September 30,					
				2021			2020		
				Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,718,522	1,560,150	1,690,679	1,515,752	1,718,522	1,373,366	1,578,584	1,758,733	1,378,218

(Continued)

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

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

(Continued)

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

2) Not measured at fair value

As of September 30, 2021, December 31, 2020 and September 30, 2020, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	\$ 10,181,508	10,181,508	8,497,082	8,497,082	8,127,108	8,127,108
Accrued receivable	64,437,378	64,437,378	43,345,297	43,345,297	35,724,039	35,724,039
Customers' margin account	37,882,937	37,882,937	38,349,832	38,349,832	38,393,523	38,393,523
Leverage contract trading - customers' margin account	508,917	508,917	352,962	352,962	322,938	322,938
Restricted assets - current	221,174	221,174	87,357	87,357	140,006	140,006
Other non-current assets	1,520,595	1,520,595	1,469,407	1,469,407	1,495,441	1,495,441
Financial liabilities:						
Short-term borrowings	4,058,203	4,058,203	3,671,111	3,671,111	7,296,290	7,296,290
Commercial paper payable	3,649,676	3,649,676	2,299,692	2,299,692	2,799,825	2,799,825
Bonds sold under repurchase agreements	39,324,178	39,324,178	35,265,582	35,265,582	38,408,657	38,408,657
Accrued payable	54,308,085	54,308,085	33,813,887	33,813,887	29,838,089	29,838,089
Futures traders' equity	37,845,682	37,845,682	38,316,621	38,316,621	38,331,644	38,331,644
Leverage contract trading - customers' equity	510,823	510,823	352,056	352,056	321,355	321,355
Other financial liabilities - current	5,755,063	5,755,063	4,235,829	4,235,829	3,194,662	3,194,662
Other financial liabilities - non- current	570,440	570,440	515,261	515,261	570,333	570,333
Other non-current liabilities	98,940	98,940	99,911	99,911	98,185	98,185

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment property				
September 30, 2021	\$ -	-	<u>7,741,093</u>	<u>7,741,093</u>
December 31, 2020	\$ -	-	<u>7,295,403</u>	<u>7,295,403</u>
September 30, 2020	\$ -	-	<u>7,295,403</u>	<u>7,295,403</u>

(Continued)

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

- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, 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>September 30, 2021</b>				
Financial assets at fair value through profit or loss	\$ 13,858,628	27,453,043	-	41,311,671
Financial assets at fair value through other comprehensive income	2,797,157	14,628,591	3,091,678	20,517,426
Derivative financial assets	<u>275,748</u>	<u>319,052</u>	<u>-</u>	<u>594,800</u>
	<u>\$ 16,931,533</u>	<u>42,400,686</u>	<u>3,091,678</u>	<u>62,423,897</u>
Financial liabilities at fair value through profit or loss	\$ 912,966	-	-	912,966
Derivative financial liabilities	<u>521,261</u>	<u>1,490,692</u>	<u>-</u>	<u>2,011,953</u>
	<u>\$ 1,434,227</u>	<u>1,490,692</u>	<u>-</u>	<u>2,924,919</u>

(Continued)



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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 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>September 30, 2020</b>				
Financial assets at fair value through profit or loss	\$ 13,679,058	22,266,385	-	35,945,443
Financial assets at fair value through other comprehensive income	2,662,049	16,421,669	2,226,789	21,310,507
Derivative financial assets	<u>238,851</u>	<u>168,821</u>	<u>-</u>	<u>407,672</u>
	<u>\$ 16,579,958</u>	<u>38,856,875</u>	<u>2,226,789</u>	<u>57,663,622</u>
Financial liabilities at fair value through profit or loss	\$ 1,130,025	-	-	1,130,025
Derivative financial liabilities	<u>627,245</u>	<u>805,817</u>	<u>-</u>	<u>1,433,062</u>
	<u>\$ 1,757,270</u>	<u>805,817</u>	<u>-</u>	<u>2,563,087</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.

(Continued)

**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 nine months ended September 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.

(Continued)

**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 nine months ended September 30, 2021								
	Beginning Balance	Gains and losses on valuation		Addition			Reduction		
			Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3
Financial assets at fair value through other comprehensive income	\$ 2,287,085	-	685,563	119,030	-	-	-	-	3,091,678

  

Item	For the nine months ended September 30, 2020								
	Beginning Balance	Gains and losses on valuation		Addition			Reduction		
			Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3
Financial assets at fair value through other comprehensive income	\$ 2,464,932	-	14,816	94,880	-	225,181	-	122,658	2,226,789

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

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

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

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

(Continued)

**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>September 30, 2021</b>		
Financial assets fair value through other comprehensive income	\$ <u>30,917</u>	<u>(30,917)</u>
<b>December 31, 2020</b>		
Financial assets fair value through other comprehensive income	\$ <u>22,871</u>	<u>(22,871)</u>
<b>September 30, 2020</b>		
Financial assets fair value through other comprehensive income	\$ <u>22,268</u>	<u>(22,268)</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	September 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>40,968,679</u>	<u>39,324,178</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

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	-	-	-

  

September 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	\$ 43,621,725	38,408,657	-	-	-

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

September 30, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 319,052	-	319,052	-	-	319,052

  

September 30, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 1,947,539	-	1,947,539	-	-	1,947,539
Under repurchase agreements	39,324,178	-	39,324,178	39,324,178	-	-
Total	\$ 41,271,717	-	41,271,717	39,324,178	-	1,947,539

(Continued)

**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

September 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	\$ 168,821	-	168,821	-	-	168,821

September 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	\$ 1,406,456	-	1,406,456	-	-	1,406,456
Under repurchase agreements	38,408,657	-	38,408,657	38,408,657	-	-
Total	\$ 39,815,113	-	39,815,113	38,408,657	-	1,406,456

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

(Continued)

**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 September 30, 2021, December 31, 2020 and September 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	September 30, 2021		December 31, 2020		September 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	\$ 20,499,171	-	14,988,329	-	12,299,660	-

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.

(Continued)

**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 nine months ended September 30, 2021:

a) Gains (losses) on valuation

	<u>For the three months ended September 30, 2021</u>	<u>For the nine months ended September 30, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 2,375,957	14,284,772	Gains (losses) on stock warrants issued
Stock warrants repurchased	(320,925)	(13,985,125)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the three months ended September 30, 2021</u>	<u>For the nine months ended September 30, 2021</u>	<u>Account</u>
Security borrowing	\$ (30,133)	137,716	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	447,543	1,444,416	Gains (losses) on sale of trading securities
Futures transaction	67,516	(129,785)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended September 30, 2021</u>	<u>For the nine months ended September 30, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 13,098,413	20,334,430	Gains (losses) on stock warrants issued
Stock warrants repurchased	(13,738,437)	(21,109,864)	Gains (losses) on stock warrants issued

2) For the three months and the nine months ended September 30, 2020:

a) Gains (losses) on valuation

	<u>For the three months ended September 30, 2020</u>	<u>For the nine months ended September 30, 2020</u>	<u>Account</u>
Stock warrants issued	\$ 10,165,725	19,004,219	Gains (losses) on stock warrants issued
Stock warrants repurchased	(9,923,730)	(18,793,149)	Gains (losses) on stock warrants issued

(Continued)



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

b) Gains (losses) on sale

	<b>For the three months ended September 30, 2020</b>	<b>For the nine months ended September 30, 2020</b>	<b>Account</b>
Security borrowing	\$ 37,452	109,319	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	117,954	(95,728)	Gains (losses) on sale of trading securities
Futures transaction	(36,587)	(23,602)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<b>For the three months ended September 30, 2020</b>	<b>For the nine months ended September 30, 2020</b>	<b>Account</b>
Stock warrants issued	\$ 10,060,425	22,469,687	Gains (losses) on stock warrants issued
Stock warrants repurchased	(10,075,476)	(22,246,413)	Gains (losses) on stock warrants issued

Exchange traded notes

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

<b>Financial Instruments</b>	<b>September 30, 2021</b>		<b>December 31, 2020</b>		<b>September 30, 2020</b>	
	<b>Notional principal / Nominal amount</b>	<b>Credit Risk</b>	<b>Notional principal / Nominal amount</b>	<b>Credit Risk</b>	<b>Notional principal / Nominal amount</b>	<b>Credit Risk</b>
For trading purpose:						
Exchange traded notes issued	\$ 916	-	1,128	-	786	-

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.

(Continued)

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

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

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

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

	September 30, 2021	December 31, 2020	September 30, 2020	Account	
Margin - exchange traded notes	\$ 25	25	25	Other non-current assets	
Outstanding liabilities - exchange traded notes	916	1,128	786	Financial liabilities at fair value through profit or loss - current	
	For the three months ended September 30, 2021	2020	For the nine months ended September 30, 2021	2020	Account
Gains (losses) on exchange traded notes	\$ 92	(106)	67	(109)	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	3	2	8	5	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	(353)	-	(438)	-	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 September 30, 2021, December 31, 2020 and September 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.

(Continued)

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

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

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

(iv) Presentation of financial derivatives:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>Account</u>
Futures margin - proprietary fund	\$ 218,702	348,012	214,831	Financial assets at fair value through profit or loss - current
Excess futures margin	1,884,459	1,365,163	1,870,369	Cash and cash equivalent
Buy options	57,046	40,215	24,020	Financial assets at fair value through profit or loss - current
Sale options	64,414	59,577	26,606	Financial liabilities at fair value through profit or loss - current

  

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>		<u>Account</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
Gains (losses) on futures transactions	\$ 120,892	(42,058)	(168,132)	103,484	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>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 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	\$ 9,700,000	-	10,900,000	-	10,900,000	-

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.

(Continued)

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

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

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

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

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

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

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

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

- (ii) Structured notes

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

Financial Instruments	September 30, 2021		December 31, 2020		September 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	\$ 1,783,000	-	1,311,000	-	1,024,000	-
Principal guaranteed notes	4,238,667	-	3,264,693	-	2,639,976	-
Credit-linked notes	816,800	-	783,100	-	722,400	-
Principal guaranteed notes (in USD thousands)	USD -	-	USD 100	-	USD 100	-

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

(Continued)

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

2) Market risk

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

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

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

(iii) Convertible bond asset swaps

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

Financial Instruments	September 30, 2021		December 31, 2020		September 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	\$ 1,376,700	-	1,109,900	-	1,570,100	-
Convertible bond options	9,074,600	-	7,035,300	-	6,916,900	-

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.

(Continued)

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

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

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

(iv) Options

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

Financial Instruments	September 30, 2021		December 31, 2020		September 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	\$ 54,030	-	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.

(Continued)

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

(v) Leverage derivatives

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

<u>Financial Instruments</u>	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	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	\$ 2,269,632	-	1,321,887	-	1,236,531	-
Leverage derivatives-short position	3,513,237	-	1,282,847	-	1,245,061	-

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

2) Market risk:

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

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

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

(Continued)

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

(vi) Presentation of derivative instruments in financial statement

As of September 30, 2021, December 31, 2020 and September 30, 2020, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, currency swaps and interest rate swaps were presented on the balance sheets as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 13,888	13,100	14,029
Asset swap options-long position	236,080	157,459	112,465
Leverage derivatives - non-hedging	51,950	63,380	35,647
Structured notes	9,088	7,785	6,680
Currency swaps	7,685	-	-
Interest rate swaps	2	-	-
Equity derivatives	359	-	-
Total	<u>\$ 319,052</u>	<u>241,724</u>	<u>168,821</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 19,270	10,968	11,247
Asset swap options-short position	1,451,336	1,267,802	771,158
Structured notes	471,566	619,483	609,732
Leverage derivatives - non-hedging	2,510	1,772	2,246
Currency swaps	2,686	12,759	11,207
Interest rate swaps	-	505	866
Equity derivatives	171	-	-
Total	<u>\$ 1,947,539</u>	<u>1,913,289</u>	<u>1,406,456</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 5,755,063</u>	<u>4,235,829</u>	<u>3,194,662</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 570,440</u>	<u>515,261</u>	<u>570,333</u>

(Continued)



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

For the three months and the nine months ended September 30, 2021 and 2020, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, currency swaps and interest rate swaps are presented on statements of income as follows:

	<b>For the three months ended September 30, 2021</b>		<b>For the nine months ended September 30, 2021</b>	
	<b>Gains (losses) on derivative instruments - OTC</b>	<b>Unrealized Gains (losses)</b>	<b>Gains (losses) on derivative instruments - OTC</b>	<b>Unrealized Gains (losses)</b>
Interest rate swaps	\$ 132	181	44	2
Equity derivatives	(455)	116	(455)	116
Structured notes	23,708	3,112	25,319	33,728
IRS asset swaps	(44)	(24)	(137)	4
Asset swap options	269,035	508,253	(254,375)	331,258
Currency swaps	5,153	6,617	(2,180)	4,999
Leverage derivatives - non-hedging	25,173	(10,438)	63,252	(12,169)
<b>Total</b>	<b>\$ 322,702</b>	<b>507,817</b>	<b>(168,532)</b>	<b>357,938</b>
	<b>For the three months ended September 30, 2020</b>	<b>Unrealized Gains (losses)</b>	<b>For the nine months ended September 30, 2020</b>	<b>Unrealized Gains (losses)</b>
	<b>Gains (losses) on derivative instruments - OTC</b>		<b>Gains (losses) on derivative instruments - OTC</b>	
Interest rate swaps	\$ (31)	188	(1,059)	(866)
Equity derivatives	2	-	(59)	-
Structured notes	4,411	23,841	32,077	17,724
IRS asset swaps	(9)	(743)	85	2,783
Asset swap options	(223,501)	(3,832)	(289,233)	103,443
Currency swaps	(13,578)	(12,148)	(9,488)	(11,207)
Leverage derivatives - non-hedging	18,776	(9,646)	45,688	1,908
<b>Total</b>	<b>\$ (213,930)</b>	<b>(2,340)</b>	<b>(221,989)</b>	<b>113,785</b>

(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.

(Continued)

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

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.)

	<u>USD LIBOR</u>				<u>EUR LIBOR</u>			
	<u>Total amount of unreformed contracts</u>		<u>Amount with appropriate fallback clause</u>		<u>Total amount of unreformed contracts</u>		<u>Amount with appropriate fallback clause</u>	
<b>September 30, 2021</b>								
<b>Financial assets</b>								
Corporate bonds	USD	166,000	USD	161,000	-		-	
<b>Financial liabilities</b>								
Secured bank loans	USD	33,100	USD	33,100	-		-	
Credit loan	USD	59,900	USD	59,900	-		-	
<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.

(Continued)

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

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

	<b>September 30,</b> <b>2021</b>	<b>December 31,</b> <b>2020</b>	<b>September 30,</b> <b>2020</b>
Capital adequacy ratio	360 %	369 %	376 %

(y) Financing activities not affecting current cash flow

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

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

	January 1, 2021	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	September 30, 2021
Lease liabilities	\$ 910,350	(160,589)	134,360	(652)	-	883,469

  

	January 1, 2020	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	September 30, 2020
Lease liabilities	\$ 1,012,605	(161,334)	45,807	(981)	-	896,097

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

(a) Parent company and ultimate controlling party

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

(b) Names of related parties and relationships

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

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

(Continued)

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

(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 112,058	82,302	299,864	200,282
Post-employment benefits	5,357	690	6,612	2,081
Total	<u>\$ 117,415</u>	<u>82,992</u>	<u>306,476</u>	<u>202,363</u>

(ii) Bonds sold under repurchase agreements

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Key management personnel	\$ 8,070	8,158	8,262	8,267	28,320	28,584
<b>Total financial expenses</b>	<u><b>For the three months ended September 30,</b></u>		<u><b>For the nine months ended September 30,</b></u>			
Key management personnel	<u>\$ 3</u>	<u>41</u>	<u>12</u>	<u>99</u>		

(iii) Structured notes transactions - remaining balance

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Key management personnel	\$ 63,700	106,800	100,100

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Subsidiaries	\$ 10,000	10,000	27,000	27,000	-	-
Funds issued by associate	-	-	31,178	30,871	28,816	28,795
Total	<u>\$ 10,000</u>	<u>10,000</u>	<u>58,178</u>	<u>57,871</u>	<u>28,816</u>	<u>28,795</u>
<b>Total financial expenses</b>	<u><b>For the three months ended September 30,</b></u>		<u><b>For the nine months ended September 30,</b></u>			
Subsidiaries	<u>\$ 28</u>	<u>-</u>	<u>94</u>	<u>-</u>		
Funds issued by associate	<u>1</u>	<u>32</u>	<u>244</u>	<u>66</u>		
Total	<u>\$ 29</u>	<u>32</u>	<u>338</u>	<u>66</u>		

Transaction terms are the same as the general clients.

(ii) Futures transactions

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Futures traders' equity	<u>\$ 261,295</u>	<u>335,742</u>	<u>319,021</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
<b>Total financial expenses</b>				
Funds issued by associate	\$ -	-	14	-

## (iii) Lease agreements

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
<b>Lease revenue</b>				
Associates	\$ 4,310	4,312	12,928	12,935
<b>Guarantee deposits received</b>		September 30, 2021	December 31, 2020	September 30, 2020
Associates		\$ 3,811	3,811	3,811

## (iv) Insurance commission revenues

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
<b>Commission revenues</b>				
Subsidiaries	\$ 1,112	1,483	4,599	6,873
<b>Accounts receivable</b>		September 30, 2021	December 31, 2020	September 30, 2020
Subsidiaries		\$ 918	811	1,084

## (v) Brokerage and sub-brokerage

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
<b>Brokerage commissions</b>				
Funds issued by associate	\$ 11,067	16,905	32,751	33,751
Other related parties	1,204	777	3,299	1,876
Total	\$ 12,271	17,682	36,050	35,627
<b>Re-consigned handling commissions</b>				
Funds issued by associate	\$ 2,622	948	9,604	4,810
Other related parties	38	226	196	400
Total	\$ 2,660	1,174	9,800	5,210

## (vi) Fund services business

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
<b>Fund services revenue</b>				
Associates	\$ 1,208	-	3,777	-

(Continued)

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

<u>Channel services revenue</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associates	\$ <u>1,208</u>	<u>-</u>	\$ <u>3,777</u>	<u>-</u>

<u>Accounts receivable</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Associates	\$ <u>728</u>	<u>870</u>	<u>-</u>

## (vii) Wealth management business

<u>Trust account commissions revenue</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associates	\$ <u>1,508</u>	<u>289</u>	<u>8,367</u>	<u>3,778</u>

<u>Trust account management fee revenue</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associates	\$ <u>334</u>	<u>112</u>	<u>795</u>	<u>572</u>

## (viii) Underwriting business

<u>Stock service income</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associates	\$ <u>31</u>	<u>30</u>	<u>91</u>	<u>92</u>

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

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

## (ix) Other revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associates	\$ 1	1,584	3	1,586
Other related parties	8	-	34	-
Total	\$ <u>9</u>	<u>1,584</u>	<u>37</u>	<u>1,586</u>

## (x) Custody account business

<u>Custody account business revenue</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Second-level subsidiaries (note)	\$ <u>1,954</u>	<u>1,787</u>	<u>5,823</u>	<u>4,866</u>

(Continued)

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

<u>Accounts receivable</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Second-level subsidiaries (note)	\$ <u>600</u>	<u>680</u>	<u>573</u>

(xi) Accrued receivable

<u>Accounts receivable/ Other receivable</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Subsidiaries	\$ 79	114	68
Associates	6	-	875
Other related parties	-	3	4
Total	\$ <u>85</u>	<u>117</u>	<u>947</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>The collateral use</u>
Restricted assets - current	\$ 221,174	87,357	140,006	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	39,724,917	35,557,111	38,783,469	Repurchase agreement
Real estate (excluding accumulated depreciation)	1,904,428	1,758,898	1,764,786	Bank borrowings
Financial assets at fair value through profit or loss - non - current	180,145	180,929	181,106	Operation deposits for businesses of bills, interest rate swaps, structured notes, settlement fund and compensation reserve for trust business
Investment property (excluding accumulated depreciation)	3,359,624	2,787,973	2,791,957	Bank borrowings
Total	\$ <u>45,390,288</u>	<u>40,372,268</u>	<u>43,661,324</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:

	September 30, 2021		December 31, 2020		September 30, 2020	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	567,638	\$ 5,676,380	595,559	5,955,590	477,792	4,777,920
Collateral for margin purchase	11,094	110,940	10,578	105,780	13,430	134,300
Lending securities to customers through short sales	56,561	565,610	67,810	678,100	47,602	476,020
Collateral for short sales	12,301	123,010	13,284	132,840	10,216	102,160

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	1,400	\$ 14,000	2,117	21,170	1,626	16,260
Collateral for refinancing margin	54	540	83	830	120	1,200

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

	September 30, 2021	December 31, 2020	September 30, 2020
Promissory notes	<u>\$ 24,060,000</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 65,000</u>

- (d) As of September 30, 2021, December 31, 2020 and September 30, 2020, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$6,343,758, \$7,031,255 and \$5,916,753, 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 September 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.

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

**(11) Significant Subsequent Events:**

A resolution that the subsidiary Capital Futures Corp. acquired 2.73% of the outstanding shares in CSC Futures (HK) Ltd. and disposed 49% of the equity shares in the associate, True Partner Advisor Hong Kong Ltd., was passed during the board meeting held on November 11, 2021.

(Continued)

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

**(12) Other:**

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

(i) September 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	57	\$ 188,252	190,802	
	TAIEX Futures	Short	141	(476,499)	(477,116)	
	Mini-TAIEX Futures	Long	35	29,579	29,406	
	Mini-TAIEX Futures	Short	190	(160,824)	(159,875)	
	Electronic Sector Index Futures	Long	33	105,972	104,367	
	Electronic Sector Index Futures	Short	59	(193,910)	(186,605)	
	Finance Sector Index Futures	Long	73	117,143	115,807	
	Single Stock Futures	Long	908	61,635	61,585	
	Single Stock Futures	Short	2,414	(500,830)	(484,915)	
	HSI Futures	Short	4	(17,501)	(17,540)	
	Mini-HSI Futures	Long	5	4,355	4,385	
	E-Mini-Nasdaq Futures	Short	10	(84,879)	(81,089)	
	Copper Futures	Long	2	5,920	5,694	
	Gold Futures	Short	7	(35,455)	(34,253)	
	Micro Gold Futures	Short	56	(28,377)	(27,402)	
	FTSE Taiwan Index Futures	Short	16	(26,444)	(26,083)	
	FTSE China A50 Index Futures	Long	7	3,023	3,020	
	FTSE China A50 Index Futures	Short	641	(275,373)	(276,579)	
	FTSE Vietnam 30 Index Futures	Short	17	(5,937)	(6,060)	
	Ultra 10 year U.S.T-Note Futures	Long	10	40,430	40,452	
	TOPIX Futures	Short	19	(96,857)	(96,063)	
	Crude Futures	Long	6	12,436	12,538	
	Crude Futures	Short	11	(22,653)	(22,985)	
	Brent Crude Oil Futures	Short	126	(266,682)	(274,798)	
	Mini-Weekly Stock Index Futures	Short	3	(2,531)	(2,541)	
	Nikkei Stock Average Futures	Short	10	(37,011)	(36,939)	
	Mini topix Futures	Long	28	14,253	14,157	
	U.S. 5 Year T-Note Futures	Long	10	34,164	34,184	
	Japanese Yen Futures	Short	1	(3,173)	(3,127)	
	Mini Electronic Futures	Long	6	2,391	2,370	
	Mini Electronic Futures	Short	69	(27,256)	(27,279)	
	Subtotal			(1,642,639)		

(Continued)

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

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Long	2,399	14,616	13,482	
	TAIEX Options (Put )	Long	2,284	28,857	34,493	
	TAIEX Options (Call)	Short	977	(18,113)	(15,656)	
	TAIEX Options (Put )	Short	1,826	(31,659)	(37,976)	
	Stock Options (Call)	Long	9	192	211	
	Stock Options (Put)	Long	10	40	13	
	Stock Options (Put)	Short	14	(159)	(116)	
	TAIEX Weekly Options (Call)	Long	500	1,479	1,840	
	TAIEX Weekly Options (Put)	Long	383	1,108	655	
	TAIEX Weekly Options (Call)	Short	236	(1,253)	(1,745)	
	TAIEX Weekly Options (Put)	Short	305	(1,917)	(1,022)	
	Finance Insurance Index Options (Call)	Long	119	445	510	
	Finance Insurance Index Options (Put)	Long	395	1,388	1,211	
	Finance Insurance Index Options (Call)	Short	493	(2,907)	(4,674)	
	Finance Insurance Index Options (Put)	Short	47	(172)	(138)	
	Electronic Sector Index Options (Call)	Long	164	499	310	
	Electronic Sector Index Options (Put)	Long	241	2,459	4,321	
	Electronic Sector Index Options (Call)	Short	285	(1,764)	(1,265)	
	Electronic Sector Index Options (Put)	Short	149	(1,208)	(1,822)	
	Subtotal			<u>(8,069)</u>		
Total				<u>\$ (1,650,708)</u>		

(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 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)		

(Continued)

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

(iii) September 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	66	\$ 165,412	163,374	
	TAIEX Futures	Short	263	(653,687)	(655,933)	
	Mini-TAIEX Futures	Long	349	217,320	216,920	
	Mini-TAIEX Futures	Short	41	(25,121)	(25,467)	
	Electronic Sector Index Futures	Short	6	(14,087)	(14,358)	
	Finance Sector Index Futures	Short	2	(2,386)	(2,387)	
	Non-Finance Non-Electronics Sub-Index Futures	Long	2	2,408	2,333	
	Single Stock Futures	Long	531	191,778	187,781	
	Single Stock Futures	Short	1,831	(250,519)	(241,105)	
	HSI Futures	Short	3	(13,189)	(13,193)	
	Mini-HSI Futures	Short	1	(882)	(880)	
	E-Mini-Nasdaq Futures	Short	1	(6,375)	(6,639)	
	Wheat Futures	Long	4	3,062	3,364	
	Corn Futures	Long	3	1,512	1,654	
	Soybean Futures	Short	18	(26,756)	(26,805)	
	Gold Futures	Short	13	(73,591)	(71,707)	
	FTSE China A50 Index Futures	Long	77	33,759	33,879	
	FTSE China A50 Index Futures	Short	180	(79,059)	(79,199)	
	VIX Futures	Long	137	124,534	125,316	
	Ultra 10 year U.S. T-Note Futures	Long	15	69,960	69,806	
	Crude Oil Futures	Long	6	7,260	7,375	
	Mini-Weekly Stock Index Futures	Short	20	(12,527)	(12,506)	
	Dollar Index Futures	Long	10	27,402	27,333	
	Japanese Yen Futures	Long	9	31,074	31,060	
	Long-term Euro-BTP Futures	Long	36	181,731	181,435	
	GBP Futures	Long	5	11,694	11,735	
	Brent Crude Oil Futures	Long	57	68,506	70,163	
	Subtotal			(20,767)		
Options contract :						
	TAIEX Options (Call)	Long	1,820	11,323	8,346	
	TAIEX Options (Put)	Long	1,954	17,634	15,103	
	TAIEX Options (Call)	Short	1,549	(12,317)	(9,880)	
	TAIEX Options (Put)	Short	1,353	(16,265)	(15,527)	
	Stock Options (Call)	Long	2	482	7	
	TAIEX Weekly Options (Call)	Long	75	71	64	
	TAIEX Weekly Options (Put)	Long	143	467	500	
	TAIEX Weekly Options (Call)	Short	38	(252)	(237)	
	TAIEX Weekly Options (Put)	Short	70	(317)	(351)	
	CSI 300 Index Call Options (Call)	Short	68	(656)	(611)	
	Subtotal			170		
Total				\$ (20,597)		

(Continued)

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

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{6,155,667}{843,578}$	7.30	$\frac{6,236,635}{659,608}$	9.46	$\geq 1$	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{43,142,005}{38,324,422}$	1.13	$\frac{43,631,142}{38,817,083}$	1.12	$\geq 1$	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{6,155,667}{1,115,000}$	552.08 %	$\frac{6,236,635}{1,115,000}$	559.34 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{4,872,781}{7,034,455}$	69.27 %	$\frac{4,869,638}{7,949,803}$	61.25 %	$\geq 20\%$ $\geq 15\%$	"

- (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	\$ 815,145	\$ 815,145	\$ 787,345	- %	2	-	Working capital	-	-	-	\$ 1,484,760	\$ 1,484,760
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	93,964	93,964	93,964	- %	2	-	Working capital & repayment of financing	-	-	-	93,964	93,964
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,188	5,188	5,188	- %	2	-	Repayment of financing	-	-	-	5,188	5,188
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	38,652	38,652	-	5 %	1	13,631		-	-	-	172,055	860,274
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	276,084	276,084	276,084	1.40%~2.65%	1	178,470		-	-	-	276,084	860,274
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	82,825	82,825	46,934	1.15%~3.15%	1	37,731		-	-	-	172,055	860,274
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	77,304	13,804	9,042	3.15 %	1	2,407		-	-	-	172,055	860,274
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	77,304	-	-	3.15 %	1	597		-	-	-	172,055	860,274
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	82,825	55,217	-	3.15 %	1	7,073		-	-	-	172,055	860,274

Note: Type of Loans

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

- (ii) Providing endorsements and guarantees for other parties: None
- (iii) Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital: None
- (iv) Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital: None
- (v) Handling fee discounts on transactions with related parties exceeding NT\$5 million: None
- (vi) Accounts receivables from related parties exceeding NT\$100 million or 20% of paid-in capital: None

(Continued)

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

(vii) Significant transactions between parent company and subsidiaries for the nine months ended September 30, 2021:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	1,542		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	12,249		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	251		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	186,593		0.10 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,846		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	135,531	General transaction	1.36 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	13,469	General transaction	0.14 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	418	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	136	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	144	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	20,722	General transaction	0.21 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	49	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	7,309	General transaction	0.07 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	36,215	General transaction	0.36 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	114	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	51,750	General transaction	0.52 %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	1		- %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Account receivable	20		- %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	26		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	15		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	544		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	3,791	General transaction	0.04 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	31		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	15	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		- %

(Continued)



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

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	551	General transaction	0.01 %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	1,207,945		0.63 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,207,945		0.63 %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Other payable	1,819		- %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Professional service fees	15,519	General transaction	0.16 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	538,094		0.28 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	5,046,914		2.64 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	5,696		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	4,588	General transaction	0.05 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	92,535	General transaction	0.93 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	1,339	General transaction	0.01 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	2,304	General transaction	0.02 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Prepayments	768		- %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,719,416		2.47 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	210,596		0.11 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payable	128		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	1,051	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 488		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK 650	General transaction	0.02 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	HK 145	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	5		- %
4	CSC Venture Capital Corp.	CSC Capital Management Co.	3	Lease revenue	54	General transaction	- %
5	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	181	General transaction	- %
6	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	1,429	General transaction	0.01 %

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 September 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 %	79,283	55,643	3,403	3,403	-	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 %	3,483,072	1,705,334	393,525	222,756	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 %	1,495,045	19,530	3,399	3,399	-	-
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 %	41,120	67,789	15,259	15,259	26,125	Subsidiary
0	Capital Insurance Agency Corp.	Taipei, Taiwan, R.O.C.	November 8, 2000		Manages personal insurance agent business.	7,400	7,400	740,000	100.00 %	39,248	40,184	59	59	-	-
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 %	48	(404)	(405)	(405)	-	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	Long-term equity investment business.	1,000,000	1,000,000	100,000,000	100.00 %	777,721	4,425	(3,928)	(3,928)	2,850	-
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 %	350,490	1,429	(1,942)	(1,942)	-	-
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 %	1,342,342	1,693,717	650,618	130,123	132,270	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 178,216 thousands	HK 24,729 thousands	HK 5,388 thousands	-	-	The transaction has been eliminated in the consolidated financial statements
2	ITIS 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 (26,163) thousands	HK - thousands	HK (112) 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 (66,082)	HK - thousands	HK (62) 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 %	836,789	291,496	(24,475)	-	-	-

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on September 30, 2021	Balance on December 31, 2020	Shares	Ratio	Book value					
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 %	35,944	2,304	(4,816)	-	-	The transaction has been eliminated in the consolidated financial statements
4	True Partner Advisor HongKong Ltd	Hong Kong	May 31, 2010	No. FSC-1040027513 dated July 16, 2015	Asset Management.	36,701	36,701	245,000	49.00 %	49,850	75,964	2,242	-	-	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 %	321,561	505	(1,130)	-	-	-
7	EnnoCap Venture Inc.	Taipei, Taiwan, R.O.C.	July 30, 2021		Investment and management consulting, venture capital and general investing.	400	-	40,000	40.00 %	400	-	-	-	-	Associates

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

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

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

Note 4: 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	-	-	-	-	-	-	-	-	-

(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 September 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 September 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	1,106	28.86%	319 B(3)	11,515	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(3,139)	56.58%	(1,776) B(3)	7,021	-

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.

(Continued)

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

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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.

(Continued)

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

**(14) Segment information:**

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

		For the three months ended September 30, 2021							
		Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$	<u>2,133,916</u>	<u>99,467</u>	<u>177,611</u>	<u>348,664</u>	<u>45,908</u>	<u>603,228</u>	<u>(69,376)</u>	<u>3,339,418</u>
Segment profit or loss	\$	<u>1,223,719</u>	<u>52,261</u>	<u>98,171</u>	<u>261,295</u>	<u>(177,261)</u>	<u>137,438</u>	<u>(73,677)</u>	<u>1,521,946</u>
		For the three months ended September 30, 2020							
		Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$	<u>1,309,290</u>	<u>222,079</u>	<u>884,982</u>	<u>196,092</u>	<u>62,835</u>	<u>624,347</u>	<u>(68,783)</u>	<u>3,230,842</u>
Segment profit or loss	\$	<u>672,797</u>	<u>172,628</u>	<u>792,974</u>	<u>128,699</u>	<u>(121,314)</u>	<u>214,381</u>	<u>(104,400)</u>	<u>1,755,765</u>

(Continued)

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

For the nine months ended September 30, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 5,993,227	253,125	1,331,410	571,350	151,641	1,899,705	(224,178)	9,976,280
Segment profit or loss	\$ 3,408,254	108,465	1,087,774	321,197	(559,095)	491,202	(222,053)	4,635,744

  

For the nine months ended September 30, 2020								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 3,352,868	370,668	1,090,706	104,937	164,335	1,822,268	(217,193)	6,688,589
Segment profit or loss	\$ 1,618,910	246,906	768,836	(62,412)	(155,698)	616,003	(257,000)	2,775,545

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 was 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.