Stock Code:6005

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

CAPITAL SECURITIES CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016
AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Address: **4th Fl. No. 101, Sung-Jen Road, Taipei, Taiwan, R.O.C.**
Telephone: **886-2-87898888**

Table of contents

安侯建業聯合會計師事務所
KPMG
台北市11049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 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Accountants' Review Report

The Board of Directors
Capital Securities Corporation:

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation (the "Company") and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months ended September 30 and nine months then ended, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

Except for the third and fourth paragraphs, we have reviewed these consolidated financial statements in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements". A review consists primarily of making inquiries of company personnel and applying analytical procedures to financial data. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is to express an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

The related information of certain subsidiaries under the equity method in the accompanying consolidated financial statements were based on the investees' financial statements for the same period which were not reviewed by independent accountants. The total assets of these investees as of September 30, 2017 and 2016 were $7,481,948 thousands and $6,251,994 thousands, constituting 5.39% and 5.88% of total consolidated assets, respectively; the total liabilities of these investees as of September 30, 2017 and 2016 were $3,650,781 thousands and $2,752,786 thousands, constituting 3.44% and 3.68% of total consolidated liabilities, respectively; the total comprehensive income of these investees for the three months periods and nine months period ended September 30, 2017 and 2016 were $54,179 thousands, $31,955 thousands, $1,222 thousands and $67,514 thousands, constituting 5.33%, 6.03%, 0.06% and 4.81% of total consolidated comprehensive income, respectively.

As described in note 6(f) of the consolidated financial statements, the investments under equity method amounting to $162,868 thousands and $174,223 thousands as of September 30, 2017 and 2016, respectively, and share of profits of associates and joint venture under equity method amounting to $14,299 thousands, $24,147 thousands, $56,935 thousands and $82,994 thousands for the three months periods and nine months periods ended September 30, 2017 and 2016, respectively, were based on their unreviewed financial statements for the same reporting period.

Based on our review, except for the effect on the consolidated financial statements which described in the first paragraph, if the financial statements of investee company were reviewed by independent accountants as explained in the third and fourth paragraphs, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the " Regulations Governing the Preparation of Financial Reports by Securities Firms" and the International Accounting Standard No.34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
November 10, 2017

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2017 and 2016

CAPITAL SECURITIES CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2017, December 31, 2016, and September 30, 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	September 30, 2017 Amount	%	December 31, 2016 Amount	%	September 30, 2016 Amount	%
110000	**Current assets:**						
111100	Cash and cash equivalents (note 6(a))	$ 7,024,429	5	5,423,415	5	7,635,349	7
112000	Financial assets at fair value through profit or loss - current (note 6(b))	32,447,136	23	27,730,008	25	23,780,861	22
113400	Financial assets available for sale - current (note 6(b))	33,555,976	24	19,337,878	18	18,036,739	17
114010	Bond purchased under resale agreements (notes 6(c) and 8)	100,402	-	-	-	447,727	-
114030	Receivable for securities provided as collateral	14,387,929	10	11,924,515	11	12,369,926	12
114040	Refinancing margin	21,310	-	93,353	-	109,549	-
114050	Refinancing collateral receivable	23,944	-	79,289	-	95,239	-
114060	Receivable of securities business money lending	1,168,835	1	144,552	-	45,380	-
114070	Customers' margin account (note 6(e))	26,043,603	19	23,169,842	21	22,371,475	21
114080	Receivable - futures margin	-	-	894	-	894	-
114090	Collateral for securities borrowed	572,560	1	802,737	1	822,936	1
114100	Security borrowing margin	552,241	-	775,251	1	802,557	1
114110	Notes receivable	20,896	-	16,931	-	9,452	-
114130	Accounts receivable (note 6(d))	8,146,562	6	4,106,313	4	5,300,983	5
114150	Prepayments	38,711	-	50,564	-	52,274	-
114170	Other receivables	148,172	-	100,312	-	100,859	-
114300	Leverage contract trading - customers' margin account	146,980	-	72	-	-	-
114600	Current income tax assets	44,805	-	44,685	-	73,069	-
119000	Other current assets	1,018,048	1	705,402	1	774,043	1
		125,462,539	90	94,506,013	87	92,829,312	87
120000	**Non-current assets:**						
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	186,127	-	186,073	-	190,256	-
123100	Financial assets measured at cost - non-current (note 6(b))	692,374	1	448,460	-	430,719	1
123400	Financial assets available for sale - non-current (note 6(b))	2,053	-	76,261	-	67,194	-
124100	Investments accounted for under equity method (note 6(f))	162,868	-	198,205	-	174,223	-
125000	Property and equipment (notes 6(g) and 8)	4,983,134	4	5,129,823	5	5,151,325	5
126000	Investment property (notes 6(h) and 8)	1,791,577	1	1,727,324	2	1,731,125	2
127000	Intangible assets (note 6(i))	3,620,141	3	3,612,248	3	3,612,266	3
128000	Deferred income tax assets	224,445	-	407,397	1	365,908	-
129000	Other non-current assets	1,627,079	1	1,752,409	2	1,845,293	2
		13,289,798	10	13,538,200	13	13,568,309	13
	Total assets	$ 138,752,337	100	108,044,213	100	106,397,621	100

	Liabilities and Equity	September 30, 2017 Amount	%	December 31, 2016 Amount	%	September 30, 2016 Amount	%
210000	**Current liabilities:**						
211100	Short-term borrowings (note 6(j))	$ 7,544,684	5	4,236,402	4	1,980,731	2
211200	Commercial paper payable (note 6(k))	3,649,321	3	-	-	-	-
212000	Financial liabilities at fair value through profit or loss - current (note 6(l))	2,191,630	2	1,475,764	2	1,700,473	2
214010	Bonds sold under repurchase agreements (note 6(m))	46,089,737	33	34,956,642	32	31,383,772	29
214040	Guarantee deposited for short sales	1,767,504	1	1,722,840	2	1,752,753	2
214050	Proceeds payable from short sales	2,006,480	1	1,947,104	2	2,001,538	2
214070	Securities lending refundable deposits	1,312,455	1	878,866	1	1,315,029	1
214080	Futures traders' equity (note 6(e))	25,979,489	19	23,132,231	21	22,293,539	21
214090	Customer equity of separate account ledger in settlement account (note 6(n))	7,707	-	4,537	-	9,185	-
214100	Leverage contract trading - customers' equity	146,197	-	70	-	-	-
214110	Notes payable	1,094	-	879	-	1,094	-
214130	Accounts payable (note 6(o))	7,187,527	5	3,478,124	3	5,382,703	5
214150	Advance receipts	231,152	-	33,569	-	20,685	-
214160	Receipts under custody	830,682	1	147,328	-	350,330	-
214170	Other payables	961,550	1	663,830	1	1,640,157	2
214200	Other financial liabilities - current (note 6(w))	4,356,851	3	2,427,461	2	2,831,101	3
214600	Current income tax liabilities	258,296	-	225,883	-	160,434	-
215100	Provisions - current (note 6(q))	58,439	-	65,365	-	47,546	-
219000	Other current liabilities	5,427	-	3,065	-	19,448	-
		104,586,222	75	75,399,960	70	72,890,518	69
220000	**Non-Current liabilities:**						
224200	Other financial liabilities - non-current (note 6(w))	306,869	-	239,634	-	292,714	-
228000	Deferred income tax liabilities	433,005	-	675,975	1	676,732	1
229000	Other non-current liabilities	771,451	1	884,366	1	863,993	1
		1,511,325	1	1,799,975	2	1,833,439	2
	Total liabilities	106,097,547	76	77,199,935	72	74,723,957	71
	Equity attributable to shareholders of the parent:						
301000	Common stock (note 6(s))	21,690,730	16	22,690,730	21	22,690,730	21
302000	Capital surplus:						
302010	Premium from stock issuance	1,776,413	1	1,858,310	2	1,858,310	2
302020	Treasury stock transactions	437,096	-	253,940	-	253,940	-
302070	Paid-in capital from merger	602,665	1	630,450	1	630,450	1
302095	Difference between consideration and carrying amount of subsidiaries acquired and disposed	1,338	-	1,399	-	1,399	-
302096	Changes in ownership interests in subsidiaries	34,787	-	6,873	-	6,287	-
304000	Retained earnings:						
304010	Legal reserve	1,230,275	1	1,110,600	1	1,110,600	1
304020	Special reserve	2,709,623	2	2,464,288	2	2,464,288	2
304040	Unappropriated earnings (note 6(r))	1,982,831	1	1,188,633	1	1,037,016	1
305120	Exchange differences on translation of foreign operations	(55,943)	-	97,158	-	40,427	-
305150	Unrealized gains (losses) on financial assets available for sale	252,863	-	53,215	-	312,590	-
305500	Treasury stocks (note 6(s))	-	-	(835,048)	(1)	-	-
	Total equity attributable to the parent company	30,662,678	22	29,520,548	27	30,406,037	28
306000	**Non-controlling interests**	1,992,112	2	1,323,730	1	1,267,627	1
	Total equity	32,654,790	24	30,844,278	28	31,673,664	29
	Total liabilities and equity	$ 138,752,337	100	108,044,213	100	106,397,621	100

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended September 30 and nine months ended September 30, 2017 and 2016

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

		For the three months ended September 30,				For the nine months ended September 30,			
		2017		2016		2017		2016	
		Amount	%	Amount	%	Amount	%	Amount	%
	Income:								
401000	Brokerage commissions (note 6(u))	$ 1,122,590	42	830,927	46	2,812,794	42	2,479,893	51
402000	Revenues from securities business money lending	127	-	10	-	563	-	38	-
403000	Revenue from securities lending	28,878	1	20,417	1	79,560	1	48,810	1
404000	Underwriting commissions (note 6(u))	29,205	1	22,530	1	101,804	2	73,987	1
406000	Commissions on wealth management business	30,923	1	18,176	1	75,579	1	46,230	1
410000	Net gains (losses) on sale of trading securities (note 6(u))	577,540	22	208,123	11	1,309,888	20	75,099	2
421100	Securities management, distribution, and management fees	36,425	2	36,118	2	103,250	2	105,645	2
421200	Interest revenue (note 6(u))	532,717	20	373,862	21	1,462,782	22	1,078,148	22
421300	Dividend revenue	198,209	7	156,417	9	221,713	3	174,495	4
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(u))	(140,626)	(5)	(20,146)	(1)	231,194	3	227,917	5
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements	(3,940)	-	5,729	-	9,576	-	15,886	-
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(5,665)	-	30,038	2	(65,796)	(1)	(22,258)	-
422200	Net gains (losses) on stock warrants issued (notes 6(u) and 6(w))	111,821	4	209,239	12	113,220	2	594,458	12
424100	Futures commission revenues (note 6(u))	274,976	10	161,493	9	576,173	9	429,064	9
424400	Net gains (losses) on derivative instruments - futures (note 6(w))	(87,008)	(3)	(215,707)	(12)	(312,823)	(5)	(273,343)	(6)
424500	Net gains (losses) on derivative instruments - OTC (note 6(w))	(68,190)	(3)	(73,442)	(4)	(228,657)	(3)	(243,955)	(5)
424800	Management fee revenue	9	-	10	-	27	-	96	-
424900	Consultancy fee revenue	4,495	-	4,320	-	12,252	-	10,829	-
428000	Other operating revenues	20,408	1	29,381	2	123,574	2	67,387	1
		2,662,894	100	1,797,495	100	6,626,673	100	4,888,426	100
	Expenses:								
501000	Brokerage fees	159,301	6	122,741	7	383,859	6	364,128	8
502000	Brokerage and clearing fees - proprietary trading	5,523	-	4,536	-	14,211	-	12,574	-
503000	Clearing and exchange fees - refinancing	559	-	1,066	-	1,462	-	2,485	-
504000	Clearing and exchange fees - underwriting	250	-	649	-	1,242	-	1,511	-
521200	Financial costs	176,052	7	76,577	4	445,834	7	197,942	4
524100	Commission expense - futures (note 6(u))	218,625	8	112,299	6	499,206	8	306,187	6
524300	Clearing and settlement expenses	41,183	2	37,696	2	108,347	2	111,439	2
528000	Other operating expenditure	753	-	1,703	-	4,001	-	5,689	-
531000	Employee benefits expenses (note 6(u))	729,311	27	635,889	36	2,010,821	30	1,848,007	38
532000	Depreciation and amortization expense (note 6(u))	54,328	2	55,085	3	163,238	2	163,152	3
533000	Other operating expenses (note 6(u))	398,087	15	322,615	18	1,157,260	17	1,016,469	21
		1,783,972	67	1,370,856	76	4,789,481	72	4,029,583	82
	Other income (expenses):								
601000	Share of profits of associates and joint venture (note 6(f))	14,299	-	24,147	1	56,935	1	82,994	2
602000	Other gains and losses (note 6(u))	179,859	7	136,046	8	520,977	8	456,515	9
		194,158	7	160,193	9	577,912	9	539,509	11
902001	**Net income before income tax**	1,073,080	40	586,832	33	2,415,104	37	1,398,352	29
701000	**Income tax expense (note 6(r))**	(60,729)	(2)	(72,115)	(4)	(202,341)	(3)	(210,305)	(5)
	Net income	1,012,351	38	514,717	29	2,212,763	34	1,188,047	24
805000	**Other comprehensive income:**								
805600	**Items that may be reclassified to profit or loss in subsequent periods**								
805610	Exchange differences on translation of foreign operations	(20,979)	(1)	(77,525)	(4)	(210,009)	(3)	(122,749)	(2)
805620	Unrealized gains (losses) on financial assets available for sale, net	23,055	1	82,533	5	182,886	3	321,930	7
805699	Income tax benefit related to components of other comprehensive income (note 6(r))	2,731	-	10,163	-	30,568	-	17,802	-
	Subtotal of items that may be subsequently reclassified into profit or loss	4,807	-	15,171	1	3,445	-	216,983	5
805000	**Other comprehensive income for the period, net of income tax**	4,807	-	15,171	1	3,445	-	216,983	5
902006	**Total comprehensive income for the period**	$ 1,017,158	38	529,888	30	2,216,208	34	1,405,030	29
	Net income attributable to:								
913100	Shareholders of the parent	$ 896,201	34	463,475	26	1,961,766	30	1,026,666	21
913200	Non-controlling interests	116,150	4	51,242	3	250,997	4	161,381	3
		$ 1,012,351	38	514,717	29	2,212,763	34	1,188,047	24
	Total comprehensive income attributable to:								
914100	Shareholders of the parent	$ 903,725	34	483,222	27	2,033,044	31	1,250,548	26
914200	Non-controlling interests	113,433	4	46,666	3	183,164	3	154,482	3
		$ 1,017,158	38	529,888	30	2,216,208	34	1,405,030	29
975000	**Basic earnings per share (note 6(t))**	$	0.41		0.20		0.90		0.45
985000	**Diluted earnings per share (note 6(t))**	$	0.41		0.20		0.90		0.45

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company										
	Stock		Retained earnings			Total other equity interest					
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets available for sale	Treasury stocks	Total equity attributable to the parent company	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 23,190,730	2,742,807	955,667	2,154,422	1,586,994	135,985	(6,850)	(469,155)	30,290,600	1,237,067	31,527,667
Net income for the nine months ended September 30, 2016	-	-	-	-	1,026,666	-	-	-	1,026,666	161,381	1,188,047
Other comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	(95,558)	319,440	-	223,882	(6,899)	216,983
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	1,026,666	(95,558)	319,440	-	1,250,548	154,482	1,405,030
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	154,933	-	(154,933)	-	-	-	-	-	-
Special reserve	-	-	-	309,866	(309,866)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(1,111,845)	-	-	-	(1,111,845)	(123,922)	(1,235,767)
Purchase of treasury shares	-	-	-	-	-	-	-	(23,266)	(23,266)	-	(23,266)
Retirement of treasury shares	(500,000)	7,579	-	-	-	-	-	492,421	-	-	-
Balance at September 30, 2016	$ 22,690,730	2,750,386	1,110,600	2,464,288	1,037,016	40,427	312,590	-	30,406,037	1,267,627	31,673,664
Balance at January 1, 2017	$ 22,690,730	2,750,972	1,110,600	2,464,288	1,188,633	97,158	53,215	(835,048)	29,520,548	1,323,730	30,844,278
Net income for the nine months ended September 30, 2017	-	-	-	-	1,961,766	-	-	-	1,961,766	250,997	2,212,763
Other comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	(153,101)	224,379	-	71,278	(67,833)	3,445
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	1,961,766	(153,101)	224,379	-	2,033,044	183,164	2,216,208
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	119,675	-	(119,675)	-	-	-	-	-	-
Special reserve	-	-	-	245,335	(245,335)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(802,558)	-	-	-	(802,558)	(155,227)	(957,785)
Purchase of treasury shares	-	-	-	-	-	-	-	(91,539)	(91,539)	-	(91,539)
Retirement of treasury shares	(1,000,000)	73,413	-	-	-	-	-	926,587	-	-	-
Capital surplus changes in ownership interests in subsidiaries	-	27,914	-	-	-	-	(24,731)	-	3,183	640,445	643,628
Balance at September 30, 2017	$ 21,690,730	2,852,299	1,230,275	2,709,623	1,982,831	(55,943)	252,863	-	30,662,678	1,992,112	32,654,790

See accompanying notes to consolidated financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30, 2017	2016
Cash flows from (used in) operating activities:		
Net income before tax	$ 2,415,104	1,398,352
Adjustments:		
Income and expenses items with no effect on cash flows:		
Depreciation expense	136,525	134,411
Amortization expense	26,713	28,741
Provision of bad debt expense	99,761	-
Net losses (gain) on financial assets or liabilities at fair value through profit or loss	(230,731)	(227,917)
Interest expense	445,834	197,942
Interest revenue (including financial income)	(1,645,675)	(1,224,540)
Dividend revenue	(252,476)	(206,360)
Share-based payment conpensation cost	17,530	-
Cash dividend received from investments under equity method	91,452	65,987
Share of profit of associates and joint ventures	(56,935)	(82,994)
Net losses (gains) on disposal and retirement of property and equipment	1,008	3,198
Losses (gains) on disposal of investment	(38,920)	-
Net losses (gains) on non-operating financial instruments at fair value through profit or loss	(26,936)	6,169
Net changes of income and expense items with no effect on cash flows	(1,432,850)	(1,305,363)
Changes in assets and liabilities from operating activities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(4,459,036)	2,426,133
Decrease (increase) in financial assets available for sale - current	(13,993,719)	(9,885,430)
Decrease (increase) in bonds purchased under resale agreements	(100,402)	(447,727)
Decrease (increase) in receivable for securities provided as collateral	(2,570,568)	2,785,294
Decrease (increase) in refinancing margin	72,043	(100,465)
Decrease (increase) in receivable on refinancing collateral	55,345	(87,689)
Decrease (increase) in receivable of securities business money lending	(1,024,283)	(45,380)
Decrease (increase) in customers' margin account	(2,873,761)	(6,066,719)
Decrease (increase) in margin receivable of futures trading	894	6
Decrease (increase) in collateral for securities borrowed	230,177	251,194
Decrease (increase) in security borrowing margin	223,010	657,992
Decrease (increase) in notes receivable	(3,965)	(1,497)
Decrease (increase) in accounts receivable	(3,960,466)	(269,555)
Decrease (increase) in prepayments	11,853	(15,971)
Decrease (increase) in other receivables	(48,015)	(17,297)
Decrease (increase) in current income tax assets	(147)	(13,309)
Decrease (increase) in other current assets	(386,435)	1,080,615
Decrease (increase) in guarantee deposited for business operations	23,592	53,211
Decrease (increase) in settlement fund	2,580	21,334
Decrease (increase) in refundable deposits	52,167	(84,428)
Decrease (increase) in leverage contract trading - customers' margin account	(146,908)	-
Decrease (increase) in other non-current assets	92,720	(6,955)
Total changes in assets from operating activities	(28,803,324)	(9,766,643)

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

Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended September 30 and nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30, 2017	2016
Changes in liabilities from operating activities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	$ 715,405	(708,297)
Increase (decrease) in bonds sold under repurchase agreements	11,133,095	7,807,529
Increase (decrease) in guarantee deposited for short sales	44,664	(272,258)
Increase (decrease) in proceeds payable from short sales	59,376	(241,142)
Increase (decrease) securities lending refundable deposits	433,589	(307,908)
Increase (decrease) in futures traders' equity	2,847,258	6,006,227
Increase (decrease) in customers' equity of separate account ledger in settlement account	3,170	5,081
Increase (decrease) in leverage contract trading - customers' margin account	146,127	-
Increase (decrease) in notes payable	215	248
Increase (decrease) in accounts payable	3,709,403	1,534,939
Increase (decrease) in advance receipts	197,583	750
Increase (decrease) in receipts under custody	683,354	(996,829)
Increase (decrease) in other payable	323,841	876,330
Increase (decrease) in other current liabilities	11,584	22,734
Increase (decrease) in other financial liabilities - current	1,929,390	(1,003,474)
Increase (decrease) in provision - current	(6,926)	-
Increase (decrease) in other financial liabilities - non-current	67,235	50,723
Increase (decrease) in other non-current liabilities	(112,915)	(1,587)
Total changes in liabilities from operating activities	22,185,448	12,773,066
Total changes in assets and liabilities from operating activities	(6,617,876)	3,006,423
Total cash generated from adjustment items	(8,050,726)	1,701,060
Cash generated from operating activities	(5,635,622)	3,099,412
Interest received	1,589,022	1,227,447
Dividends received	237,349	161,304
Interest paid	(472,412)	(199,638)
Income taxes paid	(199,377)	(85,025)
Net cash provided by (used in) operating activities	(4,481,040)	4,203,500
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets available for sale	71,827	-
Proceeds from capital reduction of financial assets measured at cost	6,832	26,512
Acquisitions of financial assets measured at cost	(250,746)	(46,000)
Decrease (increase) in deferred debits	(154)	(1,428)
Acquisitions of property and equipment	(43,014)	(74,535)
Acquisitions of intangible assets	(33,121)	(11,625)
Net cash provided by (used in) investing activities	(248,376)	(107,076)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowing	3,308,282	189,570
Increase (decrease) in commercial papers payable	3,649,321	-
Purchase of treasury shares	(91,539)	(23,266)
Cash dividends paid	(957,785)	(1,235,767)
Issuance of common stock for cash	626,096	-
Net cash provided by (used in) financing activities	6,534,375	(1,069,463)
Effect of exchange rate changes on cash and cash equivalents	(203,945)	(118,110)
Increase in cash and cash equivalents	1,601,014	2,908,851
Cash and cash equivalents, beginning of the year	5,423,415	4,726,498
Cash and cash equivalents, end of this period	$ 7,024,429	7,635,349

See accompanying notes to consolidated financial statements.

CAPITAL SECURITIES CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2017 and 2016

(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 4th Fl. No. 101, Song-Jen Road, Taipei, Taiwan, R.O.C. As of September 30, 2017, the composition of the consolidated financial statements includes the Company and the subsidiaries (the "Group"). As of September 30, 2017, the Company has 55 branches nationwide.

The Company is authorized to conduct the following businesses:

(a) Underwriting of marketable securities;

(b) Trading of marketable securities on a proprietary basis on stock exchange;

(c) Brokerage of marketable securities on stock exchange;

(d) Trading of marketable securities at the Company's branches;

(e) Brokerage of marketable securities at the Company's branches;

(f) Margin loan, short sale and refinancing;

(g) Securities registration agency services;

(h) Dealership of foreign marketable securities;

(i) Short-term bills service;

(j) Accessory services of futures trading;

(k) Futures trading on a proprietary basis;

(l) Securities business money lending;

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

(n) Trust business;

(o) Offshore securities business;

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

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

The consolidated financial statements were authorized for issuance by the board of directors on November 10, 2017.

CAPITAL SECURITIES CORPORATION AND ITS 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. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements - Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Impairment of Non-Financial assets - Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments - Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Interpretations to IFRS 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(Continued)

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

According to Ruling No. 1060025773 issued on July 14, 2017, by the FSC, public entities are required to conform to the IFRSs that have been endorsed by the FSC with effective date from 2018 in preparing their financial statements. The new related standards, interpretations, and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows - Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS 2014 - 2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
Interpretations to IFRS 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The Group is currently revamping its accounting procedures and internal control over financial reporting in accordance with the requirement of this Standard, and also, has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at September 30, 2017.

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

1) Classification and measurement - Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on the Group's preliminary assessment, the new classification requirements if applied at September 30, 2017, would not have a material impact on its accounting for account receivables, debt instruments investments and investments in equity securities that are managed on a fair value basis. At September 30, 2017, the Group had equity investments classified as financial assets available for sale with a fair value and financial assets measured at cost that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise in the Group's profits.

2) Impairment - Financial assets and contact assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost, FVOCI except for investments in equity instruments, and contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

(Continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-months ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for account receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for account receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. However, the Group has not yet finalized the impairment methodologies that it will apply under IFRS 9.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- New hedge accounting requirements should generally be applied prospectively. However the Group may elect to apply the expected change in accounting for forward points retrospectively. The Group has not made a decision in relation to this election.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value and the estimation of probable future taxable profits.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments and will disclose the relevant impact when the assessment is completed.

(Continued)

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

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Undecided
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
Interpretations to IFRS 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. The lease expense is the depreciation expense charged on the right-of-use asset and the interest expense accrued on the lease liability during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	Interpretations to IFRS 23 " Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Groupis evaluating the impact on its financial position and operating performance upon the initial adoption of the above mentioned standards or interpretations. The potential impact will be disclosed when the assessment is complete.

(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 by the FSC and do not include all of the information required for full annual consolidated financial statements prepared in accordance with the IFRSs, IAS and interpretations endorsed by the FSC.

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, 2016. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2016 for the detail disclosures of significant accounting policies.

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

(b) Basis of preparation

The principle of preparing consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2016. Please refer to Note 4(3) of the consolidated financial statements as of and for the year ended December 31, 2016.

(i) Subsidiaries listed in the consolidated financial statement were as follows:

			Ratio of Equity Ownership			
Name of the investor	Subsidiaries	Business type	September 30, 2017	December 31, 2016	September 30, 2016	Note
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and securities investment consultancy	100.00 %	100.00 %	100.00 %	The corporation established in February, 1990. As of September 30, 2017, the paid-in capitals amounted to $70,000.
〃	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %	The corporation established in March, 1996. As of September 30, 2017, the paid-in capitals amounted to US$45,000 thousands.
〃	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.21 %	59.01 %	59.01 %	The corporation established in February, 1997, and increased capital on February, 2017. The ownership portion has decreased from 59.01% to 56.21%. As of September 30, 2017, the paid-in capitals amounted to $1,603,979.
〃	Taiwan International Futures Corp.	Management consultancy	99.99 %	99.99 %	99.99 %	Liquidation in progress.
〃	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 %	The corporation established in December, 1996. As of September 30, 2017, the paid-in capitals amounted to US$9,516 thousands.
〃	Taiwan International Securities Investment Consulting Corp.	Investment consultancy	99.92 %	99.92 %	99.92 %	Liquidation in progress.
〃	CSC Venture Capital Corp.	Venture Capital and consulting business	100.00 %	100.00 %	100.00 %	The corporation established in January, 2016. As of September 30, 2017, the paid-in capitals amounted to $1,000,000.
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %	95.00 %	The corporation established in December, 1998. Acquired 100% of the equity on November 1, 2012, disposed 5% on April 30, 2015 and increased capital HK$100,000 thousands to acquire additional 2.27% equity on December 12, 2016. As of September 30, 2017, the paid-in capitals amounted to HK$220,000 thousands.
〃	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 %	The corporation established in December, 2014. As of September 30, 2017, the paid-in capitals amounted to 50,000.

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

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership September 30, 2017	December 31, 2016	September 30, 2016	Note
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 %	The corporation established in August 20, 2008. Acquired 51% of the equity on February 9, 2015 and held controlling interest. As of September 30, 2017, the paid-in capitals amounted to CNY$1,000 thousands.
〃	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	- %	The corporation established in October, 2016. As of September 30, 2017, the paid-in capitals amounted to CNY$4,000 thousands.
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	The corporation established in May, 1994. Acquired 30% of the equity from Capital Securities (Hong Kong) Ltd. in September, 2017.
〃	Capital Securities (Hong Kong) Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %	The board of directors of the Company resolved to cease operation on October 30, 2012.
Capital Securities (Hong Kong) Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	- %	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	The corporation established in May, 1994.
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %	The corporation established in April, 1995. Acquired equity from Capital Securities (Hong Kong) Ltd. on January 17, 2013.
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Ltd.	Long-term equity investment business.	100.00 %	100.00 %	100.00 %	Not complied with the requirement of Financial Resources Rules (the "FRR") of the Hong Kong Securities and Futures Commission, the operations remain stagnant currently.
TIS Securities (HK) Ltd.	Taiwan International Capital (HK) Ltd.	Direct investment	100.00 %	100.00 %	100.00 %	〃

(Continued)

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

(ii) Subsidiaries not listed in the consolidated financial statements

			Ratio of Equity Ownership			
Name of the investor	**Subsidiaries**	**Business type**	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**	**Note**
The Company	Capital Insurance Agency Corp.	Manages personal insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The Company acquired 100% of the equity and gained a controlling interest. The paid-in capitals amounted to $7,400. As of September 30, 2017, December 31, 2016 and September 30, 2016, the total assets constituted 0.03%, 0.06% and 0.05% of the Group's total assets. For the nine months end September 30, 2017 and 2016, the operation revenue were merely 0.89% and 1.67% of the consolidated revenue which were so immaterial, thus they were excluded from the financial consolidated statement.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The Company acquired 100% of the equity and gained a controlling interest. The paid-in capitals amounted to $5,000. As of September 30, 2017, December 31, 2016 and September 30, 2016, the total assets constituted 0.07%, 0.13% and 0.11% of the Group's total assets. For the nine months end September 30, 2017 and 2016, the operation revenue were merely 2.33% and 4.01% of the consolidated revenue which were so immaterial, thus they were excluded from the financial consolidated statement.

(c) Income tax

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

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

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

(d) 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.

(Continued)

(e) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost, which includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The investment of subsidiaries or joint venture which is possessed directly or indirectly by venture capital organization is exempted from equity method, it can choose to compliance to IAS 39 "Financial Instruments: Recognition and Measurement" to evaluate the investment through profit and loss at fair value.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in capital surplus in proportion to its ownership.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds or equals its share of interest in associates, the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligation or made payments on behalf of the investee.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate or a joint venture. Any retained investment is measured at fair value at that date. The difference between the fair value of retained investment and proceeds from disposal of the part of interest in the investment, and the carrying amount of the investment at that date was recognized in profit or loss. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amount previously recognized in other comprehensive income in relation to that associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not re-measure the retained interest.

(Continued)

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

(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 6 of the consolidated financial statements as of and for the year ended December 31, 2016.

(6) Explanation of significant accounts:

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from the consolidated financial statements as of and for the year ended December 31, 2016. Please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2016 for the detailed disclosures of these significant accounts.

(a) Cash and cash equivalents

	September 30, 2017	December 31, 2016	September 30, 2016
Cash	$ 2,833	2,850	3,042
Bank deposits			
Checking accounts	43,127	58,106	44,348
Demand deposits	895,683	422,816	2,448,178
Time deposits	2,785,510	2,143,168	2,299,460
Foreign currency deposits	1,955,748	1,978,038	1,706,045
Subtotal	5,680,068	4,602,128	6,498,031
Cash equivalents			
Futures margin - excess margin	1,341,528	818,437	864,554
Commercial papers	-	-	269,722
Subtotal	1,341,528	818,437	1,134,276
Total	$ 7,024,429	5,423,415	7,635,349

(Continued)

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

(b) Financial assets

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

		September 30, 2017	December 31, 2016	September 30, 2016
Open-ended funds and money-market instruments				
Open-ended funds and money-market instruments	$	383,615	1,201,307	403,631
Valuation adjustment		6,027	(21,007)	1,622
Subtotal		389,642	1,180,300	405,253
Investment in securities				
Investment in securities		30,745	-	38,536
Valuation adjustment		(262)	-	2,864
Subtotal		30,483	-	41,400
Trading securities - proprietary trading				
Listed stocks		1,388,447	626,599	709,226
Listed funds		646,204	798,932	924,384
OTC stocks		647,616	249,061	243,608
Emerging market stocks		206,692	259,637	225,625
Emerging market funds		9,826	7,964	7,610
Convertible corporate bonds		603,165	455,796	375,262
Government bonds		5,838,575	4,041,386	2,227,586
Corporate bonds		12,417,566	11,801,410	9,008,332
Financial debentures		700,000	1,659,501	3,349,554
Overseas funds		20,035	-	-
Foreign stocks		658,518	269,804	196,062
Overseas bonds		60,351	64,320	62,544
Other		305,507	32,603	32,603
		23,502,502	20,267,013	17,362,396
Valuation adjustment		138,813	42,273	162,762
Subtotal		23,641,315	20,309,286	17,525,158

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

	September 30, 2017	December 31, 2016	September 30, 2016
Trading securities - underwriting:			
Listed stocks	$ 19,598	43,898	56,443
OTC stocks	55,999	11,396	8,420
Convertible corporate bonds	135,055	57,200	41,400
	210,652	112,494	106,263
Valuation adjustment	1,504	2,140	2,183
Subtotal	212,156	114,634	108,446
Trading securities - hedging			
Listed stocks	3,288,811	1,810,735	1,378,735
OTC stocks	837,610	446,088	449,604
Convertible corporate bonds	3,053,210	3,437,205	3,423,701
Foreign stocks	1,017	1,092	1,062
	7,180,648	5,695,120	5,253,102
Valuation adjustment	95,636	(38,606)	21,739
Subtotal	7,276,284	5,656,514	5,274,841
Derivatives			
Call options	96,295	68,562	74,640
Interest rate swaps	1,127	4,942	-
Futures margin - proprietary fund	741,645	352,755	319,814
IRS asset swaps	9,969	20,743	20,518
Asset swap options - long position	1,926	5,682	6,793
Currency derivatives	26,578	3	-
Structured notes	704	3	91
Equity derivatives	7,876	-	-
Currency swaps	11,136	16,584	3,907
Subtotal	897,256	469,274	425,763
Total	$ 32,447,136	27,730,008	23,780,861

As of September 30, 2017, December 31, 2016 and September 30, 2016, the par value of trading securities - bonds under repurchase agreement of the Group were $47,623,227, $35,926,059 and $31,498,913, respectively, please refer to Note 6(m) and Note 8 for details.

(Continued)

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

(ii) Financial assets available for sale - current:

	September 30, 2017	December 31, 2016	September 30, 2016
Listed stocks	$ 99,274	221,734	201,477
OTC stocks	77,668	162,878	90,459
Emerging market stocks	28,945	29,482	30,000
International bonds	1,600,717	-	-
Foreign stocks	180,961	-	-
Overseas bonds	31,333,837	18,904,893	17,433,309
Subtotal	33,321,402	19,318,987	17,755,245
Valuation adjustment	234,574	18,891	281,494
Total	$ 33,555,976	19,337,878	18,036,739

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

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets held for trading:			
Government bonds	$ 185,799	185,799	188,818
Valuation adjustment	328	274	1,438
Total	$ 186,127	186,073	190,256

As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group took advantage of government bonds as margins of bills, interest rate swaps and structured notes transaction, settlement fund guarantee deposits, and compensation reserve of trust business (please refer to Note 8 for details).

(iv) Financial assets available for sale - non-current:

Name of investee	September 30, 2017	December 31, 2016	September 30, 2016
CME Group Inc.	$ 826	33,733	33,733
Valuation adjustment	1,227	42,528	33,461
Total	$ 2,053	76,261	67,194

The purpose for obtaining the stock of CME Group Inc. is to acquire the membership of foreign futures exchange. Due to membership requirements on shareholding being changed to paying the subscription fee by CME Group Inc., the Group disposed of 20,000 shares of stock of CME Group Inc. on April 2017, which generated a gain on disposal of this investment of $38,920. For the nine months ended September 30, 2017 and 2016, due to changes in fair value, the Group had recognized $0 and $6,076 in other comprehensive income, respectively. The amount reclassified from equity to net losses is $41,494 and $0, respectively.

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

(v) Financial assets measured at cost - non-current

Non-listed (or non-over-the-counter)	September 30, 2017 Ownership ratio	Amount
Taiwan Depository & Clearing Corp.	1.29 %	$ 18,661
Taiwan Futures Exchange Corp.	2.86 %	58,117
Taiwan Stock Exchange Corporation	0.06 %	12,242
Global Securities Finance Corporation	6.05 %	202,681
Chou Chin Industrial Co., Ltd.	0.05 %	-
Jong-Yih Industrial Development Co., Ltd.	0.68 %	1,369
Reliance Securities Investment Trust Co., Ltd	3.02 %	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00 %	32,858
Prudence Venture Investment Corp.	1.50 %	29,933
Chanyee Hotelday Co., Ltd.	7.41 %	30,000
Miho International Co., Ltd.	1.77 %	47,981
LIPS Corp.	18.77 %	149,625
Xianlife Limited	3.30 %	46,140
FlexUP Technologies Corp.	15.31 %	30,000
Han Biomedical Inc.	9.20 %	23,000
Total		$ 692,374

Non-listed (or non-over-the-counter)	December 31, 2016 Ownership ratio	Amount
Taiwan Depository & Clearing Corp.	1.29 %	$ 18,661
Taiwan Futures Exchange Corp.	2.86 %	58,117
Taiwan Stock Exchange Corporation	0.06 %	12,242
Global Securities Finance Corporation	6.05 %	202,681
Chou Chin Industrial Co., Ltd.	0.05 %	-
Jong-Yih Industrial Development Co., Ltd.	0.68 %	1,369
Reliance Securities Investment Trust Co., Ltd	3.02 %	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00 %	34,258
Prudence Venture Investment Corp.	1.50 %	35,365
Chanyee Hotelday Co., Ltd.	7.41 %	30,000
Miho International Co., Ltd.	1.83 %	46,000
Total		$ 448,460

(Continued)

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

Non-listed (or non-over-the-counter)	September 30, 2016	
	Ownership ratio	Amount
Taiwan Depository & Clearing Corp.	1.29 %	$ 18,661
Taiwan Futures Exchange Corp.	2.86 %	58,126
Taiwan Stock Exchange Corporation	0.06 %	12,242
Global Securities Finance Corporation	6.05 %	202,681
Chou Chin Industrial Co., Ltd.	0.05 %	-
Jong-Yih Industrial Development Co., Ltd.	0.68 %	1,369
Reliance Securities Investment Trust Co., Ltd	3.02 %	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00 %	46,508
Prudence Venture Investment Corp.	1.50 %	35,365
Miho International Co., Ltd.	1.83 %	46,000
Total		$ 430,719

The Group acquired shares of LIPS Corp., Xianlife Limited, FlexUP Technologies Corp. and Han Biomedical Inc. in March, April and June 2017, respectively.

The Group acquired shares of Miho International Co., Ltd., Jason's Entertainment Co., Ltd. and Chanyee Hotelday Co., Ltd. in January, March and November, 2016, respectively. Due to Jason's Entertainment Co., Ltd. registering to Emerging Stock Board on August, 2016, it is reclassified to financial assets available for sale - current.

For the nine months ended September 30, 2017 and 2016, Top Taiwan III Venture Capital Co., Ltd. refunded the proceeds of capital reduction amounted to $1,400 and $24,500. Prudence Venture Investment Corp. refunded the proceeds of capital reduction amounted to $5,432 and $2,012.

(vi) 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, 2017 and 2016 VAR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	September 30, 2017	September 30, 2016	For the nine months ended September 30,					
			2017			2016		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,266,254	720,119	865,147	1,266,254	666,504	707,581	821,890	596,609

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

(c) Bonds purchased under resale agreements

	September 30, 2017	December 31, 2016	September 30, 2016
Bonds purchased under resell agreements	$ 100,402	-	447,727
Resell price under the agreements	$ 100,402	-	447,600
Interest rate	0.15%	-	0.10%~(3.89)%

As of September 30, 2017 and 2016, the Group's appropriated bonds purchased under resale agreements were $0 (Par value $0) and $398,119 (Par value $400,000) for repurchase agreement transactions purpose and $100,402 (Par value $100,000) and $49,608 (Par value $50,000) for resale agreement - short sales transactions purpose (please refers to Note 8 for details).

(d) Accounts Receivable

	September 30, 2017	December 31, 2016	September 30, 2016
Receivable on securities purchased by customers	$ 27,961	22,024	58,890
Settlement	3,661,315	-	640,831
Interests receivable	551,513	494,248	454,143
Receivables of settlements	3,833,267	3,503,940	3,533,347
Others	75,931	89,525	617,895
Subtotal	8,149,987	4,109,737	5,305,106
Less: allowance for doubtful accounts	(3,425)	(3,424)	(4,123)
Total	$ 8,146,562	4,106,313	5,300,983

(e) Customers' margin account / Future traders' equity

As of September 30, 2017, December 31, 2016 and September 30, 2016, a reconciliation of the customers' margin account and the futures traders' equity was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Customers' margin account			
Add:			
Cash in banks	$ 19,569,279	18,011,775	17,567,943
Customers' margin account - futures clearing house	2,871,259	2,126,035	1,770,961
Customers' margin account - other futures commission merchants	3,601,441	3,030,438	3,031,642
Marketable securities	1,624	1,594	929
Total customers' margin account	26,043,603	23,169,842	22,371,475

(Continued)

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

	September 30, 2017	December 31, 2016	September 30, 2016
Add:			
Commission expense	$ 5,993	-	-
Currency exchange gains or losses	14	-	-
Other	-	1	53
Less:			
Commission revenue	(49,984)	(30,670)	(30,031)
Futures transaction tax	(595)	(1,045)	(1,074)
Interest revenues	(2,244)	(1,200)	(909)
Temporary receipts	(420)	(134)	(15,747)
Remittance amount of the customers after the market closed	(689)	(1,749)	(2,623)
Others	(16,189)	(2,814)	(27,605)
Futures traders' equity	$ 25,979,489	23,132,231	22,293,539

(f) Investments under equity method

As of September 30, 2017, December 31, 2016 and September 30, 2016, investments under equity method consisted of the following:

	September 30, 2017	December 31, 2016	September 30, 2016
Subsidiaries			
Capital Insurance Advisory Corp.	$ 79,607	104,489	84,338
Capital Insurance Agency Corp.	41,561	52,200	48,136
Subtotal	121,168	156,689	132,474
Associates			
True Partner Advisor Hong Kong Ltd.	41,700	41,516	41,749
Total	$ 162,868	198,205	174,223

(i) Subsidiaries:

For the nine months ended September 30, 2017 and 2016, the Group's share of gains or losses of the subsidiaries were as follows:

	For the nine months ended September 30, 2017	2016
Based on the self-prepared financial statements	$ 55,932	77,467

Under the equity accounting method, the financial information of the investments in subsidiaries which are individually immaterial is summarized as following:

	September 30, 2017	December 31, 2016	September 30, 2016
Total assets	$ 147,921	194,974	175,717
Total liabilities	$ 26,753	38,285	43,243

	For the nine months ended September 30,	
	2017	2016
Revenue	$ 213,348	278,429
Net income	$ 55,932	77,467

(ii) Associates

The subsidiary Capital Futures Corporation has significant influence on True Partner Advisor Hong Kong Ltd. due to the acquisition of 49% shares with USD 1,123 thousands on October 2, 2015. The relevant information is as following:

Name of associate	Nature between the Company	Primary business area and registered country	% of Ownership and Voting Rights September 30, 2017	December 31, 2016	September 30, 2016
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 %

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

	September 30, 2017	December 31, 2016	September 30, 2016
Total carrying amount of the associates that were not individually material	$ 41,700	41,516	41,749

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Based on the self-prepared financial statements Attributable to the Group:				
Net gains from continuing operations	$ 325	1,002	1,003	5,527
Other comprehensive loss	(81)	(269)	(819)	(459)
Total comprehensive income (losses)	$ 244	733	184	5,068

(Continued)

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

(iii) Collateral

As of September 30, 2017, December 31, 2016 and September 30, 2016, none of the investment accounted for under equity method of the Group were pledged for collateral.

(g) Property and equipment

		Land	Buildings	Equipment	Leasehold improvements	Total
Carrying amount:						
January 1, 2017	$	3,707,942	1,116,711	227,297	77,873	5,129,823
September 30, 2017	$	3,657,779	1,061,495	196,652	67,208	4,983,134
September 30, 2016	$	3,707,942	1,123,272	240,030	80,081	5,151,325

As of September 30, 2017, December 31, 2016 and September 30, 2016, the property and equipment which are provided as collateral or pledge, please refer to Note 8 for details.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of property and equipment of the Group in the periods from January 1 to September 30 in 2017 and 2016. For the nine months ended September 30, 2017 and 2016, $75,746 and $2,327 of land and buildings were reclassified as investment property. Please refer to Note 6(u) for details of the depreciation expense occurring in this period and Note 6(6) of the consolidated financial statements as of and for the year ended December 31, 2016 for other relevant information.

(h) Investment property

		Land and improvements	Buildings	Total
Carrying Amount:				
January 1, 2017	$	1,257,200	470,124	1,727,324
September 30, 2017	$	1,307,363	484,214	1,791,577
September 30, 2016	$	1,257,200	473,925	1,731,125
Fair Value:				
January 1, 2017				2,740,795
September 30, 2017				2,793,079
September 30, 2016				2,740,795

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

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods from January 1 to September 30 in 2017 and 2016. For the nine months ended September 30, 2017 and 2016, $75,746 and $2,327 of land and buildings were transferred from property and equipment. Please refer to Note 6(u) for details of the depreciation expense occurring in this period and Note 6(7) of the consolidated financial statements as of and for the year ended December 31, 2016 for other relevant information.

(i) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of September 30, 2017, December 31, 2016 and September 30, 2016, the book value was all $3,126,698.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd in order to expand operations. The Group recognized the differences between investment costs and identifiable assets as goodwill. As of September 30, 2017, December 31, 2016 and September 30, 2016, the book value of goodwill was all $22,088.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation of securities corporation operation franchise during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 “Intangible Assets”, the franchise is regarded as intangible assets with an indefinite useful life. As of September 30, 2017, December 31, 2016 and September 30, 2016, the book value of the operation franchise was all $389,999.

(iii) Other intangible assets - The 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, 2017, December 31, 2016 and September 30, 2016, the book values of intangible assets were $48,168, $48,453 and $48,339, 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, 2017, December 31, 2016 and September 30, 2016, the amortized book value was $33,188, $25,010 and $25,142 respectively.

(j) Short-term borrowings

Nature of borrowings	September 30, 2017	December 31, 2016	September 30, 2016
Collateralized loan	$ 380,000	380,000	32,855
Credit loans	7,164,684	3,856,402	1,947,876
Total	$ 7,544,684	4,236,402	1,980,731
Interest rate range	0.60%~2.50%	0.60%~2.75%	0.93%~4.20%

As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group had provided the land, buildings, and certificates of time deposits as collateral; please refer to Note 8 for details.

(Continued)

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

(k) Commercial paper payable

	September 30, 2017	December 31, 2016	September 30, 2016
Commercial paper payable	$ 3,650,000	-	-
Less: Unamortized discount	(679)	-	-
Net amount	$ 3,649,321	-	-
Interest rate range	0.518%~0.528%	-%	-%

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

	September 30, 2017	December 31, 2016	September 30, 2016
Bond purchased under resale agreements - short sales	$ 100,391	-	49,535
Valuation adjustment	22	-	74
Subtotal	100,413	-	49,609
Liabilities on sale of borrowed securities	661,898	1,009,334	969,175
Redeem liabilities on sale of borrowed securities	(16,264)	(4,632)	(4,632)
Valuation adjustment	(693)	(66,653)	(8,278)
Subtotal	644,941	938,049	956,265
Settlement coverage bonds payable of short sale	99,633	-	-
Valuation adjustment	(208)	-	-
Subtotal	99,425	-	-
Stock warrants issued	12,797,230	10,892,801	12,225,095
Stock warrants repurchased	(11,881,805)	(10,617,763)	(11,818,532)
Subtotal	915,425	275,038	406,563
Put options	157,276	66,693	63,961
IRS asset swaps	192	1,974	1,990
Asset swap options - short position	255,531	177,405	204,154
Structured notes	10,195	7,515	8,357
Currency derivatives	3,141	1	-
Currency swaps	5,091	9,089	6,978
Interest rate swaps	-	-	2,596
Subtotal	431,426	262,677	288,036
Total	$ 2,191,630	1,475,764	1,700,473

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

(m) Bonds sold under repurchase agreements

	September 30, 2017	December 31, 2016	September 30, 2016
Bonds sold under repurchase agreements	$ 46,089,737	34,956,642	31,383,772
Agreed-upon repurchase amounts	46,214,682	35,002,716	31,406,766
Interest rates	0.31%~4.00%	0.30%~9.00%	(1.60)%~6.5%
Date of repurchase	2017.10.2~2018.9.21	2017.1.3~2017.3.30	2016.10.3~2017.3.1

(n) Customer equity of separate account ledger in settlement accounting

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

	September 30, 2017	December 31, 2016	September 30, 2016
Customer equity of separate account ledger in settlement	$ 7,707	4,537	9,185

(o) Accounts payable

	September 30, 2017	December 31, 2016	September 30, 2016
Payable of securities sold by customers	$ 18,687	21,890	49,928
Settlement price	-	49,986	-
Payable of settlements	6,992,030	3,183,985	4,745,331
Others	176,810	222,263	587,444
Total	$ 7,187,527	3,478,124	5,382,703

(p) Operating leases

The Group has no material incremental operating leases contracts for the nine months ended September 30, 2017 and 2016. Please refer to Note 6(14) of the consolidated financial statements as of and for the year ended December 31, 2016 for other relevant information.

(q) Employee benefit

(i) Defined benefit plans

Subsequent to December 31, 2016, 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 consolidated financial statements is measured and disclosed according to the respective actuarial report as of December 31, 2016 and 2015.

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

For the three and nine months ended September 30, 2017 and 2016, the Group's pension expenses recognized in profit or loss were $3,700, $4,180, $11,092 and $12,532, 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 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 $20,072, $20,415, $60,032 and $62,549 under defined contribution plan to the Bureau of the Labor Insurance for the three and nine months ended September 30, 2017 and 2016, respectively.

(iii) For the three and nine months ended September 30, 2017 and 2016, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were $1,077, $1,151, $3,250 and $3,392, respectively.

(iv) Provision for employee benefits liabilities

	September 30, 2017	December 31, 2016	September 30, 2016
Compensated absences	$ 58,439	65,365	47,546

(r) Income tax

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

(i) The detail of income tax expense for the three and nine months ended September 30, 2017 and 2016 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Current income tax expense (benefit)	$ 50,274	17,710	231,791	90,659
Deferred income tax expense				
Unrealized gains (losses) on derivative financial instruments	39,761	(28,330)	4,304	(28,617)
Unrealized gains (losses) on foreign investments under equity method	977	(916)	(3,471)	(3,031)
Amortization of goodwill	-	(17,718)	-	35,436
Decrease (increase) in tax loss carried forward	46,060	56,430	46,060	68,654
Adjustments of the prior year's deferred income tax assets and liabilities	(76,343)	44,939	(76,343)	47,204
Deferred income tax expense (benefit)	10,455	54,405	(29,450)	119,646
Income tax expenses	$ 60,729	72,115	202,341	210,305

(Continued)

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

(ii) The amount of income tax expense or benefit recognized in other comprehensive income for the three and nine months ended September 30, 2017 and 2016, were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Foreign exchange difference from translating financial statement of foreign operations	$ (2,731)	(10,163)	(30,568)	(17,802)

(iii) As of September 30, 2017, the Group's estimated tax losses recognized under deferred income tax asset were as follows:

Loss Year	Amount	Expiration Year
2016(Declared)	$ 874	2026

(iv) Income tax assessment status

1) The Company's income tax returns through 2014 were assessed by the Tax Authority.

2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2015 were assessed by the Tax Authority.

3) Subsidiary - Capital Futures Corp.'s income tax returns through 2015 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 were assessed by the Tax Authority.

5) Subsidiary - Taiwan International Futures Corp.'s income tax returns for the liquidation date as of September 18, 2008 were assessed by the Tax Authority.

6) Subsidiary - Capital International Technology Corp.'s income tax returns through 2015 were assessed by the Tax Authority.

(v) The information about imputation system is as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Undistributed earnings after 1998	$ 1,982,831	1,188,633	1,037,016
Imputation credit account	2,667,282	2,675,250	2,675,250

	2017 (Estimated)	2016 (Actual)
Deductible ratio for earnings distributed to ROC residents	22.35 %	24.21 %

The above imputation information was calculated based on the Ruling No. 10204562810 issued by the Ministry of Finance on October 17, 2013.

(Continued)

(vi) Income tax administrative relief

Since income tax of securities trading and amortization of intangible assets withheld from year 2010 to 2014 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. And the different assessment of amortization of intangible assets, which resulted to decrease on loss of income tax, is in the procedures for administrative remedies. The Company disclosed the total of deferred income tax assets and liabilities separately and appropriately, based on conservative concept.

(s) Capital and other equity

(i) Capital stock

As of September 30, 2017, December 31, 2016 and September 30, 2016, the Company had authorized capital of $30,000,000 and issued common stock of $2,169,073 thousand, $2,269,073 thousand and $2,269,073 thousand shares with $10 dollars face value per share. The disclosure of treasury shares retired and reduction of capital for the nine months ended September 30, 2017 and 2016, please refer to (iv). "Treasury stocks" for more details.

(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:

	September 30, 2017	December 31, 2016	September 30, 2016
Premium from stock issuance	$ 1,776,413	1,858,310	1,858,310
Treasury stock transactions	437,096	253,940	253,940
Paid-in capital from merger	602,665	630,450	630,450
Difference between consideration and carrying amount of subsidiaries acquired and disposed	1,338	1,399	1,399
Changes in ownership interests in subsidiaries	34,787	6,873	6,287
	$ 2,852,299	2,750,972	2,750,386

(iii) Retained earnings

1) Legal reserve

In accordance with Company Act amended in January 2012, 10 percent of the current year's earnings after tax should be set aside as legal reserve, until the cumulative balance equals to the total amount of paid-in capital. If the company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders' meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

2) Special reserve

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

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 2015 earnings distribution for cash dividends $1,111,845 had been resolved by the shareholders' meeting on June 27, 2016.

The Company's 2016 earnings distribution for cash dividends $802,558 had been resolved by the shareholders' meeting on June 26, 2017.

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 100,000 thousand shares as treasury shares to maintain the Company's credit standing and shareholders' equity from January 1, 2016 to September 30, 2017. As of September 30, 2017, a total 100,000 thousand shares were retired.

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, 2016, the Company's board meeting resolved a share buyback plan, which was based on the latest reviewed financial report on September 30, 2016. The cap of the repurchase was 226,907 thousand shares which were amounted to $7,356,004. The company repurchased 100,000 thousand shares at this buyback plan. All the repurchased shares were retired and the registration of capital reduction was completed on February 10, 2017.

(t) Earnings per share

The basic earnings per share and dilutive earnings per share for the three and nine months ended, September 30, 2017 and 2016 were calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Net income attributable to ordinary shareholders of the Company	$ 896,201	463,475	1,961,766	1,026,666
Weighted-average number of common stock shares outstanding(thousands of shares)	2,169,073	2,269,073	2,169,234	2,269,130
Basic earnings per share (dollar)	$ 0.41	0.20	0.90	0.45
Effect of potentially dilutive common stock				
- Employee remuneration (thousands of shares) (Note)	1,605	987	3,758	2,193
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	2,170,678	2,270,060	2,172,992	2,271,323
Dilutive earnings per share (dollar)	0.41	0.20	0.90	0.45

Note: The shares were calculated based on the closing price at the reporting date.

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

(u) Items of the comprehensive income statement

(i) Brokerage commissions

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Brokerage commission from TSE market	$ 477,205	303,676	1,143,127	876,903
Brokerage commission from OTC market	191,747	122,966	456,023	380,469
Handling fee from security financing	8,464	7,190	21,761	25,398
Futures commission income - brokerage	410,640	360,872	1,097,275	1,102,830
Overseas subsidiaries	14,920	21,143	42,469	56,076
Others	19,614	15,080	52,139	38,217
	$ 1,122,590	830,927	2,812,794	2,479,893

(ii) Underwriting commissions

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Revenue from underwriting securities on a firm commitment basis	$ 20,976	8,559	53,005	39,061
Handling fee revenues from underwriting securities on best efforts basis	202	143	1,241	537
Processing fee revenues from underwriting operations	1,767	6,374	22,774	13,123
Revenue from underwriting consultation	1,580	1,930	4,040	6,815
Others	4,680	5,524	20,744	14,451
	$ 29,205	22,530	101,804	73,987

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

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Revenue from securities sold - proprietary trading	$ 62,370,307	50,546,351	169,244,902	166,243,191
Cost of securities sold - proprietary trading	(62,068,507)	(50,383,392)	(168,420,871)	(166,124,353)
Subtotal	301,800	162,959	824,031	118,838
Revenue from securities sold - underwriting	24,678	66,753	147,604	2,521,705
Cost of securities sold - underwriting	(23,409)	(60,714)	(137,381)	(2,514,401)
Subtotal	1,269	6,039	10,223	7,304
Revenue from securities sold - hedging	10,335,161	7,294,319	23,027,464	18,059,441
Cost of securities sold - hedging	(10,060,690)	(7,255,194)	(22,551,830)	(18,110,484)
Subtotal	274,471	39,125	475,634	(51,043)
Total	$ 577,540	208,123	1,309,888	75,099

(Continued)

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

(iv) Interest revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Interest revenue - margin loans	$ 197,514	184,485	559,497	564,181
Interest revenue - bonds	313,313	173,339	841,703	458,824
Overseas subsidiaries	10,944	6,325	27,867	26,677
Others	10,946	9,713	33,715	28,466
	$ 532,717	373,862	1,462,782	1,078,148

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Trading securities - proprietary	$ 27,405	6,885	97,381	101,183
Trading securities - underwriting	(1,511)	(9,005)	(637)	960
Trading securities - hedging	(166,614)	(18,026)	134,242	126,920
Settlement coverage bonds payable of short sale	94	-	208	(1,146)
	$ (140,626)	(20,146)	231,194	227,917

(vi) Net gains or losses on stock warrants issued

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Gains on changes in fair value of stock warrants	$ 2,485,600	5,467,097	9,196,174	21,567,207
Gains on exercise of stock warrants before maturity	8,612,941	4,701,340	20,828,884	6,472,833
Losses on changes in fair value of stock warrants repurchased	(10,948,377)	(9,923,343)	(29,781,105)	(27,357,451)
Gains on expiration of stock warrants	5,856	3,970	12,054	17,687
Stock warrants issuance expenses	(44,199)	(39,825)	(142,787)	(105,818)
	$ 111,821	209,239	113,220	594,458

(vii) Futures commission revenues

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Futures commission revenues - CSC Futures(HK) Ltd.	$ 274,976	161,493	576,173	429,064

Future commission revenue 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.

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

(viii) Commission expenses - future

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Future trading - reconsignment	$ 65,741	50,482	181,132	155,623
Future trading - introducing brokers	(289)	348	1,633	1,002
Commission expenses - CSC Futures (HK) Ltd.	153,173	61,469	316,441	149,562
	$ 218,625	112,299	499,206	306,187

(ix) Employee benefits, depreciation, and amortization expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Employee benefit expenses				
Salary expense	$ 649,131	555,550	1,771,125	1,602,710
Health and labor insurance expense	39,032	38,846	119,902	120,675
Pension expense	24,849	25,746	74,374	78,473
Others	16,299	15,747	45,420	46,149
Depreciation expense	44,552	46,080	136,525	134,411
Amortization expense	9,776	9,005	26,713	28,741
	$ 783,639	690,974	2,174,059	2,011,159

(x) Other operating expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Rental expense	$ 39,943	41,602	118,569	132,219
Taxes	106,239	79,624	264,677	226,287
Information technology expense	47,632	47,838	144,772	141,927
Postage expense	34,309	33,798	100,273	101,251
Professional service fee	16,763	7,812	55,813	57,477
Other expenses	153,201	111,941	473,156	357,308
	$ 398,087	322,615	1,157,260	1,016,469

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

(xi) Other gains and losses

	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Financial revenue	$ 66,397	49,724	182,893	146,392
Currency exchange gains (losses)	2,248	(4,916)	(5,593)	77,040
Net gains (losses) on disposal of investment	16,252	(898)	61,313	(3,814)
Net gains (losses) on measurement of non-operating instruments at fair value through profit or loss	7,187	5,074	26,936	(6,169)
Revenue from bank's allocation fee	35,690	35,772	104,350	106,172
Net gains (losses) on disposal of property and equipment	(1,008)	-	(1,008)	(3,198)
Gains on reversal of prior year's liabilities	33,829	28,357	49,395	62,216
Dividend revenue	17,619	26,162	30,763	31,865
Others	1,645	(3,229)	71,928	46,011
	$ 179,859	136,046	520,977	456,515

(xii) Remuneration to employees, directors and supervisors

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 allocate 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 nine months ended September 30, 2017 and 2016, the estimated amounts of remuneration to employee were $38,331 and $17,893, and to directors and supervisors by the Company were $71,187 and $29,822, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and directors and supervisors multiple the earnings allocation percentage as stated under the Company's articles of incorporation. It is recognized as operating expense for the nine months ended September 30, 2017 and 2016. 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.

The estimated amounts of remuneration to employee and director and supervisors by the Company for 2016 and 2015 were $12,090 and $17,241, and to directors and supervisors were $20,149 and $28,734, respectively. The difference between actual employee remuneration of $9,120 and $14,994 and actual remuneration to directors and supervisors of $17,410 and $26,527 were $5,709 and $4,454 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2017 and 2016. The information about the appropriations is available at the Market Observation Post System website.

For the nine months ended September 30, 2017 and 2016, the estimated amounts of remuneration to employee were $8,622 and $6,119 and to directors and supervisors were $8,808 and $6,119 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, 2017, December 31, 2016 and September 30, 2016, the maximum credit exposure amounted to $109,517,340, $86,612,218 and $84,308,153, 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 (61.57%); secondly, is in Asia (17.51%, exclusion of Taiwan); then, is in America (10.85%). Compare to the same period of last year, there is no significant change in proportion of region of investments. Cash and cash equivalent and customers' margin account accounted for major portion of the subsidiary Capital Futures Corp.

Region	September 30, 2017	December 31, 2016	September 30, 2016
Taiwan	$ 66,936,297	57,799,502	58,552,970
Asia (Taiwan is excluded)	19,031,248	12,039,498	10,377,281
Europe	9,092,814	8,732,426	8,267,767
America	11,798,313	4,247,626	3,149,973
Other	1,852,439	3,089,041	3,295,837
Total	$ 108,711,111	85,908,093	83,643,828

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

2) Impairment loss

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not past due	$ 23,935,649	84,151	16,277,081	1,389	17,819,309	2,161
Past due 0~30 days	354	354	363	363	324	324
Past due 31~120 days	79	79	188	188	228	228
Past due 121~360 days	3	3	-	-	521	521
Past due more than one year	1,712	1,712	1,712	1,712	1,712	1,712
	$ 23,937,797	86,299	16,279,344	3,652	17,822,094	4,946

Allowance for doubtful debts under receivables is recorded for the debt expense or impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of September 30, 2017, December 31, 2016 and September 30, 2016, the impairment losses of accrued receivables were recognized $86,299, $3,652 and $4,946, respectively.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
September 30, 2017							
Financial liabilities at fair value through profit or loss - current							
Bond purchased under resale agreements - short sales	$ 100,413	100,413	100,413	-	-	-	-
Liabilities on sale of borrowed securities	644,941	644,941	644,941	-	-	-	-
Settlement coverage bonds payable of short sale	99,425	99,425	99,425	-	-	-	-
Stock warrants issued	915,425	915,425	849,997	65,428	-	-	-
Put options - futures	157,276	157,276	157,276	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	5,283	5,283	4,833	209	-	241	-
Put options	255,531	255,531	31,479	57,267	79,253	87,532	-
Short-term borrowings	7,544,684	7,544,684	7,544,684	-	-	-	-
Commercial paper payable	3,649,321	3,650,000	3,650,000	-	-	-	-
Bonds sold under repurchase agreements	46,089,737	46,214,682	46,214,682	-	-	-	-
Guarantee deposited for short sales	1,767,504	1,767,504	1,767,504	-	-	-	-
Proceeds payable from short sales	2,006,480	2,006,480	2,006,480	-	-	-	-
Securities lending refundable deposits	1,312,455	1,312,455	1,312,455	-	-	-	-
Leverage contract equity	146,197	146,197	146,197	-	-	-	-
Futures traders' equity	25,979,489	25,979,489	25,979,489	-	-	-	-
Notes payable and accounts payable	177,905	177,905	177,905	-	-	-	-
Other payables	961,550	961,550	960,932	618	-	-	-
Receipts under custody	830,682	830,682	830,682	-	-	-	-
Structured notes	4,673,915	4,673,915	4,239,727	127,319	109,885	196,984	-
Currency derivatives	3,141	3,141	3,141	-	-	-	-
	$ 97,321,354	97,446,978	96,722,242	250,841	189,138	284,757	-

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2016							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	$ 938,049	938,049	938,049	-	-	-	-
Stock warrants issued	275,038	275,038	254,719	19,620	699	-	-
Put options - futures	66,693	66,693	66,693	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	11,063	11,063	9,130	696	1,194	43	-
Put options	177,405	177,405	32,773	41,655	68,186	34,791	-
Short-term borrowings	4,236,402	4,236,402	4,236,402	-	-	-	-
Bonds sold under repurchase agreements	34,956,642	35,002,716	35,002,716	-	-	-	-
Guarantee deposited for short sales	1,722,840	1,722,840	1,722,840	-	-	-	-
Proceeds payable from short sales	1,947,104	1,947,104	1,947,104	-	-	-	-
Securities lending refundable deposits	878,866	878,866	878,866	-	-	-	-
Leverage contract equity	70	70	70	-	-	-	-
Futures traders' equity	23,132,231	23,132,231	23,132,231	-	-	-	-
Notes payable and accounts payable	416,571	416,571	416,571	-	-	-	-
Receipts under custody	147,328	147,328	147,328	-	-	-	-
Other payables	663,830	663,830	661,223	2,607	-	-	-
Structured notes	2,674,610	2,674,610	2,293,958	141,018	184,695	54,939	-
Currency derivatives	1	1	1	-	-	-	-
	$ 72,244,743	72,290,817	71,740,674	205,596	254,774	89,773	-

(Continued)

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

September 30, 2016	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities at fair value through profit or loss - current							
Bond purchased under resale agreements - short sales	$ 49,609	49,609	49,609	-	-	-	-
Liabilities on sale of borrowed securities	956,265	956,265	956,265	-	-	-	-
Stock warrants issued	406,563	406,563	380,145	26,418	-	-	-
Put options - futures	63,961	63,961	63,961	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	11,564	11,564	8,686	(272)	17,439	(14,289)	-
Put options	204,154	204,154	35,094	50,088	89,762	29,210	-
Short-term borrowings	1,980,731	1,980,731	1,980,731	-	-	-	-
Bonds sold under repurchase agreements	31,383,772	31,406,766	31,406,766	-	-	-	-
Guarantee deposited for short sales	1,752,753	1,752,753	1,752,753	-	-	-	-
Proceeds payable from short sales	2,001,538	2,001,538	2,001,538	-	-	-	-
Securities lending refundable deposits	1,315,029	1,315,029	1,315,029	-	-	-	-
Futures traders' equity	22,293,539	22,293,539	22,293,539	-	-	-	-
Notes payable and accounts payable	588,538	588,538	588,538	-	-	-	-
Receipts under custody	350,330	350,330	350,330	-	-	-	-
Other payables	1,640,157	1,640,157	1,637,830	2,327	-	-	-
Structured notes	3,132,172	3,132,172	2,740,959	98,499	230,498	62,216	-
	$ 68,130,675	68,153,669	67,561,773	177,060	337,699	77,137	-

CAPITAL SECURITIES CORPORATION AND ITS 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:

	September 30, 2017		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial assets			
Monetary Item			
USD	$ 531,188	30.2600	16,073,749
HKD	60,477	3.8730	234,227
EUR	5,979	35.7500	213,749
JPY	1,162,830	0.2691	312,918
GBP	459	40.5600	18,617
AUD	4,642	23.7050	110,039
SGD	76	22.3000	1,695
CNY	68,100	4.5510	309,923
PHP	178	0.6121	109
KRW	196,502	0.0266	5,227
THB	157	0.9128	143
NZD	7	21.8100	153
CHF	16	31.2450	500
MYR	3	6.8920	21
CAD	148	24.2800	3,593
IDR	41,864	0.0022	92
Non-Monetary Item			
USD	847,187	30.2600	25,635,879
AUD	421,274	23.7050	9,986,300
EUR	236	35.7500	8,437
GBP	21	40.5600	852
JPY	7,611	0.2691	2,048
HKD	43,693	3.8730	169,223
CNY	165,849	4.5510	754,779
Investments under equity method			
HKD	10,767	3.8730	41,700

(Continued)

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

	September 30, 2017		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial liabilities			
Monetary Item			
USD	$ 1,337,792	30.2600	40,481,586
AUD	405,290	23.7050	9,607,399
JPY	1,081,474	0.2691	291,025
CAD	1	24.2800	24
HKD	146,955	3.8730	569,157
EUR	5,397	35.7500	192,943
GBP	520	40.5600	21,091
DKK	1	4.8100	5
SGD	60	22.3000	1,338
KRW	(1,712)	0.0266	(46)
NZD	2	21.8100	44
CNY	110,500	4.5510	502,886
CHF	16	31.2450	500
Non-Monetary Item			
USD	102	30.2600	3,087
JPY	96	0.2691	26

	December 31, 2016		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial assets			
Monetary Item			
USD	$ 361,996	32.2500	11,674,371
HKD	59,547	4.1580	247,596
EUR	19,881	33.9000	673,966
JPY	984,579	0.2756	271,350
GBP	401	39.6100	15,884
AUD	3,024	23.2850	70,414
SGD	176	22.2900	3,923
CNY	106,922	4.6170	493,659
KRW	3,106,094	0.0270	83,896
THB	1,361	0.9050	1,232
CHF	48	31.5250	1,513
CAD	1	23.9100	24
ZAR	3	2.3600	7
PHP	9	0.6684	6

(Continued)

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

	December 31, 2016		
	Foreign Currency (thousands)	Exchange Rate	Amount
Non-Monetary Item			
USD	$ 492,316	32.2500	15,877,191
HKD	29,720	4.1580	123,576
JPY	37,720	0.2756	10,396
AUD	217,379	23.2850	5,061,670
CNY	133,526	4.6170	616,490
Investments under equity method			
HKD	9,985	4.1580	41,516
Financial liabilities			
Monetary Item			
USD	820,687	32.2500	26,467,156
HKD	122,451	4.1580	509,151
CNY	112,949	4.6170	521,486
CHF	48	31.5250	1,513
JPY	926,157	0.2756	255,249
GBP	400	39.6100	15,844
AUD	217,296	23.2850	5,059,737
EUR	19,473	33.9000	660,135
SGD	167	22.2900	3,722
THB	817	0.9050	739
KRW	2,970,692	0.0270	80,238

(Continued)

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

	September 30, 2016		
	Foreign Currency (thousands)	Exchange Rate	Amount
Financial assets			
Monetary Item			
USD	$ 356,676	31.3600	11,185,359
HKD	34,285	4.0440	138,649
EUR	18,889	35.0800	662,626
JPY	1,250,784	0.3109	388,869
GBP	417	40.6300	16,943
AUD	1,936	23.8350	46,145
SGD	193	22.9700	4,433
CNY	120,544	4.6930	565,713
PHP	39	0.6647	26
KRW	2,620,653	0.0287	75,213
THB	4,160	0.9226	3,838
CHF	54	32.3850	1,749
CAD	1	23.8000	24
Non-Monetary Item			
USD	467,225	31.3600	14,652,176
AUD	204,023	23.8350	4,862,888
EUR	160	35.0800	5,613
JPY	17,869	0.3109	5,555
HKD	19,455	4.0440	78,676
CNY	157,987	4.6930	741,433
Investments under equity method			
HKD	10,324	4.0440	41,749
Financial liabilities			
Monetary Item			
USD	796,623	31.3600	24,982,097
HKD	121,143	4.0440	489,902
EUR	18,530	35.0800	650,032
JPY	1,246,600	0.3109	387,568
GBP	415	40.6300	16,861
AUD	203,606	23.8350	4,852,949
SGD	194	22.9700	4,456
KRW	2,508,320	0.0287	71,989
THB	3,872	0.9226	3,572
CNY	110,345	4.6930	517,849
CHF	54	32.3850	1,749

(Continued)

Because there are a variety of functional currencies, the Group discloses a summary of its information on currency exchange gain or loss. The realized and unrealized currency exchange gains amounted to $31,264 and $77,040 for the nine months ended September 30, 2017 and 2016, respectively.

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets measured at fair value through profit or loss, customers' margin account, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the three and nine months ended September 30, 2017 and 2016, given other factors remain the same, if NTD appreciates or depreciates 5% against other currencies, the net income and other comprehensive income will increase or decrease by $1,294,219, $674,451, $1,386,057 and $736,644, respectively.

(iv) Sensitivity analysis of interest rate risk

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

			For the nine months ended September 30,					
			2017			2016		
Market risk type	September 30, 2017	September 30, 2016	Mean	Maximum	Minimum	Mean	Maximum	Minimum
Interest risk	2,132,149	1,369,188	1,945,001	2,134,990	1,746,721	1,288,097	1,369,188	1,119,156

(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.

(Continued)

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

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 is a market that meets all the conditions listed below: 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. Taiwan government bonds, equity instruments, debt instruments and derivative instruments with public quote in an active market possessed by the Group 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.

2) Not based on fair value measurement

As of September 30, 2017, December 31, 2016 and September 30, 2016, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	September 30, 2017		December 31, 2016		September 30, 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets :						
Cash and cash equivalents	$ 7,024,429	7,024,429	5,423,415	5,423,415	7,635,349	7,635,349
Bonds purchased under resale agreements	100,402	100,402	-	-	447,727	447,727
Accrued receivable	25,087,254	25,087,254	18,088,832	18,088,832	19,730,844	19,730,844
Customers' margin account	26,043,603	26,043,603	23,169,842	23,169,842	22,371,475	22,371,475
Leverage contract trading - customers' margin account	146,980	146,980	72	72	-	-
Restricted assets - current	536,263	536,263	637,002	637,002	503,353	503,353
Financial assets measured at cost - non-current	692,374	692,374	448,460	448,460	430,719	430,719
Other non-current assets	1,598,849	1,598,849	1,717,516	1,717,516	1,819,008	1,819,008

(Continued)

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial liabilities :						
Short-term borrowings	$ 7,544,684	7,544,684	4,236,402	4,236,402	1,980,731	1,980,731
Commercial paper payable	3,649,321	3,649,321	-	-	-	-
Bonds sold under repurchase agreements	46,089,737	46,089,737	34,956,642	34,956,642	31,383,772	31,383,772
Accrued payable	14,333,295	14,333,295	9,069,391	9,069,391	12,613,223	12,613,223
Futures traders' equity	25,979,489	25,979,489	23,132,231	23,132,231	22,293,539	22,293,539
Leverage contract equity	146,197	146,197	70	70	-	-
Other financial liabilities - current	4,356,851	4,356,851	2,427,461	2,427,461	2,831,101	2,831,101
Other financial liabilities - non-current	306,869	306,869	239,634	239,634	292,714	292,714
Other non-current liabilities	249,427	249,427	362,077	362,077	361,251	361,251

b) Unmeasured by fair value, which has to be disclosed with hierarchy information of fair value

	Level 1	Level 2	Level 3	Total
Investment property				
September 30, 2017	$ -	-	2,793,079	2,793,079
December 31, 2016	$ -	-	2,740,795	2,740,795
September 30, 2016	$ -	-	2,740,795	2,740,795

c) Valuation techniques used in estimating the fair values of financial instruments

i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. The method is applied to cash and cash equivalents, bonds purchased under resale agreements, 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) Financial assets measured at cost and equity investments in unlisted stocks do not have the quoted market prices in an active market and the variability in the range of reasonable fair values is significant or the probabilities of the various estimates within the range cannot be reasonably assessed, so the fair value is unable to be reliably measured. Therefore, the Group considers the book value as a reasonable approximation of fair value.

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

(Continued)

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

3) Based on fair value measurement

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 as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

	Level 1	Level 2	Level 3	Total
September 30, 2017				
Financial assets at fair value through profit or loss	$ 14,618,239	17,117,768	-	31,736,007
Financial assets available for sale	387,643	33,170,386	-	33,558,029
Derivative financial assets	837,940	59,316	-	897,256
	$ 15,843,822	50,347,470	-	66,191,292
Financial liabilities at fair value through profit or loss	$ 1,760,204	-	-	1,760,204
Derivative financial liabilities	157,276	274,150	-	431,426
	$ 1,917,480	274,150	-	2,191,630
December 31, 2016				
Financial assets at fair value through profit or loss	$ 9,910,349	17,536,458	-	27,446,807
Financial assets available for sale	494,831	18,919,308	-	19,414,139
Derivative financial assets	421,317	47,957	-	469,274
	$ 10,826,497	36,503,723	-	47,330,220
Financial liabilities at fair value through profit or loss	$ 1,213,087	-	-	1,213,087
Derivative financial liabilities	66,693	195,984	-	262,677
	$ 1,279,780	195,984	-	1,475,764
September 30, 2016				
Financial assets at fair value through profit or loss	$ 7,125,139	16,420,215	-	23,545,354
Financial assets available for sale	395,519	17,708,414	-	18,103,933
Derivative financial assets	394,454	31,309	-	425,763
	$ 7,915,112	34,159,938	-	42,075,050
Financial liabilities at fair value through profit or loss	$ 1,412,437	-	-	1,412,437
Derivative financial liabilities	63,961	224,075	-	288,036
	$ 1,476,398	224,075	-	1,700,473

(Continued)

b) Valuation techniques

i) Non-derivative financial instruments

Financial instruments are initially recognized at fair value. For active markets, fair value is measured according to quoted prices. Publicly listed and over-the-counter traded equity instruments of primary stock exchanges along with central government bonds that are popular securities all regard active market quotes as the basis of fair value.

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

There is no significant transfer between Level 1 and Level 2 for the nine months ended September 30, 2017 and 2016.

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.

(vi) Transfer of financial assets

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

	September 30, 2017				
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	$ 46,197,612	46,089,737	-	-	-

	December 31, 2016				
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	$ 35,130,407	34,956,642	-	-	-

	September 30, 2016				
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	$ 31,345,758	31,383,772	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Group; hence according to IFRS 7 pg.42 D(d), disclosure of the fair values of transferred assets and their relevant liabilities and fair value net position is not mandatory.

(Continued)

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

	September 30, 2017					
	Financial assets under offsetting or general agreement of net amount settlement or similar norms					
				Related amount not offset in the balance sheet (d)		
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 59,316	-	59,316	-	-	59,316

	September 30, 2017					
	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
				Related amount not offset in the balance sheet (d)		
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 274,150	-	274,150	-	-	274,150
Under repurchase agreements	46,089,737	-	46,089,737	46,089,737	-	-
Total	$ 46,363,887	-	46,363,887	46,089,737	-	274,150

	December 31, 2016					
	Financial assets under offsetting or general agreement of net amount settlement or similar norms					
				Related amount not offset in the balance sheet (d)		
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 47,957	-	47,957	-	-	47,957

	December 31, 2016					
	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
				Related amount not offset in the balance sheet (d)		
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 195,984	-	195,984	-	-	195,984
Under repurchase agreements	34,956,642	-	34,956,642	34,956,642	-	-
Total	$ 35,152,626	-	35,152,626	34,956,642	-	195,984

(Continued)

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

	September 30, 2016					
	Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d) Financial instruments (Note)	Related amount not offset in the balance sheet (d) Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 31,309	-	31,309	-	-	31,309

	September 30, 2016					
	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d) Financial instruments (Note)	Related amount not offset in the balance sheet (d) Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 224,075	-	224,075	-	-	224,075
Under repurchase agreements	31,383,772	-	31,383,772	31,383,772	-	-
Total	$ 31,607,847	-	31,607,847	31,383,772	-	224,075

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

(w) Financial risk management

There is no material change in object and policy of financial risk management which was disclosed in Note 6(21) of the consolidated financial statements as of and for the year ended December 31, 2016.

As of September 30, 2017, December 31, 2016 and September 30, 2016, the related financial risk and the presentation of the Group's financial derivatives were as follows:

Stock warrants

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

Financial Instruments	September 30, 2017 Notional principal / Nominal amount	September 30, 2017 Credit Risk	December 31, 2016 Notional principal / Nominal amount	December 31, 2016 Credit Risk	September 30, 2016 Notional principal / Nominal amount	September 30, 2016 Credit Risk
For trading purpose:						
Stock warrants issued	$ 38,872,602	-	7,931,022	-	11,597,550	-

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

(ii) Market risk:

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

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

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

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

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

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

(v) Presentation of financial derivatives

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

1) For the three and nine months ended September 30, 2017 :

a) Gains (losses) on valuation

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017	Account
Stock warrants issued	$ 3,416,415	12,550,669	Gains (losses) on stock warrants issued
Stock warrants repurchased	(3,233,784)	(12,395,382)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017	Account
Security borrowing	$ (5,657)	5,884	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	215,108	327,808	Gains (losses) on sale of trading securities
Futures transaction	(77,944)	(220,531)	Gains (losses) on derivative financial instruments - futures

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

c) Gains (losses) on maturity

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017	Account
Stock warrants issued	$ 7,687,982	17,486,443	Gains (losses) on stock warrants issued
Stock warrants repurchased	(7,714,593)	(17,385,723)	Gains (losses) on stock warrants issued

2) For the three and nine months ended September 30, 2016 :

a) Gains (losses) on valuation

	For the three months ended September 30, 2016	For the nine months ended September 30, 2016	Account
Stock warrants issued	$ 1,640,099	9,669,080	Gains (losses) on stock warrants issued
Stock warrants repurchased	(1,649,435)	(9,476,680)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the three months ended September 30, 2016	For the nine months ended September 30, 2016	Account
Security borrowing	$ 4,683	10,356	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	23,449	(77,289)	Gains (losses) on sale of trading securities
Futures transaction	(187,546)	(210,137)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the three months ended September 30, 2016	For the nine months ended September 30, 2016	Account
Stock warrants issued	$ 8,532,308	18,388,647	Gains (losses) on stock warrants issued
Stock warrants repurchased	(8,273,908)	(17,880,771)	Gains (losses) on stock warrants issued

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

Futures

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

Financial Instruments	September 30, 2017 Notional principal / Nominal amount	September 30, 2017 Credit Risk	December 31, 2016 Notional principal / Nominal amount	December 31, 2016 Credit Risk	September 30, 2016 Notional principal / Nominal amount	September 30, 2016 Credit Risk
For trading purpose:						
Taiex Futures	$ 4,507,932	-	1,246,867	-	1,777,249	-
Mini Taiex Futures	3,421	-	-	-	-	-
Electronic Sector Index Futures	68,083	-	1,477	-	27,260	-
Finance Sector Index Futures	1,123	-	46,101	-	6,052	-
Non-Finance Non-Electronics Sub-Index Futures	24,677	-	4,547	-	24,472	-
Stock Futures	264,343	-	140,814	-	136,530	-
USD/CNY FX Futures	101,525	-	86,582	-	-	-
Nifty 50 Index Futures	9,379	-	248,013	-	-	-
Mini-USD/CNY FX Futures	65,255	-	-	-	-	-
USD/JPY FX Futures	235,799	-	326,514	-	-	-
EUR/USD FX Futures	129,627	-	550,668	-	-	-
Euro dollar Futures	152,326	-	270,616	-	-	-
US Dollar Index Futures	8,455	-	-	-	-	-
H stocks Index Futures	126,287	-	1,921	-	3,851	-
HSI Futures	-	-	13,448	-	23,450	-
Mini-HSI Futures	-	-	-	-	1,919	-
Mini-Dow Futures	84,348	-	-	-	-	-
FTSE China A50 Index Futures	232	-	124,946	-	40,836	-
SGX Nifty 50 Index Futures	3,558	-	7,925	-	-	-
Dow Futures	83,798	-	-	-	-	-
S&P 500 Futures	75,933	-	-	-	-	-
Mini-S&P 500 Futures	376,642	-	36,100	-	70,489	-
CHF dollar Futures	47,344	-	-	-	-	-
JPY dollar Futures	6,745	-	13,867	-	-	-
GBP dollar Futures	33,168	-	-	-	-	-
MSCI Taiwan Index Futures	130,124	-	351,842	-	258,268	-
Sugar Futures	20,755	-	-	-	-	-
VIX Futures	1,114	-	46,924	-	2,596	-
U.S. 5-Year T-Note Futures	206,334	-	169,495	-	171,707	-
U.S. 10-Year T-Note Futures	614,770	-	40,005	-	-	-
NT Dollar Gold Futures	949	-	5,437	-	4,561	-
Taiex Options	217,536	-	86,416	-	103,859	-
Stock Options	13,657	-	8,219	-	6,341	-
Taiex Weekly Options	20,998	-	23,600	-	20,687	-
U.S. 10-Year Bond Option	2,435	-	-	-	-	-
Electronic Sector Index Options	2,700	-	2,006	-	2,238	-
Finance Sector Index Options	2,233	-	4,482	-	1,210	-
Mini-S&P 500 Options	1,661	-	18,722	-	10,987	-
S&P 500 Options	4,623	-	-	-	-	-
Gold Options	297	-	223	-	3,961	-
Sugar Option	804	-	-	-	-	-
Soybean Meal Option	30	-	-	-	-	-
Mini-USD/CNY FX Options	2,147	-	14,141	-	-	-
USD/CNY FX Options	3,066	-	6,238	-	-	-

(Continued)

CAPITAL SECURITIES CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Financial Instruments	September 30, 2017 Notional principal / Nominal amount	September 30, 2017 Credit Risk	December 31, 2016 Notional principal / Nominal amount	December 31, 2016 Credit Risk	September 30, 2016 Notional principal / Nominal amount	September 30, 2016 Credit Risk
For non-trading purpose:						
Taiex Futures	$ 731,056	-	239,765	-	875,526	-
Stock Futures	2,306,877	-	501,055	-	423,903	-
Electronic Sector Index Futures	38,642	-	7,357	-	-	-
Finance Sector Index Futures	-	-	-	-	9,131	-
HSI Futures	37,644	-	4,569	-	-	-
Mini-HSI Futures	-	-	17,930	-	-	-
Gold Futures	35,776	-	11,151	-	17,060	-
Micro Gold Future	-	-	-	-	426	-
Crude oil Futures	133,275	-	-	-	1,586	-
FTSE China A50 Index Futures	421,166	-	66,764	-	55,908	-
Nikkei Index Futures	18,624	-	10,209	-	17,986	-
Taiex Options	8,521	-	-	-	349	-
Stock Options	12,273	-	-	-	-	-
Crude oil Options	5	-	-	-	-	-

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

(ii) Market risk:

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

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

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

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

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

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

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

(iv) Presentation of financial derivatives:

For the three and nine months ended September 30, 2017 and 2016, losses on futures and options transactions amounted to $87,008, $215,707, $312,823 and $273,343, respectively, and were reflected as losses on derivatives - futures. As of September 30, 2017, December 31, 2016 and September 30, 2016, futures margin - proprietary fund amounted to $741,645, $352,755 and $319,814, respectively, and were reflected as financial assets at fair value through profit or loss - current; excess future margin which recognized as cash and cash equivalent amounted to $1,341,528, $818,437 and $864,554, respectively.

As of September 30, 2017, December 31, 2016 and September 30, 2016, the balance of call options which recognized as financial assets at fair value through profit or loss - current amounted to $96,295, $68,562 and $74,640, respectively, put options which recognized as financial liabilities at fair value through profit or loss - current amounted to $157,276, $66,693 and $63,961, respectively.

Derivative financial instruments - OTC

(i) Interest rate financial derivatives

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

	September 30, 2017		December 31, 2016		September 30, 2016	
Financial Instruments	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
NT dollar interest swaps	$ 43,800,000	-	46,500,000	-	46,300,000	-

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

2) Market risk:

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

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

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

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

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

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:

	September 30, 2017		December 31, 2016		September 30, 2016	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:						
Equity-linked notes	$ 23,048	-	3,000	-	14,000	-
Principal guaranteed notes	4,022,968	-	2,173,544	-	2,614,275	-
Credit-linked notes	525,400	-	488,700	-	497,000	-
Principle guaranteed notes	USD3,257 thousands	-	USD100 thousands	-	USD100 thousands	-

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

2) Market risk

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

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

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

(iii) Convertible bond asset-backed swaps

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

Financial Instruments	September 30, 2017 Notional principal / Nominal amount	September 30, 2017 Credit Risk	December 31, 2016 Notional principal / Nominal amount	December 31, 2016 Credit Risk	September 30, 2016 Notional principal / Nominal amount	September 30, 2016 Credit Risk
For trading purpose:						
Convertible bond asset-backed swaps	$ 885,600	-	1,230,100	-	1,127,600	-
Convertible bond options	2,173,100	-	2,528,400	-	2,530,200	-

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

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

2) Market risk:

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

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

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

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

(iv) Options

The underlying assets of convertible bond option transaction in which the Group engages in were acquired through underwriting or proprietary trading. Prior to issuing convertible bond options, the Group has collected premium or margins from investors; therefore there is no significant liquidity risk.

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

(v) Presentation of derivative financial instruments - OTC

As of September 30, 2017, December 31, 2016 and September 30, 2016, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps were presented on the balance sheets as follows:

		September 30, 2017	December 31, 2016	September 30, 2016
Financial assets at fair value through profit or loss - current				
IRS asset swaps	$	9,969	20,743	20,518
Interest rate swaps		1,127	4,942	-
Currency swaps		11,136	16,584	3,907
Equity derivatives		7,876	-	-
Asset swap options - long position		1,926	5,682	6,793
Structured notes		704	3	91
Currency derivatives		26,578	3	-
Total	$	59,316	47,957	31,309
Financial liabilities at fair value through profit or loss - current				
IRS asset swaps	$	192	1,974	1,990
Interest rate swaps		-	-	2,596
Currency swaps		5,091	9,089	6,978
Asset swap options - short position		255,531	177,405	204,154
Structured notes		10,195	7,515	8,357
Currency derivatives		3,141	1	-
Total	$	274,150	195,984	224,075
Other financial liabilities - current				
Structured notes principal value	$	4,356,851	2,427,461	2,831,101
Other financial liabilities - non-current				
Structured notes principal value	$	306,869	239,634	292,714

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

For the three and nine months ended September 30, 2017 and 2016, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps are presented on statements of income as follows:

	For the three months ended September 30, 2017		For the nine months ended September 30, 2017	
	Gains (losses) on derivative financial instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative financial instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	$ (1,214)	471	(7,954)	1,127
Equity derivatives	(2,842)	(2,842)	(2,862)	(2,842)
Structured notes	(10,160)	1,569	(26,608)	(3,438)
IRS asset swaps	66	1,601	234	9,777
Asset swap options	(92,568)	(56,615)	(185,803)	(37,101)
Currency swaps	15,716	(7,630)	(65,738)	6,045
Currency derivatives	22,812	(5,639)	60,074	23,478
Total	$ (68,190)	(69,085)	(228,657)	(2,954)

	For the three months ended September 30, 2016		For the nine months ended September 30, 2016	
	Gains (losses) on derivative	Unrealized Gains (losses)	Gains (losses) on derivative	Unrealized Gains (losses)
Interest rate swaps	$ 1,087	947	(2,028)	(1,068)
Equity derivatives	-	-	92	-
Structured notes	(9,133)	2,530	(25,320)	4,232
IRS asset swaps	150	5,807	408	(1,048)
Asset swap options	(35,070)	(47,414)	(63,521)	(93,970)
Currency swaps	(30,476)	(1,698)	(153,586)	(8,077)
Total	$ (73,442)	(39,828)	(243,955)	(99,931)

(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.

As of September 30, 2017, the Company maintains no change of its capital management.

The Company's capital adequacy ratio on September 30, 2017 was 316%.

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

(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

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp	Subsidiary
San Ho Enterprise Co., Ltd.	Juristic-person director
Kwang Hsing Industrial Co., Ltd.	Juristic-person director
Others	Key management personnel

(c) Key management personnel transactions

(i) Key management personnel compensation:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Short-term employee benefits	$ 82,049	60,417	211,183	155,361
Post-employment benefits	569	549	1,714	1,570
Share-based Payment	-	-	5,960	-
Total	$ 82,618	60,966	218,857	156,931

(ii) Bond transactions - bonds sold under repurchase agreements

Bonds sold under repurchase agreements with key management personnel as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

	September 30, 2017		December 31, 2016		September 30, 2016	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Key management personnel	$ 43,600	43,898	43,600	43,749	23,600	23,706

Total financial expenses	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Key management personnel	$ 53	52	159	176

(iii) Structured notes transactions

As of September 30, 2017, December 31, 2016 and September 30, 2016, the balances of structured notes transactions with key management personnel were $41,521, $20,700 and $19,700, respectively.

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

(d) Significant transactions with related parties

(i) Bond transactions - bonds sold under repurchase agreements

The balances of bonds sold under repurchase agreements with related parties as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

	September 30, 2017		December 31, 2016		September 30, 2016	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Subsidiaries	$ -	-	10,000	10,580	13,500	13,574
Juristic-person directors	9,700	9,701	14,900	15,000	15,100	15,400
Total	$ 9,700	9,701	24,900	25,580	28,600	28,974

Total financial expenses	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Subsidiaries	$ 20	27	42	57
Juristic-person directors	20	16	63	56
Total	$ 40	43	105	113

Transaction terms are the same as those with general clients.

(ii) Structured notes transaction

As of September 30, 2017 the balances of structured notes transactions with juristic-person directors of the Group were $4,995.

(iii) Lease agreements

1) Lease revenue

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Subsidiaries	$ 258	259	777	777

2) Guarantee deposits received

	September 30, 2017	December 31, 2016	September 30, 2016
Subsidiaries	$ 200	200	200

(iv) Insurance commission revenues

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

1) Commission revenues

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Subsidiaries	$ 2,373	4,095	11,720	14,578

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

2) Accounts receivable

	September 30, 2017	December 31, 2016	September 30, 2016
Subsidiaries	$ 1,499	2,452	2,986

(v) Brokerage commissions

The brokerage commission received from the Juristic-person directors and other related parties of the Group engaging in securities and futures trading were $5,178, $1,166, $10,297 and $5,001 for the three and nine months ended September 30, 2017 and 2016, respectively.

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

(8) Pledged assets:

The following assets were pledged as collateral or restricted in use as of September 30, 2017, December 31, 2016 and September 30, 2016:

	September 30, 2017	December 31, 2016	September 30, 2016	The collateral use
Restricted assets - current	$ 536,263	637,002	503,353	Bank borrowings, commercial paper, accounts settled, money trust (Annotation 1), guaranty deposited for business operations (Annotation 2) and the amount of provisional seizure (Note 9(i))
Restricted assets - non-current	130,586	170,167	169,791	Trust to a impartial third party (Note 12(d))
Trading securities and bonds purchased under resale agreements (par value)	47,723,227	35,926,059	31,897,032	Repurchase agreement and bond purchased under resale agreements - short sales
Property and equipment	3,952,855	4,049,331	4,055,708	Bank borrowings
Financial assets at fair value through profit or loss - non-current	186,127	186,073	190,256	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business investment
Investment property	949,561	881,143	883,445	Bank borrowings
Total	$ 53,478,619	41,849,775	37,699,585	

Annotation 1 : Money trust received from the client by the subsidiary TIS Securities (HK) Ltd.

Annotation 2 : According to the request of Financial Supervisory Commission No. 09600744341, the guaranty deposit for business operations which Taiwan International Futures Corp. deposited can't be transferred to its own working capital temporarily for protecting creditors.

CAPITAL SECURITIES CORPORATION AND ITS 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, 2017		December 31, 2016		September 30, 2016	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	681,816	$ 6,818,160	663,916	6,639,160	696,358	6,963,578
Collateral for margin purchase	9,726	97,260	12,555	125,550	15,800	157,999
Collateral for short sales	6,568	65,680	4,427	44,270	6,038	60,380
Lending securities to customers through short sales	37,982	379,820	37,135	371,350	35,671	356,710

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	567	$ 5,670	1,346	13,460	78	780
Collateral for refinancing margin	78	780	144	1,440	1,191	11,910

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

	September 30, 2017	December 31, 2016	September 30, 2016
Promissory notes	$ 25,020,000	24,160,000	27,160,000
Promissory notes	USD 80,000	85,000	85,000

(d) As of September 30, 2017, December 31, 2016, the market value of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were $2,305,274 and $108,574 respectively.

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

(f) The client, Mr. Wu, declared that a resigned employee of Tung-Hu branch stole and sold off his stocks and withdrew his deposit illegally. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation for damages of $36,000 with additional interests. Based on Year 2008 Chung Su No.684 verdict, the Taiwan Taipei District Court ruled in favor of the Company. Mr. Wu was unwilling accept the result and appealed again. According to the final judgment made by the Supreme Court in October,2017, the Company shall not be held liable to the damages.

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

(g) The client, Mr. Wu, declared that a resigned employee of Da-Sing branch conducted transactions with Mr. Chen without his consent. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation for damages of $ 2,192. The case is currently under the trial of Taiwan Taipei District Court. According to the opinion of the Company, the case is a dispute between the employee and the client. Therefore, the company shall not be held liable to the damages. The obligation is not recognized in the financial statement.

(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. However, relevant evidence is still under inspection and the legal responsibilities are pending clarification. 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.). As of September 30, 2017, the damages claimed for amounted to US$6,355,536, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. As of September 30, 2017, there is still one case that currently under the review of the Supreme Court. 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. As of September 30, 2017, the balance of other liabilities was $48,034.

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

(j) In October 2005, the former account executive of the Company's subsidiary - Taiwan International Futures Corporation (hereinafter known as "TIFC") was suspected for deceiving futures investors and causing a material loss. Several investors institute proceedings towards TIFC and claim joint responsibility of compensation for damages. After viewing by TIFC and its attorney, those lawsuits were classified by actual situations and relevant matters, thereon adopted different solutions. As of September 30, 2017, seventeen lawsuits with civic claim were filed (including seven cases with ancillary civil action transferred from Taiwan Taipei District Court Criminal Division to Taiwan Taipei District Court Civic Division). There is still one claim dismissed by Taiwan Taipei District Court in September, 2017. As of September 30, 2017, TIFC has paid $275,898 for compensation and recognized the loss reserves $141,204 in other non-current liabilities - other.

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

As of September 30, 2017, the objects of provisional seizure are as follows:

	Provisional Seizure Amount
Bank deposit	$ 88,821
Clearing and Settlement fund	15,121
Accounts receivable and Other accounts receivable	13
	$ 103,955

The Financial Supervisory Commission voided TIFC's business license on December 27, 2007. Thus, the shareholders' special meeting of TIFC decided to dissolve the company on September 18, 2008. Mr. Kuo, a certified public accountant, and Mr. Liu, a lawyer were designated as liquidators. TIFC is still in the process of liquidation.

(k) The subsidiary, Capital Futures Corp., acquired hardware and software system for the development of future operation, which cost $6,760 for contract price. As of September 30, 2017, the remaining balance was $2,072.

(10) Significant Catastrophic Loss:None

(11) Significant Subsequent Events:None

(12) Other:

(a) As of September 30, 2017, December 31, 2016 and September 30, 2016, the open positions of futures and option contracts were as follows:

(i) September 30, 2017

Item	Trading category	Open positions Long/ Short	Open positions Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Futures contract：						
	Taiex Futures	Long	319	$ 653,867	658,184	
	Taiex Futures	Short	2,208	(4,585,121)	(4,581,291)	
	Mini Taiex Futures	Long	1	504	515	
	Mini Taiex Futures	Short	6	(2,917)	(3,099)	
	Electronic Sector Index Futures	Short	61	(106,725)	(107,555)	
	Non-Finance Non-Electronics Sub-Index Futures	Long	13	15,291	15,330	
	Non-Finance Non-Electronics Sub-Index Futures	Short	8	(9,386)	(9,413)	
	Stock Futures	Long	1,900	267,763	268,356	
	Stock Futures	Short	12,954	(2,303,457)	(2,275,089)	
	Finance Sector Index Futures	Short	1	(1,123)	(1,123)	
	H Stocks Index Futures	Short	42	(126,287)	(126,312)	
	SGX Nifty 50 Index Futures	Long	6	3,558	3,560	
	HSI Futures	Short	7	(37,644)	(37,305)	
	Dow Futures	Long	188	83,798	84,009	

(Continued)

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

Item	Trading category	Open positions Long/ Short	Open positions Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
	Mini-Dow Futures	Short	25	$ (84,348)	(84,482)	
	Sugar Futures	Long	43	11,773	11,447	
	Sugar Futures	Short	32	(8,982)	(8,849)	
	Gold Futures	Short	9	(35,776)	(34,990)	
	MSCI Taiwan Index Futures	Long	110	128,965	128,051	
	MSCI Taiwan Index Futures	Short	1	(1,159)	(1,164)	
	VIX Futures	Long	3	1,114	1,060	
	GBP dollar Futures	Long	13	33,168	33,041	
	JPY dollar Futures	Long	1	3,368	3,374	
	JPY dollar Futures	Short	1	(3,377)	(3,374)	
	Nikkei Index Futures	Short	7	(18,624)	(19,171)	
	US Dollar Index Futures	Long	3	8,455	8,432	
	CHF dollar Futures	Short	12	(47,344)	(47,106)	
	USD/CNY FX Futures	Long	7	22,407	21,400	
	USD/CNY FX Futures	Short	25	(79,118)	(76,518)	
	Nifty 50 Index Futures	Long	6	2,949	2,942	
	Nifty 50 Index Futures	Short	13	(6,430)	(6,391)	
	Mini-USD/CNY FX Futures	Long	81	52,480	49,791	
	Mini-USD/CNY FX Futures	Short	20	(12,775)	(12,160)	
	USD/JPY FX Futures	Long	198	118,633	118,818	
	USD/JPY FX Futures	Short	194	(117,166)	(116,940)	
	EUR/USD FX Futures	Short	181	(129,627)	(130,025)	
	Crude Oil Futures	Long	4	5,625	6,288	
	Crude Oil Futures	Short	83	(127,650)	(129,773)	
	S&P 500 Futures	Long	152	75,933	76,527	
	Mini-S&P 500 Futures	Long	3	11,332	11,421	
	Mini-S&P 500 Futures	Short	97	(365,310)	(367,136)	
	FTSE China A50 Index Futures	Long	915	330,978	330,808	
	FTSE China A50 Index Futures	Short	248	(90,420)	(90,091)	
	U.S. 5-Year T-Note Futures	Short	58	(206,334)	(206,222)	
	U.S. 10-Year T-Note Futures	Short	162	(614,770)	(614,297)	
	NT dollar Gold Futures	Long	2	949	941	
	Euro dollar Futures	Long	34	152,326	152,584	
	Subtotal			(7,136,634)		
Options contract :						
	Taiex Options (Call)	Long	29,571	30,234	22,870	
	Taiex Options (Put)	Long	40,400	49,898	31,332	
	Taiex Options (Call)	Short	9,315	(36,718)	(34,387)	
	Taiex Options (Put)	Short	25,931	(109,207)	(99,702)	
	Stock Options (Call)	Long	2,666	16,837	11,818	
	Stock Options (Put)	Long	2,134	4,867	4,623	
	Stock Options (Call)	Short	238	(1,231)	(1,013)	

(Continued)

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

Item	Trading category	Open positions: Long/ Short	Open positions: Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
	Stock Options (Put)	Short	486	$ (2,995)	(3,305)	
	Taiex Weekly Options (Call)	Long	23,082	5,978	7,416	
	Taiex Weekly Options (Put)	Long	6,651	4,818	2,657	
	Taiex Weekly Options (Call)	Short	2,898	(9,465)	(12,442)	
	Taiex Weekly Options (Put)	Short	1,872	(737)	(334)	
	Gold Option (Call)	Long	19	81	36	
	Gold Option (Put)	Long	22	62	125	
	Gold Option (Call)	Short	46	(89)	(8)	
	Gold Option (Put)	Short	30	(65)	(41)	
	Electronic Sector Index Options (Call)	Long	701	1,622	1,457	
	Electronic Sector Index Options (Put)	Long	373	908	431	
	Electronic Sector Index Options (Put)	Short	33	(170)	(279)	
	Finance Sector Index Options (Call)	Long	1,094	1,472	881	
	Finance Sector Index Options (Put)	Long	453	752	569	
	Finance Sector Index Options (Call)	Short	1	(9)	(6)	
	S&P 500 Options (Call)	Long	189	2,670	4,136	
	S&P 500 Options (Put)	Long	35	612	191	
	S&P 500 Options (Put)	Short	192	(1,341)	(149)	
	Mini-S&P 500 Options (Call)	Short	75	(1,661)	(2,432)	
	Sugar Option (Call)	Long	87	331	236	
	Sugar Option (Put)	Long	56	364	516	
	Sugar Option (Call)	Short	89	(109)	(36)	
	Soybean Meal Options (Put)	Long	6	8	1	
	Soybean Meal Options (Call)	Short	5	(9)	-	
	Soybean Meal Options (Put)	Short	10	(13)	(4)	
	Mini-USD/CNY FX Options (Call)	Long	2	12	1	
	Mini-USD/CNY FX Options (Put)	Long	78	1,420	2,618	
	Mini-USD/CNY FX Options (Call)	Short	79	(715)	(18)	
	USD/CNY FX Options (Call)	Long	25	1,241	211	
	USD/CNY FX Options (Put)	Long	12	1,152	2,113	
	USD/CNY FX Options (Call)	Short	1	(5)	-	
	USD/CNY FX Options (Put)	Short	35	(668)	(3,118)	
	Crude Oil Options (Call)	Short	1	(2)	(1)	
	Crude Oil Options (Put)	Short	2	(3)	(1)	
	U.S. 10-Year Bond Option (Call)	Long	150	2,435	2,057	
	Subtotal			(37,438)		
Total				$ (7,174,072)		

(Continued)

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

(ii) December 31, 2016

Item	Trading category	Open positions Long/ Short	Open positions Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Futures contract：						
	Taiex Futures	Long	18	$ 32,699	33,253	
	Taiex Futures	Short	788	(1,453,933)	(1,458,394)	
	Electronic Sector Index Futures	Short	6	(8,834)	(8,868)	
	Finance Sector Index Futures	Short	43	(46,101)	(46,345)	
	Non-Finance Non-Electronics Sub-Index Futures	Short	4	(4,547)	(4,542)	
	Stock Futures	Long	1,016	118,049	118,491	
	Stock Futures	Short	4,933	(523,820)	(521,273)	
	USD/CNY FX Futures	Short	26	(86,582)	(86,961)	
	USD/JPY FX Futures	Long	246	154,546	157,738	
	USD/JPY FX Futures	Short	267	(171,968)	(171,689)	
	Nifty 50 Futures	Long	19	7,800	7,754	
	Nifty 50 Futures	Short	357	(240,213)	(241,492)	
	EUR/USD FX Futures	Long	201	139,916	136,750	
	EUR/USD FX Futures	Short	603	(410,752)	(410,249)	
	EUR dollar Futures	Long	64	270,616	272,809	
	H Stocks Index Futures	Short	1	(1,921)	(1,938)	
	HSI Futures	Long	4	18,017	18,165	
	Mini-HSI Futures	Short	20	(17,930)	(18,264)	
	SGX Nifty 50 Index Futures	Short	15	(7,925)	(7,918)	
	JPY dollar Futures	Short	4	(13,867)	(13,863)	
	NT Dollar Gold Futures	Long	12	5,437	5,451	
	Gold Futures	Long	3	11,151	11,143	
	MSCI Taiwan Index Futures	Long	317	351,842	351,475	
	VIX Futures	Short	95	(46,924)	(48,210)	
	FTSE China A50 Index Futures	Short	588	(191,710)	(188,819)	
	Mini-S&P 500 Futures	Long	10	36,100	35,791	
	Nikkei Index Futures	Long	4	10,209	10,511	
	U.S. 5-Year T-Note Futures	Short	45	(169,495)	(170,760)	
	U.S. 10-Year T-Note Futures	Long	10	40,005	40,081	
	Subtotal			(2,200,135)		

(Continued)

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

Item	Trading category	Open positions Long/ Short	Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Options contract :						
	Taiex Options (Call)	Long	17,162	$ 32,562	27,543	
	Taiex Options (Put)	Long	9,632	13,323	7,145	
	Taiex Options (Call)	Short	4,730	(26,028)	(27,259)	
	Taiex Options (Put)	Short	7,286	(14,503)	(6,477)	
	Stock Options (Call)	Long	749	2,082	1,869	
	Stock Options (Put)	Long	887	3,116	2,690	
	Stock Options (Call)	Short	334	(1,774)	(1,013)	
	Stock Options (Put)	Short	331	(1,247)	(1,156)	
	Taiex Weekly Options (Call)	Long	16,137	3,295	3,533	
	Taiex Weekly Options (Put)	Long	14,685	2,411	1,081	
	Taiex Weekly Options (Call)	Short	3,990	(6,739)	(10,733)	
	Taiex Weekly Options (Put)	Short	4,755	(11,155)	(6,233)	
	Gold Option (Call)	Long	7	26	27	
	Gold Option (Put)	Long	13	68	67	
	Gold Option (Call)	Short	54	(125)	(190)	
	Gold Option (Put)	Short	5	(4)	(2)	
	Electronic Sector Index Options (Call)	Long	256	721	855	
	Electronic Sector Index Options (Put)	Long	85	271	164	
	Electronic Sector Index Options (Call)	Short	1	(5)	(7)	
	Electronic Sector Index Options (Put)	Short	263	(1,009)	(722)	
	Finance Sector Index Options (Call)	Long	825	2,591	2,854	
	Finance Sector Index Options (Put)	Long	813	1,693	1,078	
	Finance Sector Index Options (Put)	Short	95	(198)	(118)	
	Mini-S&P 500 Options (Call)	Long	93	1,866	1,021	
	Mini-S&P 500 Options (Put)	Long	72	1,900	2,685	
	Mini-S&P 500 Options (Call)	Short	120	(6,083)	(3,562)	
	Mini-S&P 500 Options (Put)	Short	209	(8,873)	(5,848)	
	Mini-USD/CNY FX Options (Call)	Long	64	10,652	10,725	
	Mini-USD/CNY FX Options (Put)	Short	80	(3,489)	(2,461)	
	USD/CNY FX Options (Call)	Long	153	5,194	5,225	
	USD/CNY FX Options (Call)	Short	4	(93)	(103)	
	USD/CNY FX Options (Put)	Short	153	(951)	(809)	
	Subtotal			(505)		
Total				$ (2,200,640)		

(Continued)

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

(iii) September 30, 2016

Item	Trading category	Open positions Long/ Short	Open positions Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Futures contract：						
	Taiex Futures	Long	91	$ 163,756	164,289	
	Taiex Futures	Short	1,356	(2,489,019)	(2,475,639)	
	Electronic Sector Index Futures	Long	18	27,260	26,975	
	Non-Finance Non-Electronics Sub-Index Futures	Long	22	24,472	24,132	
	Stock Futures	Long	2,450	271,288	272,681	
	Stock Futures	Short	2,485	(289,145)	(285,978)	
	Finance Sector Index Futures	Short	15	(15,183)	(14,967)	
	H stocks Index Futures	Short	2	(3,851)	(3,853)	
	HSI Futures	Long	5	23,450	23,395	
	Mini-HSI Futures	Short	2	(1,919)	(1,886)	
	Gold Futures	Short	4	(17,060)	(16,522)	
	NT Dollar Gold Futures	Short	9	(4,561)	(4,526)	
	Micro-Gold Futures	Short	1	(426)	(413)	
	MSCI Taiwan Index Futures	Short	238	(258,268)	(255,034)	
	VIX Futures	Short	5	(2,596)	(2,638)	
	Nikkei Index Futures	Long	7	17,986	17,813	
	Crude Oil Futures	Long	1	1,586	1,648	
	Mini-S&P 500 Futures	Short	21	(70,489)	(70,596)	
	FTSE China A50 Index Futures	Long	6	1,793	1,787	
	FTSE China A50 Index Futures	Short	314	(94,951)	(94,212)	
	U.S. 5-Year T-Note Futures	Short	45	(171,707)	(171,483)	
	Subtotal			(2,887,584)		

(Continued)

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

Item	Trading category	Open positions Long/ Short	Open positions Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Options contract：						
	Taiex Options (Call)	Long	19,848	$ 44,536	44,120	
	Taiex Options (Put)	Long	6,437	14,089	12,713	
	Taiex Options (Call)	Short	2,389	(10,576)	(9,867)	
	Taiex Options (Put)	Short	12,624	(35,007)	(30,749)	
	Stock Options (Call)	Long	635	2,058	1,332	
	Stock Options (Put)	Long	583	2,718	3,255	
	Stock Options (Call)	Short	202	(909)	(765)	
	Stock Options (Put)	Short	130	(656)	(694)	
	Taiex Weekly Options (Call)	Long	5,047	882	338	
	Taiex Weekly Options (Putl)	Long	13,277	4,199	6,042	
	Taiex Weekly Options (Call)	Short	2,262	(7,307)	(4,052)	
	Taiex Weekly Options (Put)	Short	3,957	(8,299)	(12,863)	
	Gold Option (Call)	Long	587	2,162	1,472	
	Gold Option (Put)	Long	505	1,770	1,375	
	Gold Option (Call)	Short	31	(29)	(5)	
	Electronic Sector Index Options (Call)	Long	370	465	305	
	Electronic Sector Index Options (Put)	Long	383	783	494	
	Electronic Sector Index Options (Call)	Short	104	(450)	(447)	
	Electronic Sector Index Options (Put)	Short	55	(540)	(125)	
	Finance Sector Index Options (Call)	Long	417	806	407	
	Finance Sector Index Options (Put)	Long	73	144	171	
	Finance Sector Index Options (Put)	Short	158	(260)	(408)	
	Mini-S&P 500 Options (Call)	Long	226	2,856	2,096	
	Mini-S&P 500 Options (Put)	Long	49	665	520	
	Mini-S&P 500 Options (Call)	Short	49	(2,042)	(2,602)	
	Mini-S&P 500 Options (Put)	Short	130	(5,424)	(1,378)	
	USD/CNY FX Options (Call)	Short	3	-	(6)	
	Subtotal			6,634		
Total				$ (2,880,950)		

CAPITAL SECURITIES CORPORATION AND ITS 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 the restrictions and enforcement of each financial ratio was calculated in accordance with "Regulations Governing Futures Commission Merchants" as follow:

Art.	Calculation formula	Current Period Calculation	Current Period Ratio	Last Period Calculation	Last Period Ratio	Standard	Enforcement
17	Stockholders' equity / (Total liabilities - futures traders' equity)	4,489,570 / 596,021	7.53	3,026,773 / 273,666	11.06	≧1	Satisfactory to requirement
17	Current Assets / Current Liabilities	29,479,504 / 26,412,177	1.12	24,026,023 / 22,041,719	1.09	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	4,489,570 / 1,115,000	402.65 %	3,026,773 / 1,115,000	271.46 %	≧60% ≧40%	〃
22	Post-adjustment net capital / Total customers' margin deposits required for open positions of customers	2,997,853 / 4,976,091	60.25 %	2,100,202 / 3,398,921	61.79 %	≧20% ≧15%	〃

(c) Unique risks to specific futures commission merchant services

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 firm needs sufficient liquidity to cover the transactions and suffer the loss may occur.

(d) Taiwan International Securities Corp. (hereinafter known as "TISC"), the Company's merged entity, entrusted $182,000 to an impartial third party on the merging date with First Securities Co., Ltd. and Far East Securities Co., Ltd. In relations to the agreement of indemnification to the stockholders with aforementioned companies arising from the fraud matter of Taiwan International Futures Corporation (hereinafter known as "TIFC"). Such deposit shall be allocated by the trustee to the stockholders who are merged in proportion of their shareholdings in TISC, after being decided by the court or accommodated by the investors of TIFC.

As of September 30, 2017, TIFC had reached partial consensus with its investors, and the accumulated amount of compensation was $162,812. According to the indemnification to the former stockholders of First Securities Co., Ltd. and Far Eastern Securities Co., Ltd, the Company needs to pay all of the compensation to the company participating in the merger. As of September 30, 2017, the trust amount of the impartial third party is $130,586 and the accumulated compensation expense is $51,414.

CAPITAL SECURITIES CORPORATION AND ITS 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 Issuers" for the Group:

(i) Loans to others:

(In Thousands Dollars)

Number	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related party	Maximum Balance of the Period	Ending balance	Capital Employed	Range of interest rate	Type of Loans (Note)	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on loans to a single business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	US 19,322 thousand	US 19,322 thousand	US 19,322 thousand	- %	2	-	Operations	-		-	US 53,184 thousand	US 53,184 thousand
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Ltd.	Other receivables - Related party	Yes	US 3,380 thousand	US 3,403 thousand	US 3,380 thousand	- %	2	-	Operations & repayment of financing	-		-	US 3,403 thousand	US 3,403 thousand
3	TIS Securities (HK) Ltd.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	HK 1,463 thousand	HK 1,463 thousand	HK 1,463 thousand	- %	2	-	Repayment of financing	-		-	HK 1,463 thousand	HK 1,463 thousand
4	CSC Futures (HK) Ltd.	Pinnacle Corp. Pte.	Account receivables - Customer	No	17,113	84,062	-	4 %	2	-	Tradings	-		-	96,538	386,154
5	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables - Customer	No	27,020	42,031	6,004	5 %	2	-	Tradings	-		-	96,538	386,154
6	CSC Futures (HK) Ltd.	Three Arrows Capital Ltd.	Account receivables - Customer	No	48,009	84,062	-	5 %	2	-	Tradings	-		-	96,538	386,154
7	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables - Customer	No	42,031	42,031	-	3.5 %	2	-	Tradings	-		-	96,538	386,154
8	CSC Futures (HK) Ltd.	Tetrion Capital Limited	Account receivables - Customer	No	6,629	6,789	-	- %	2	-	Tradings	-		-	96,538	386,154

Note: Type of Loans

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

(ii) Guarantees and endorsements for other parties:None

(iii) Acquisition of individual real estate with amount over $300 million or 20% of paid-in capital:None

(iv) Disposal of individual real estate over $300 million or 20% of paid-in capital:None

(v) Service charge discounts on transactions with related parties over NT$5 million:None

(vi) Receivables from related parties over $100 million or 20% of paid-in capital:None

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

(vii) Business relationships and significant intercompany transactions:

(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	663		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	32,917		0.02 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	293		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	2,001		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payables	166		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	3,508		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	111,038	General transaction	1.68 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	11,881	General transaction	0.18 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	308	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	393	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	26	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	3,342	General transaction	0.05 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	61	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expenses	15,482	General transaction	0.23 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenues	20,694	General transaction	0.31 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions	84	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	61,500	General transaction	0.93 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Lease revenue	900	General transaction	0.01 %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Guarantee deposits received	30		- %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Lease revenue	90	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Non-operating revenues	90	General transaction	- %
0	Capital Securities Corp.	Taiwan International Futures Corp.	1	Lease revenue	748	General transaction	0.01 %
0	Capital Securities Corp.	Taiwan International Futures Corp.	1	Financial costs	1	General transaction	- %
0	Capital Securities Corp.	Taiwan International Futures Corp.	1	Non-operating revenues	150	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	46		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	55		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Non-operating expense	4,709	General transaction	0.07 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Guarantee deposits received	160		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	58		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Lease revenue	721	General transaction	0.01 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Financial costs	1	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Other non-operating revenue	69	General transaction	- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	1,002,874		0.72 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,002,874		0.72 %

(Continued)

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

				Intercompany transaction details			
Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	363,629		0.26 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	1,917,218		1.38 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payables	1,271		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	5,945	General transaction	0.09 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	34,813	General transaction	0.53 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	714	General transaction	0.01 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Lease revenue	85	General transaction	- %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	1,803,829		1.30 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	250,240		0.18 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	1,668	General transaction	0.03 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Accumulated depreciation	866		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Depreciation expense	300	General transaction	- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Prepayments	113		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Co., Ltd.	3	Professional service fees	2,133	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HK 1,910		0.01 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK 2,940	General transaction	0.18 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage handling fee expense	HK 599	General transaction	0.04 %
3	CSC Securities (HK) Ltd.	CSC International Holdings Ltd.	3	Other payables	HK 150,000		0.42 %
4	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	3	Other receivables	HK 26,405		0.07 %

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.

(Continued)

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

(b) Information on reinvestment business:

(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, 2017	Balance on December 31, 2016	Shares	Ratio	Book value					
0	Capital Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990		Engaged in providing research, analysis and recommendations pertaining to securities investment, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00 %	105,777	61,500	10,876	10,876	10,430	The transaction has been written off in the consolidated financial statements
0	Capital Futures Corp.	Taipei ,Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,212,539	649,610	90,166,223	56.21 %	2,523,587	1,427,942	568,910	320,532	199,267	〃
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 %	1,609,714	(12,310)	(21,453)	(21,453)	-	〃
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 %	79,607	154,084	53,768	53,768	78,650	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 %	41,561	59,264	2,164	2,164	12,802	〃
0	Taiwan International Futures Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	November 25, 1993		Liquidation in progress.	429,990	429,990	11,999,721	99.99 %	-	-	-	-	-	The transaction has been written off in the consolidated financial statements
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Holding company for international securities business.	1,394,817	1,394,817	300	100.00 %	1,569	1,039	1,039	1,039	-	〃
0	Taiwan International Securities Investment Consulting Corp. (Note 5)	Taipei ,Taiwan, R.O.C.	March 3, 1994		Liquidation in progress.	9,992	9,992	9,992,200	99.92 %	13,095	-	(203)	(203)	-	〃
0	CSC Venture Capital Corp.	Taipei ,Taiwan, R.O.C.	January 12, 2016	No. FSC-1040034071 dated September 8, 2015	Venture Capital and consulting business	1,000,000	1,000,000	100,000,000	100.00 %	998,957	162	(3,426)	(3,426)	-	〃
1	Capital Securities (Hong Kong) Ltd. (Note 7)	Hong Kong	June 29, 1993	No. FSC-17433 dated April 7, 1993	Liquidation in progress.	HK -	HK 48,644 thousand	-	- %	HK -	HK -	HK -	-	-	〃
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 thousand	HK 89,600 thousand	128,000,000	100.00 %	HK 160,465 thousand	HK 18,702 thousand	HK (3,066) thousand	-	-	〃

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

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount: Balance on September 30, 2017	Original investment amount: Balance on December 31, 2016	Equity Ownership by company (note 3): Shares	Equity Ownership by company (note 3): Ratio	Equity Ownership by company (note 3): Book value	Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
2	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 -	HK 38,400 thousand	-	- %	HK -	HK 18,702 thousand	HK (3,066) thousand	-	-	-
3	TIS Securities (HK) Ltd. (Note 6)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousand	HK 265,000 thousand	265,000,000	100.00 %	HK (26,173) thousand	HK -	HK 259 thousand	-	-	-
4	Taiwan International Capital (HK) Ltd. (Note 6)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00 %	HK (66,094) thousand	HK -	HK (36,878) thousand	-	-	The transaction has been written off in the consolidated financial statements
5	CSC Futures (HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Futures dealing business.	862,631	862,631	214,000,000	97.27 %	939,029	621,827	79,803	-	-	-
5	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 %	44,842	1,806	(423)	-	-	-
5	True Partner Advisor Hong Kong Ltd	Hong Kong	May 31, 2010	No. FSC-1040027513 dated July 16, 2015	Asset Management	36,701	36,701	245,000	49.00 %	41,700	54,037	2,047	-	-	Associates
6	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 written off in the consolidated financial statements

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

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

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

Note 4: The stockholders' special meeting of Taiwan International Securities Corp. resolved to dissolve the investee company on September 18, 2008 and the liquidation procedure is ongoing.

Note 5: The stockholders' special meeting resolved to dissolve on June 27, 2012.

Note 6: 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) Ltd. 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.

Note 7: Capital Securities (Hong Kong) Ltd. transferred 30% of the equity to CSC International Holdings Ltd. and the distribution of residual property was completed on September 12, 2017. The company registration estimated to be cancelled before March 31, 2018.

(Continued)

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

(c) Information on branch units or representative offices overseas:

(In Thousands of New Taiwan Dollars)

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

(d) Information on investments in China:

(i) Investment in 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, 2017	Remittance of recoverable investment this period: Remittance amount	Remittance of recoverable investment this period: Recoverable amount	Accumulated remittance as of September 30, 2017	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, 2017
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	568	28.67%	249 B(3)	12,277	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	-	18,863	-	18,863	(96)	56.21%	(54) B(3)	10,123	-

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

A. Directly invest in a company in Mainland China.

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

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

Note 2: Investment gains and losses recognized during the period

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

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

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

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

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

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

(ii) Limitation on investment in Mainland China:

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

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

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

(14) Segment information:

(a) Operating segment information

The operating segments are consistent with the internal reports provided to the chief operating decision-maker. The Group's operating segments are classified into brokerage, underwriting, dealing, derivative instrument and reinvestment according to the sources of revenue The remaining operating results which have not reached the threshold requirements are consolidated in other operating segments. Sources of income from products and services rendered by each segment are as follows:

(i) Brokerage segment: Engaged in brokerage trading, margin trading, and securities lending business.

(ii) Underwriting 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) Capital Futures Corporation: Engaged in the business of domestic futures brokerage services, trading on a proprietary basis, futures consultancy and managed futures enterprises.

(b) Measurement of segmental information

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

(c) Information about segments' gains or losses, assets and liabilities

	For the three months ended September 30, 2017							
	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue	$ 1,016,838	79,659	585,256	166,585	58,142	833,034	(76,620)	2,662,894
Income	$ 459,213	37,230	444,217	107,384	(99,439)	290,417	(165,942)	1,073,080

	For the three months ended September 30, 2016							
	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue	$ 720,050	68,428	320,090	143,781	54,707	560,597	(70,158)	1,797,495
Income	$ 257,729	24,346	211,800	95,830	(73,593)	148,903	(78,183)	586,832

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

	For the nine months ended September 30, 2017							
	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue	$ 2,544,065	240,613	1,522,375	348,269	162,602	2,019,512	(210,763)	6,626,673
Income	$ 936,432	110,532	1,064,921	216,115	(244,712)	648,388	(316,572)	2,415,104

	For the nine months ended September 30, 2016							
	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue	$ 2,132,997	212,984	464,346	410,706	165,677	1,705,457	(203,741)	4,888,426
Inocme	$ 666,529	81,238	296,388	288,898	(167,558)	461,214	(228,357)	1,398,352

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 geographical areas

The Group received revenue from any single foreign customer is insignificant and there is no need to disclose the information.

(f) Information about major customers

The Group does not receive revenue from any single customer which exceeds 10% or more of operating income and there is no need to disclose the information.