

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For The Six Months Ended June 30, 2019 and 2018**

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

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Independent Auditors' Report

To the Board of Directors of
Capital Securities Corporation:

Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of June 30, 2019, December 31, 2018 and June 30, 2018, and the consolidated statements of comprehensive income for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018 as well as the changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018, and its consolidated financial performance for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018 as well as its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards ("IASs") 34 "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

Valuation of financial instruments

Please refer to Note 4(g) of the consolidated financial statements as of and for the year ended December 31, 2018 for the related accounting policy regarding the valuation of financial instruments, Note 6(b) financial assets, Note 6(m) Financial liabilities at fair value through profit or loss and Note 6(y)(v) fair value and fair value hierarchy of financial instruments for details.

Risk and descriptions of the key audit matter:

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

Procedures performed:

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

Other Matter

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.97%, 1.07% and 0.91% of consolidated total assets as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively, and the recognized profit of loss under equity method constituted 5.82%, 3.25%, 4.92% and 2.00% of consolidated net income before income tax for the three months and six months ended June 30, 2019 and 2018, respectively.

The Group has prepared its parent-company-only financial statements as of and for the six months ended June 30, 2019 and 2018, on which we have issued an unmodified opinion with other matters paragraph.

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are LEE, FENG HUI and CHUNG TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)

August 29, 2019

Notes to Readers

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

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

Consolidated Balance Sheets

June 30, 2019, December 31, 2018, and June 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	June 30, 2019		December 31, 2018		June 30, 2018			Liabilities and Equity	June 30, 2019		December 31, 2018		June 30, 2018	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
110000	Current assets:							210000	Current liabilities:						
111100	Cash and cash equivalents (note 6(a))	\$ 8,123,268	6	7,993,419	7	7,348,000	6	211100	Short-term borrowings (note 6(k))	\$ 4,077,307	3	3,873,506	3	3,004,408	2
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	31,590,014	25	31,060,874	26	34,105,350	26	211200	Commercial paper payable (note 6(l))	-	-	-	-	5,449,034	4
113200	Financial assets at fair value through other comprehensive income- current (note 6(b))	15,059,665	12	10,865,929	9	20,388,855	15	212000	Financial liabilities at fair value through profit or loss - current (note 6(m))	828,378	1	1,202,215	1	1,947,937	2
114010	Bonds purchased under resale agreements (notes 6(c) and 8)	-	-	-	-	49,782	-	214010	Bonds sold under repurchase agreements (note 6(n))	33,901,266	27	28,032,524	24	37,933,089	28
114030	Receivable for securities provided as collateral	9,862,259	8	9,994,568	9	15,830,599	12	214040	Guarantee deposited for short sales	1,215,246	1	2,316,744	2	1,140,215	1
114040	Refinancing margin	14,693	-	39,614	-	4,123	-	214050	Proceeds payable from short sales	1,353,726	1	2,603,315	2	1,291,796	1
114050	Refinancing collateral receivable	13,112	-	34,419	-	4,296	-	214070	Securities lending refundable deposits	907,858	1	644,843	1	763,774	1
114060	Receivable of securities business money lending	1,919,196	2	1,949,105	2	1,252,555	1	214080	Futures traders' equity (note 6(e))	33,558,538	26	33,158,826	28	28,425,598	21
114070	Customers' margin account (note 6(e))	33,601,427	26	33,275,630	29	28,499,707	21	214090	Customer equity of separate account ledger in settlement account (note 6(o))	598,882	-	26,969	-	4,157	-
114080	Receivable - futures margin	3	-	1	-	2	-	214100	Leverage contract trading - customers' equity	239,286	-	225,899	-	217,460	-
114090	Collateral for securities borrowed	71,034	-	454,200	-	405,440	-	214110	Notes payable	-	-	481	-	-	-
114100	Security borrowing margin	928,323	1	412,148	-	369,779	-	214130	Accounts payable (note 6(p))	6,445,100	5	3,857,893	4	7,418,547	6
114110	Notes receivable	22,623	-	17,181	-	15,705	-	214150	Advance receipts	36,489	-	37,089	-	35,722	-
114130	Accounts receivable (note 6(d))	7,110,662	6	4,607,173	4	8,792,806	7	214160	Receipts under custody	102,897	-	120,325	-	213,073	-
114150	Prepayments	30,251	-	37,751	-	35,757	-	214170	Other payables	1,744,360	2	765,572	1	1,571,704	1
114170	Other receivables	314,558	-	95,994	-	390,083	-	214200	Other financial liabilities - current (note 6(z))	3,348,053	3	3,357,887	3	5,367,110	4
114300	Leverage contract trading - customers' margin account	240,468	-	228,564	-	211,002	-	214600	Current income tax liabilities	348,617	-	452,432	-	311,624	-
114600	Current income tax assets	26,597	-	26,609	-	27,526	-	215100	Provisions - current (note 6(t))	59,301	-	50,666	-	59,354	-
119000	Other current assets	1,403,842	1	876,441	1	792,829	1	216000	Current lease liabilities (note 6(s))	186,884	-	-	-	-	-
		<u>110,331,995</u>	<u>87</u>	<u>101,969,620</u>	<u>87</u>	<u>118,524,196</u>	<u>89</u>	219000	Other current liabilities	<u>6,145</u>	<u>-</u>	<u>11,652</u>	<u>-</u>	<u>9,692</u>	<u>-</u>
120000	Non-current assets:									<u>88,958,333</u>	<u>70</u>	<u>80,738,838</u>	<u>69</u>	<u>95,164,294</u>	<u>71</u>
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	180,485	-	185,109	-	185,455	-	220000	Non-Current liabilities:						
123200	Financial assets at fair value through other comprehensive income- non-current (note 6(b))	2,256,674	2	1,911,577	2	1,830,707	1	221200	Long-term borrowings (note 6(q))	-	-	-	-	1,966,222	2
124100	Investments accounted for under equity method (note 6(f))	1,376,077	1	1,432,537	1	1,359,445	1	224200	Other financial liabilities - non-current (note 6(z))	323,519	-	310,032	-	276,357	-
125000	Property and equipment (notes 6(g) and 8)	3,025,842	2	5,340,960	5	4,984,930	4	226000	Non-current lease liabilities (note 6(s))	865,034	1	-	-	-	-
125800	Right-of-use assets (notes 6(h))	1,005,988	1	-	-	-	-	228000	Deferred income tax liabilities	473,435	-	478,035	-	525,775	-
126000	Investment property (notes 6(i) and 8)	3,760,344	3	1,374,014	1	1,734,111	1	229000	Other non-current liabilities	<u>684,608</u>	<u>1</u>	<u>658,266</u>	<u>1</u>	<u>799,545</u>	<u>1</u>
127000	Intangible assets (note 6(j))	3,616,314	3	3,621,070	3	3,615,991	3			<u>2,346,596</u>	<u>2</u>	<u>1,446,333</u>	<u>1</u>	<u>3,567,899</u>	<u>3</u>
128000	Deferred income tax assets	170,514	-	115,770	-	104,993	-		Total liabilities	<u>91,304,929</u>	<u>72</u>	<u>82,185,171</u>	<u>70</u>	<u>98,732,193</u>	<u>74</u>
129000	Other non-current assets	<u>1,549,080</u>	<u>1</u>	<u>1,439,250</u>	<u>1</u>	<u>1,553,754</u>	<u>1</u>	301010	Equity attributable to shareholders of the parent:						
		<u>16,941,318</u>	<u>13</u>	<u>15,420,287</u>	<u>13</u>	<u>15,369,386</u>	<u>11</u>	301070	Common stock (note 6(v))	23,209,081	18	23,209,081	20	21,690,730	16
								301070	Stock dividend to be distributed (note 6(v))	-	-	-	-	1,518,351	1
								302000	Capital surplus:						
								302010	Premium from stock issuance	1,776,413	2	1,776,413	1	1,776,413	1
								302020	Treasury stock transactions	437,096	-	437,096	-	437,096	-
								302070	Paid-in capital from merger	602,665	-	602,665	1	602,665	1
								302095	Difference between consideration and carrying amount of subsidiaries acquired and disposed	1,338	-	1,338	-	1,338	-
								302096	Changes in ownership interests in subsidiaries	34,787	-	34,787	-	34,787	-
								304000	Retained earnings:						
								304010	Legal reserve	1,658,360	1	1,519,635	1	1,519,635	1
								304020	Special reserve	3,587,197	3	3,302,811	3	3,302,811	2
								304040	Unappropriated earnings (note 6(v))	992,915	1	1,387,250	1	1,429,425	1
								305120	Exchange differences on translation of foreign operations	(10,203)	-	(41,068)	-	(62,344)	-
								305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>1,566,011</u>	<u>1</u>	<u>741,984</u>	<u>1</u>	<u>790,367</u>	<u>1</u>
									Total equity attributable to the parent company	<u>33,855,660</u>	<u>26</u>	<u>32,971,992</u>	<u>28</u>	<u>33,041,274</u>	<u>24</u>
								306000	Non-controlling interests	<u>2,112,724</u>	<u>2</u>	<u>2,232,744</u>	<u>2</u>	<u>2,120,115</u>	<u>2</u>
									Total equity	<u>35,968,384</u>	<u>28</u>	<u>35,204,736</u>	<u>30</u>	<u>35,161,389</u>	<u>26</u>
									Total liabilities and equity	<u>\$ 127,273,313</u>	<u>100</u>	<u>117,389,907</u>	<u>100</u>	<u>133,893,582</u>	<u>100</u>
	Total assets	<u>\$ 127,273,313</u>	<u>100</u>	<u>117,389,907</u>	<u>100</u>	<u>133,893,582</u>	<u>100</u>								

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months and six months ended June 30, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		For the three months ended June 30				For the six months ended June 30			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
Income:									
401000	Brokerage commissions (note 6(x))	\$ 956,819	59	1,212,947	55	1,798,980	52	2,373,217	47
402000	Revenues from securities business money lending	24	-	141	-	89	-	177	-
403000	Revenue from securities lending	46,401	3	35,742	2	83,865	2	65,695	1
404000	Underwriting commissions (note 6(x))	18,173	1	28,183	1	40,061	1	55,359	1
406000	Commissions on wealth management business	25,721	2	28,522	1	47,568	1	61,043	1
410000	Net gains (losses) on sale of trading securities (note 6(x))	8,159	1	(48,414)	(2)	225,280	7	(38,850)	(1)
421100	Securities management, distribution, and management fees	35,145	2	34,348	2	69,382	2	67,860	1
421200	Interest revenue (note 6(x))	387,769	24	542,694	25	757,167	22	1,104,723	22
421300	Dividend revenue	24,089	1	36,445	2	35,276	1	42,128	1
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss(note 6(x))	(41,884)	(3)	(284,082)	(13)	627,855	18	(187,486)	(4)
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements	24,281	2	122,898	6	52,261	2	180,559	4
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(12,873)	(1)	(78,233)	(4)	(140,004)	(4)	(17,258)	-
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	60,704	4	(100,396)	(5)	97,032	3	(121,425)	(2)
422000	Net gains (losses) from exchange traded notes (note 6(z))	20	-	-	-	20	-	-	-
422200	Net gains (losses) on stock warrants issued (note 6(x))	89,807	6	543,718	25	68,446	2	922,488	18
424100	Futures commission revenues (note 6(x))	49,490	3	119,938	5	107,623	3	297,126	6
424400	Net gains (losses) on derivative instruments - futures (note 6(z))	(43,282)	(3)	31,501	1	(386,574)	(11)	290,270	6
424500	Net gains (losses) on derivative instruments - OTC (note 6(z))	(26,526)	(2)	(8,956)	-	(118,045)	(3)	(52,316)	(1)
424800	Management fee revenues	82	-	117	-	104	-	205	-
424900	Consultancy fee revenue	4,074	-	7,982	-	7,038	-	13,142	-
425300	Impairment gain and reversal of impairment loss (note 6(y))	1,467	-	1,776	-	(41)	-	(52,439)	(1)
428000	Other operating revenues	21,453	1	(22,514)	(1)	58,450	2	26,406	1
		<u>1,629,113</u>	<u>100</u>	<u>2,204,357</u>	<u>100</u>	<u>3,431,833</u>	<u>100</u>	<u>5,030,624</u>	<u>100</u>
Expenses:									
501000	Brokerage fees	115,796	7	147,242	7	214,218	7	305,405	6
502000	Brokerage and clearing fees - proprietary trading	3,250	-	5,141	-	7,068	-	10,654	-
503000	Clearing and exchange fees - refinancing	351	-	594	-	1,209	-	1,102	-
504000	Clearing and exchange fees - underwriting	69	-	116	-	551	-	293	-
521200	Financial costs	171,989	11	196,576	9	318,278	9	405,408	8
524100	Futures commission expense (note 6(x))	71,872	4	122,474	6	151,061	4	275,189	6
524300	Cleaning and settlement expenses	37,311	2	41,052	2	70,818	2	83,665	2
528000	Other operating expenditure	144	-	1,743	-	974	-	4,253	-
531000	Employee benefits expenses (note 6(x))	613,678	38	698,852	32	1,157,050	34	1,420,842	28
532000	Depreciation and amortization expense (note 6(x))	94,248	6	51,802	2	200,016	6	103,305	2
533000	Other operating expenses (note 6(x))	336,196	21	452,286	20	662,774	19	962,136	19
		<u>1,444,904</u>	<u>89</u>	<u>1,717,878</u>	<u>78</u>	<u>2,784,017</u>	<u>81</u>	<u>3,572,252</u>	<u>71</u>
Other income (expenses):									
601000	Share of profits of associates and joint venture (note 6(f))	47,111	3	44,390	2	99,311	3	77,069	1
602000	Other gains and losses (note 6(x))	296,388	18	266,721	12	553,000	16	438,680	9
		<u>343,499</u>	<u>21</u>	<u>311,111</u>	<u>14</u>	<u>652,311</u>	<u>19</u>	<u>515,749</u>	<u>10</u>
902001	Net income before income tax	527,708	32	797,590	36	1,300,127	38	1,974,121	39
701000	Less: Income tax expenses (note 6(u))	103,737	6	132,640	6	201,942	6	332,648	7
	Net income	<u>423,971</u>	<u>26</u>	<u>664,950</u>	<u>30</u>	<u>1,098,185</u>	<u>32</u>	<u>1,641,473</u>	<u>32</u>
805000	Other comprehensive income:								
805500	Components that may not be reclassified to profit or loss in subsequent periods:								
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	128,437	8	(81,009)	(4)	369,657	11	29,998	1
805550	Share of other comprehensive income of associates and joint ventures accounted for using equity method	3,439	-	2,059	-	3,439	-	2,059	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-
	Subtotal of components that may not be subsequently reclassified into profit or loss	<u>131,876</u>	<u>8</u>	<u>(78,950)</u>	<u>(4)</u>	<u>373,096</u>	<u>11</u>	<u>32,057</u>	<u>1</u>
805600	Components that may be reclassified to profit or loss in subsequent periods:								
805610	Exchange differences on translation of foreign operations	33,034	2	145,816	7	41,893	1	62,126	1
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	201,155	12	(97,129)	(4)	445,594	13	(427,383)	(9)
805699	Less: Income tax related to components of other comprehensive income (note 6(u))	3,184	-	14,688	1	4,066	-	16,303	-
	Subtotal of items that may be subsequently reclassified into profit or loss	<u>231,005</u>	<u>14</u>	<u>33,999</u>	<u>2</u>	<u>483,421</u>	<u>14</u>	<u>(381,560)</u>	<u>(8)</u>
805000	Other comprehensive income, net	<u>362,881</u>	<u>22</u>	<u>(44,951)</u>	<u>(2)</u>	<u>856,517</u>	<u>25</u>	<u>(349,503)</u>	<u>(7)</u>
902006	Total comprehensive income	<u>\$ 786,852</u>	<u>48</u>	<u>619,999</u>	<u>28</u>	<u>1,954,702</u>	<u>57</u>	<u>1,291,970</u>	<u>25</u>
Net income attributable to:									
913100	Shareholders of the parent	\$ 359,545	22	587,205	26	962,578	28	1,381,201	27
913200	Non-controlling interests	64,426	4	77,745	4	135,607	4	260,272	5
		<u>\$ 423,971</u>	<u>26</u>	<u>664,950</u>	<u>30</u>	<u>1,098,185</u>	<u>32</u>	<u>1,641,473</u>	<u>32</u>
Total comprehensive income attributable to:									
914100	Shareholders of the parent	\$ 716,362	44	521,976	24	1,812,031	53	1,027,033	20
914200	Non-controlling interests	70,490	4	98,023	4	142,671	4	264,937	5
		<u>\$ 786,852</u>	<u>48</u>	<u>619,999</u>	<u>28</u>	<u>1,954,702</u>	<u>57</u>	<u>1,291,970</u>	<u>25</u>
975000	Basic earnings per share (note 6(w))	<u>\$ 0.15</u>		<u>0.25</u>		<u>0.41</u>		<u>0.60</u>	
985000	Diluted earnings per share (note 6(w))	<u>\$ 0.15</u>		<u>0.25</u>		<u>0.41</u>		<u>0.59</u>	

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the six months ended June 30, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to the parent company										
	Stock		Retained earnings				Total other equity interest				
							Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			Total equity attributable to the parent company	Non-controlling interests
	Common stocks	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations		Unrealized gains (losses) on financial assets available for sale		
Balance at January 1, 2018	\$ 21,690,730	-	2,852,299	1,230,275	2,709,623	2,850,553	(103,566)	-	191,716	31,421,630	2,056,370
Effects of retrospective application	-	-	-	-	-	12,367	-	1,205,775	(191,716)	1,026,426	400
Balance at January 1, 2018 after adjustments	<u>21,690,730</u>	<u>-</u>	<u>2,852,299</u>	<u>1,230,275</u>	<u>2,709,623</u>	<u>2,862,920</u>	<u>(103,566)</u>	<u>1,205,775</u>	<u>-</u>	<u>32,448,056</u>	<u>2,056,770</u>
Net income for the six months ended June 30, 2018	-	-	-	-	-	1,381,201	-	-	-	1,381,201	260,272
Other comprehensive income	-	-	-	-	-	(26)	41,222	(395,364)	-	(354,168)	4,665
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,381,175</u>	<u>41,222</u>	<u>(395,364)</u>	<u>-</u>	<u>1,027,033</u>	<u>264,937</u>
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	289,360	-	(289,360)	-	-	-	-	-
Special reserve	-	-	-	-	593,188	(593,188)	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	(433,815)	-	-	-	(433,815)	-
Stock dividends of common stocks	-	1,518,351	-	-	-	(1,518,351)	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	20,044	-	(20,044)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(201,592)
Balance at June 30, 2018	<u>\$ 21,690,730</u>	<u>1,518,351</u>	<u>2,852,299</u>	<u>1,519,635</u>	<u>3,302,811</u>	<u>1,429,425</u>	<u>(62,344)</u>	<u>790,367</u>	<u>-</u>	<u>33,041,274</u>	<u>2,120,115</u>
Balance at January 1, 2019	\$ 23,209,081	-	2,852,299	1,519,635	3,302,811	1,387,250	(41,068)	741,984	-	32,971,992	2,232,744
Net income for the six months ended June 30, 2019	-	-	-	-	-	962,578	-	-	-	962,578	135,607
Other comprehensive income	-	-	-	-	-	-	30,865	818,588	-	849,453	7,064
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>962,578</u>	<u>30,865</u>	<u>818,588</u>	<u>-</u>	<u>1,812,031</u>	<u>142,671</u>
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	138,725	-	(138,725)	-	-	-	-	-
Special reserve	-	-	-	-	284,386	(284,386)	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	(928,363)	-	-	-	(928,363)	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(5,439)	-	5,439	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(262,691)
Balance at June 30, 2019	<u>\$ 23,209,081</u>	<u>-</u>	<u>2,852,299</u>	<u>1,658,360</u>	<u>3,587,197</u>	<u>992,915</u>	<u>(10,203)</u>	<u>1,566,011</u>	<u>-</u>	<u>33,855,660</u>	<u>2,112,724</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
Cash flows from (used in) operating activities:		
Net income before tax	\$ 1,300,127	1,974,121
Adjustments:		
Income and expenses items with no effect on cash flows:		
Depreciation expense	183,194	86,006
Amortization expense	16,822	17,299
Expected credit loss	41	52,439
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	(487,851)	204,744
Interest expense	318,278	405,408
Interest revenue (including financial revenue)	(1,045,565)	(1,269,603)
Dividend revenue	(70,036)	(42,626)
Share of profit of associates and joint ventures	(99,311)	(77,069)
Losses on disposal and retirement of property and equipment	342	-
Net gains on non-operating financial instruments at fair value through profit or loss	(19,900)	(5,323)
Net changes of income and expense items with no effect on cash flows	(1,203,986)	(628,725)
Changes in assets and liabilities from operating activities:		
Decrease (increase) in financial assets at fair value through profit or loss	(16,538)	426,613
Decrease (increase) in financial assets at fair value through other comprehensive income	(3,663,723)	12,979,579
Increase in bond purchased under resale agreements	-	(49,782)
Decrease (increase) in receivable for securities provided as collateral	133,772	(945,397)
Decrease in refinancing margin	24,921	41,972
Decrease in receivable on refinancing collateral	21,307	34,592
Decrease in receivable of securities business money lending	29,909	279,676
Increase in customers' margin account	(325,797)	(1,196,995)
Decrease (increase) in margin receivable of futures trading	1,498	(33,806)
Decrease in collateral for securities borrowed	383,166	508,903
Decrease (increase) in security borrowing margin	(516,175)	562,089
Decrease (increase) in notes receivable	(5,442)	6,106
Increase in accounts receivable	(2,418,953)	(2,028,965)
Decrease (increase) in prepayments	7,500	(1,817)
Decrease (increase) in other receivables	(415,985)	99,838
Increase in leverage contract trading - customers' margin account	(11,904)	(59,462)
Decrease (increase) in other current assets	(527,401)	129,594
Decrease (increase) in guarantee deposited for business operations	(67,669)	10,691
Decrease (increase) in settlement fund	(4,232)	13,378
Decrease (increase) in refundable deposits	8,611	(39,883)
Decrease (increase) in other non-current assets	(45,374)	47,092
Decrease in financial liabilities at fair value through profit or loss	(374,090)	(955,256)
Increase (decrease) in bonds sold under repurchase agreements	5,868,742	(9,123,223)
Decrease in guarantee deposited for short sales	(1,101,498)	(1,086,049)
Decrease in proceeds payable from short sales	(1,249,589)	(1,209,057)
Increase (decrease) in securities lending refundable deposits	263,015	(426,503)
Increase in futures traders' equity	399,712	1,157,372
Increase (decrease) in customers' equity of separate account ledger in settlement account	571,913	(9,322)
Increase in leverage contract trading - customers' equity	13,387	64,620
Decrease in notes payable	(481)	(879)
Increase in accounts payable	2,552,569	1,639,789
Decrease in advance receipts	(600)	(19,822)
Decrease in receipts under custody	(13,966)	(132,950)
Increase (decrease) in other payable	147,108	(323,072)
Increase (decrease) in other financial liabilities - current	(9,834)	857,127
Increase in provision - current	8,635	9,768
Decrease in other current liabilities	(5,507)	(375)
Increase in other financial liabilities - non-current	13,487	10,320
Increase (decrease) in other non-current liabilities	26,182	(113)
Total changes in assets and liabilities from operating activities	(299,324)	1,236,391
Total cash generated from adjustment items	(1,503,310)	607,666

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

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
Cash generated from operating activities	\$ (203,183)	2,581,787
Interest received	980,456	1,256,078
Dividends received	49,272	11,837
Interest paid	(287,815)	(410,989)
Income taxes paid	(369,154)	(149,836)
Net Cash flows provided by (used in) operating activities	169,576	3,288,877
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(64,864)	(1,027,638)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,528	1,085
Acquisition of investments accounted for using equity method	-	(1,272,505)
Increase in deferred debits	(266)	(777)
Acquisition of property and equipment	(163,144)	(40,047)
Acquisition of intangible assets	(11,561)	(5,899)
Proceeds from disposal of intangible assets	-	1,922
Net cash flows provided by (used in) investing activities	(238,307)	(2,343,859)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	203,801	(4,077,290)
Increase in commercial papers payable	-	1,349,850
Increase in long-term borrowings	-	1,966,222
Payment of lease liabilities	(45,822)	-
Net cash flows provided by (used in) financing activities	157,979	(761,218)
Effect of exchange rate changes on cash and cash equivalents	40,601	60,123
Increase in cash and cash equivalents	129,849	243,923
Cash and cash equivalents, beginning of the year	7,993,419	7,104,077
Cash and cash equivalents, end of this period	\$ 8,123,268	7,348,000

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

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

(1) Overview:

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11/F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei, Taiwan, R.O.C. As of June 30, 2019, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of June 30, 2019, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The consolidated financial statements were authorized for issuance by the board of directors on August 29, 2019.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(3) New standards, amendments and interpretations adopted:

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

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

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

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

(i) IFRS 16 “Leases”

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

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

1) Definition of a lease

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

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

2) As a lessee

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- Leases classified as operating leases under IAS 17

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

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

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

4) Impacts on financial statements

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2018. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2018 for the detail disclosures of significant accounting policies.

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss (including derivative instruments);
- 2) Financial assets at fair value through other comprehensive income; and
- 3) The defined benefit asset is recognized as plan assets, plus unrecognized actuarial loss, less unrecognized actuarial gain and the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
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 June 30, 2019, 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 June 30, 2019, the paid-in capitals amounted to US\$45,000 thousands.
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.21 %	56.21 %	56.21 %	The corporation established in February, 1997. As of June 30, 2019, the paid-in capitals amounted to \$1,764,376.
"	Taiwan International Futures Corp.	Management consultancy	- %	- %	99.99 %	Completion of liquidation.
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 %	The corporation established in December, 1996. As of June 30, 2019, 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 June 30, 2019, the paid-in capitals amounted to \$1,000,000.
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %	97.27 %	The corporation established in December, 1998. As of June 30, 2019, the paid-in capitals amounted to HK\$220,000 thousands.
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 %	The corporation established in December, 2014. As of June 30, 2019, the paid-in capitals amounted to \$50,000.
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 %	The corporation established in August 20, 2008. Acquired 51% of the equity on February 9, 2015 and held controlling interest. As of June 30, 2019, the paid-in capitals amounted to CNY\$1,000 thousands.
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 %	The corporation established in October, 2016. As of June 30, 2019, the paid-in capitals amounted to CNY\$4,000 thousands.
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	100.00 %	The corporation established in May, 1994.
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %	The corporation established in April, 1995.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	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) Limited	Taiwan International Capital (HK) Ltd.	Direct investment	100.00 %	100.00 %	100.00 %	"

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
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 June 30, 2019, December 31, 2018 and June 30, 2018, the total assets constituted 0.04% · 0.04% and 0.04% of the Group's total assets. For the six months ended June 30, 2019 and 2018, the operation revenue were merely 1.57% and 0.77% 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 June 30, 2019, December 31, 2018 and June 30, 2018, the total assets constituted 0.12% · 0.09% and 0.11% of the Group's total assets. For the six months ended June 30, 2019 and 2018, the operation revenue were merely 2.96% and 2.00% of the consolidated revenue which were so immaterial, thus they were excluded from the financial consolidated statement.

(d) Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and transportation equipment etc. that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(e) Employee benefits

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

(f) Income tax

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

Income tax 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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

In these consolidated financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those of Note 5 of the consolidated financial statements as of and for the year ended December 31, 2018.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash	\$ 3,079	2,796	2,818
Bank deposits			
Checking accounts	30,806	31,226	31,021
Demand deposits	527,283	735,856	646,584
Foreign currency deposits	<u>1,296,824</u>	<u>1,080,614</u>	<u>938,570</u>
Subtotal	<u>1,854,913</u>	<u>1,847,696</u>	<u>1,616,175</u>
Cash equivalents			
Time deposits	4,085,029	4,122,157	3,711,132
Futures margin - excess margin	1,947,741	1,998,273	2,013,876
Commercial papers	<u>232,506</u>	<u>22,497</u>	<u>3,999</u>
Subtotal	<u>6,265,276</u>	<u>6,142,927</u>	<u>5,729,007</u>
Total	<u>\$ 8,123,268</u>	<u>7,993,419</u>	<u>7,348,000</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 320,794	305,950	314,666
Valuation adjustment	<u>4,489</u>	<u>(8,129)</u>	<u>6,446</u>
Subtotal	<u>325,283</u>	<u>297,821</u>	<u>321,112</u>
Securities invested by securities broker			
Securities invested by securities broker	-	74,553	251,456
Valuation adjustment	<u>-</u>	<u>(7,283)</u>	<u>(3,379)</u>
Subtotal	<u>-</u>	<u>67,270</u>	<u>248,077</u>
Trading securities - proprietary trading			
Listed stocks	1,304,141	1,324,802	2,384,268
Listed funds	740,889	852,293	889,568
OTC stocks	475,866	306,931	675,910
OTC funds	163,900	83,480	49,540
Emerging market stocks	527,720	498,304	468,610
Emerging market funds	-	12,414	8,617
Convertible corporate bonds	664,628	496,130	927,784
Government bonds	6,913,755	6,511,541	6,802,490
Corporate bonds	8,797,151	9,652,271	8,652,240
International bonds	4,413,156	4,079,947	3,552,852
Financial debentures	300,000	300,000	300,000
Foreign stocks	154,623	219,070	470,666
Overseas bonds	190,385	302,675	219,556
Other	<u>2,757</u>	<u>257</u>	<u>257</u>
	24,648,971	24,640,115	25,402,358
Valuation adjustment	<u>78,977</u>	<u>(256,660)</u>	<u>18,303</u>
Subtotal	<u>24,727,948</u>	<u>24,383,455</u>	<u>25,420,661</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Trading securities - underwriting:			
Listed stocks	\$ 64,192	107,320	5,229
OTC stocks	46,715	55,690	43,321
Convertible corporate bonds	<u>105,361</u>	<u>141,011</u>	<u>306,209</u>
	216,268	304,021	354,759
Valuation adjustment	<u>24,822</u>	<u>(8,312)</u>	<u>17,877</u>
Subtotal	<u>241,090</u>	<u>295,709</u>	<u>372,636</u>
Trading securities - hedging			
Listed stocks	1,545,706	1,746,810	3,109,271
OTC stocks	256,762	397,140	586,825
Convertible corporate bonds	<u>4,164,804</u>	<u>3,799,450</u>	<u>3,717,147</u>
	5,967,272	5,943,400	7,413,243
Valuation adjustment	<u>26,683</u>	<u>(231,510)</u>	<u>(118,692)</u>
Subtotal	<u>5,993,955</u>	<u>5,711,890</u>	<u>7,294,551</u>
Derivatives			
Call options	948	11,580	19,773
Futures margin - proprietary fund	230,378	223,490	334,938
IRS asset swaps	12,158	13,855	16,289
Asset swap options - long position	21,035	4,072	6,024
Currency derivatives	35,999	46,967	40,650
Structured notes	-	3,075	2,462
Equity derivatives	-	-	25
Currency swaps	-	1,690	25,027
Interest rate swaps	<u>1,220</u>	<u>-</u>	<u>3,125</u>
Subtotal	<u>301,738</u>	<u>304,729</u>	<u>448,313</u>
Total	<u>\$ 31,590,014</u>	<u>31,060,874</u>	<u>34,105,350</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, trading securities, financial assets at fair value through other comprehensive income and financial assets available for sale undertaken for repurchase agreements of the Group were \$34,831,857, \$29,145,321 and \$39,737,148, respectively, please refer to note 6(n) and note 8 for details.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Debt instruments at fair value through other comprehensive income			
International bonds	\$ 1,240,837	1,226,189	1,416,913
Overseas bonds	<u>13,150,594</u>	<u>9,205,561</u>	<u>18,658,114</u>
	14,391,431	10,431,750	20,075,027
Valuation adjustment	<u>393,043</u>	<u>(50,161)</u>	<u>(257,424)</u>
Subtotal	<u>14,784,474</u>	<u>10,381,589</u>	<u>19,817,603</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	143,546	237,755	295,293
OTC stocks	10,756	40,353	111,864
Emerging market stocks	24,130	24,130	24,130
Foreign stocks	<u>101,882</u>	<u>279,832</u>	<u>189,232</u>
	280,314	582,070	620,519
Valuation adjustment	<u>(5,123)</u>	<u>(97,730)</u>	<u>(49,267)</u>
Subtotal	<u>275,191</u>	<u>484,340</u>	<u>571,252</u>
Total	<u><u>\$ 15,059,665</u></u>	<u><u>10,865,929</u></u>	<u><u>20,388,855</u></u>

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

The Group has assessed the debentures shown above are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities; therefore, they have been classified as financial asset at fair value through other comprehensive income from January 1, 2018.

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

For the three months and the six months ended June 30, 2019 and 2018, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments measured at fair value through other comprehensive income — current amounted to \$1,744, \$3,464, \$2,028 and \$3,464.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold shares of stocks for a fair value \$262,551, \$157,664, \$401,151 and \$200,345, cumulative dispose losses for the three months and the six months ended June 30, 2019 and 2018, amounted \$10,494, \$7,875, \$(5,439) and \$20,037 were transferred from other equity items to retained earnings.

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 4) For the six months ended June 30, 2019, impairment test have been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(y).

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 180,329	185,952	185,952
Valuation adjustment	<u>156</u>	<u>(843)</u>	<u>(497)</u>
Total	<u>\$ 180,485</u>	<u>185,109</u>	<u>185,455</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group took advantage of government bonds as margins of bills, interest rate swaps and structured notes transaction, settlement fund guarantee deposits, and compensation reserve of trust business (for details please refer to note 8).

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 1,127,268	1,064,667	779,787
Valuation adjustment	<u>1,129,406</u>	<u>846,910</u>	<u>1,050,920</u>
Total	<u>\$ 2,256,674</u>	<u>1,911,577</u>	<u>1,830,707</u>

For the three months and the six months ended June 30, 2019 and 2018, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to \$34,760, \$3,537, \$34,760 and \$3,537.

For the three months and the six months ended June 30, 2019 and 2018, under the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equities recognized in FVOCI -non-current for a fair value \$0, \$0, \$0 and \$9,774, generated cumulative dispose gains \$0, \$0, \$0 and \$7, and the gains were transferred from other equity items to retained earnings.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the six months ended June 30, 2019 and 2018 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	June 30, 2019	June 30, 2018	For the six months ended June 30,					
			2019			2018		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,025,554	1,311,236	999,571	1,046,836	932,006	1,459,105	1,615,221	1,311,236

- (c) Bonds purchased under resale agreements

	June 30, 2019	December 31, 2018	June 30, 2018
Bonds purchased under resell agreements	\$ -	-	49,782
Resell price under the agreements	\$ -	-	49,782
Interest rate	-	-	0.05%

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group's appropriated bonds purchased under resale agreements were all \$0 (Par value \$0) for repurchase agreement transactions purpose and for resale agreement - short sales transactions purpose (for details please refers to note 8).

- (d) Accounts Receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Receivable on securities purchased by customers	\$ 21,439	8,642	22,360
Settlement	2,336,692	712,274	661,955
Interests receivable	608,639	547,595	637,280
Receivables on securities sold	4,037,291	3,261,956	7,142,288
Others	108,307	78,419	332,442
Subtotal	7,112,368	4,608,886	8,796,325
Less: allowance for doubtful accounts	(1,706)	(1,713)	(3,519)
Total	<u>\$ 7,110,662</u>	<u>4,607,173</u>	<u>8,792,806</u>

- (i) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(y).
- (ii) For the six months ended June 30, 2019 and 2018, impairment test have been applied by the Group, the variation of loss allowance in receivables, please refer to note 6(y).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, a reconciliation of the customers' margin account and the futures traders' equity was as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Customers' margin account			
Cash in banks	\$ 24,992,226	24,386,388	19,532,599
Customers' margin account - futures clearing house	4,063,392	2,579,464	3,020,359
Customers' margin account - other futures commission merchants	4,544,886	6,309,528	5,944,890
Marketable securities	<u>923</u>	<u>250</u>	<u>1,859</u>
Total customers' margin account	<u>33,601,427</u>	<u>33,275,630</u>	<u>28,499,707</u>
Add:			
Commission expense	4,986	5,035	7,412
Other	38	52	22
Less:			
Commission revenue	(16,652)	(17,259)	(24,359)
Futures transaction tax	(1,094)	(1,426)	(1,866)
Interest revenues	(3,653)	(3,726)	(1,681)
Temporary receipts	(21,343)	(669)	(1,605)
Remittance amount of the customers after the market closed	(1,998)	(7,179)	(3,521)
Other receivables	<u>(3,173)</u>	<u>(91,632)</u>	<u>(48,511)</u>
Futures traders' equity	<u><u>\$ 33,558,538</u></u>	<u><u>33,158,826</u></u>	<u><u>28,425,598</u></u>

(f) Investments under equity method

As of June 30, 2019, December 31, 2018 and June 30, 2018, investments under equity method consisted of the following:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 56,071	84,732	59,837
Capital Insurance Agency Corp.	<u>43,163</u>	<u>40,757</u>	<u>41,285</u>
Subtotal	<u>99,234</u>	<u>125,489</u>	<u>101,122</u>
Associates			
True Partner Advisor Hong Kong Ltd.	47,311	45,719	43,435
Capital Investment Trust Corp.	<u>1,229,532</u>	<u>1,261,329</u>	<u>1,214,888</u>
Subtotal	<u>1,276,843</u>	<u>1,307,048</u>	<u>1,258,323</u>
Total	<u><u>\$ 1,376,077</u></u>	<u><u>1,432,537</u></u>	<u><u>1,359,445</u></u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Subsidiaries:

For the three months and the six months ended June 30, 2019 and 2018, the Group's share of gains or losses of the subsidiaries were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
The Group's share of gains based on the subsidiaries' financial statements	\$ <u>15,524</u>	<u>17,091</u>	<u>33,974</u>	<u>35,865</u>
		<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Total assets		\$ <u>204,355</u>	<u>151,345</u>	<u>196,857</u>
Total liabilities		\$ <u>105,121</u>	<u>25,856</u>	<u>95,735</u>
		<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>	
		<u>2019</u>	<u>2018</u>	<u>2018</u>
Revenue	\$ <u>78,740</u>	<u>71,428</u>	<u>155,425</u>	<u>139,337</u>
Net income	\$ <u>15,524</u>	<u>17,091</u>	<u>33,974</u>	<u>35,865</u>

(ii) Associates

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

<u>Name of associate</u>	<u>Nature between the Company</u>	<u>Primary business area and registered country</u>	<u>Proportion of Ownership and Voting Rights</u>		
			<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
True Partner Advisor Hong Kong Ltd.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Hong Kong	49.00 %	49.00 %	49.00 %
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %	20.00 %

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Total carrying amount of the associates that were not individually material	\$ <u>1,276,843</u>	<u>1,307,048</u>	<u>1,258,323</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
The Group's share of gains based on the associates' financial statements:				
Net gains from continuing operations	\$ 31,587	27,299	65,337	41,204
Other comprehensive income (losses)	3,645	2,584	3,661	2,282
Total comprehensive income (losses)	<u>\$ 35,232</u>	<u>29,883</u>	<u>68,998</u>	<u>43,486</u>

(iii) Collateral

As of June 30, 2019, December 31, 2018 and June 30, 2018, none of the investment accounted for under equity method of the Group were pledged for collateral.

(g) Property and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Carrying amount:					
June 30, 2019	<u>\$ 1,916,596</u>	<u>750,820</u>	<u>203,201</u>	<u>155,225</u>	<u>3,025,842</u>
January 1, 2019	<u>\$ 3,929,272</u>	<u>1,148,298</u>	<u>188,593</u>	<u>74,797</u>	<u>5,340,960</u>
June 30, 2018	<u>\$ 3,691,478</u>	<u>1,048,933</u>	<u>181,814</u>	<u>62,705</u>	<u>4,984,930</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, 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 for the six months ended June 30, 2019 and 2018. For the six months ended June 30, 2019 and 2018, \$2,429,307 and \$0 of property and equipment were transferred to investment property, and \$34,077 and \$54,397 of investment property were transferred to property and equipment. Please refer to note 6(x) for details of the depreciation expense occurring in this period and note 6(f) of the consolidated financial statements as of and for the year ended December 31, 2018 for other relevant information.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application	1,062,820	8,049	1,070,869
Acquisitions	16,120	8,225	24,345
Effect of changes in foreign exchange rates	937	-	937
Balance at June 30, 2019	<u>\$ 1,079,877</u>	<u>16,274</u>	<u>1,096,151</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2019	\$ -	-	-
Depreciation	(86,960)	(3,146)	(90,106)
Effect of changes in foreign exchange rates	(57)	-	(57)
Balance at June 30, 2019	<u>\$ (87,017)</u>	<u>(3,146)</u>	<u>(90,163)</u>
Carrying amount:			
June 30, 2019	<u>\$ 992,860</u>	<u>13,128</u>	<u>1,005,988</u>

(i) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
June 30, 2019	<u>\$ 3,048,546</u>	<u>711,798</u>	<u>3,760,344</u>
January 1, 2019	<u>\$ 1,035,870</u>	<u>338,144</u>	<u>1,374,014</u>
June 30, 2018	<u>\$ 1,273,664</u>	<u>460,447</u>	<u>1,734,111</u>
<u>Fair Value:</u>			
June 30, 2019			<u>7,459,944</u>
January 1, 2019			<u>2,237,610</u>
June 30, 2018			<u>2,680,530</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of June 30, 2019, December 31, 2018 and June 30, 2018, the investment properties were provided as collateral or pledged, for details please refer to note 8.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the six months ended June 30, 2019 and 2018. For the six months ended June 30, 2019 and 2018, \$2,429,307 and \$0 of property and equipment were transferred to investment property, and \$34,077 and \$54,397 of investment property were transferred to property and equipment. Please refer to note 6(x) for details of the depreciation expense occurring in this period and note 6(g) of the consolidated financial statements as of and for the year ended December 31, 2018 for other relevant information.

(j) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized as goodwill. As of June 30, 2019, December 31, 2018 and June 30, 2018, 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 June 30, 2019, December 31, 2018 and June 30, 2018, 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" endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of June 30, 2019, December 31, 2018 and June 30, 2018, the book value of the operation franchise was all \$389,999.

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

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 "Intangible Assets" endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of June 30, 2019, December 31, 2018 and June 30, 2018, the book values of intangible assets were \$46,298, \$46,270 and \$46,250 respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of June 30, 2019, December 31, 2018 and June 30, 2018, the amortized book value were \$31,231, \$36,015 and \$30,956 respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Short-term borrowings

Nature of borrowings	June 30, 2019	December 31, 2018	June 30, 2018
Collateralized loan	\$ 2,398,900	1,635,394	380,000
Credit loans	1,678,407	2,238,112	2,624,408
Total	<u>\$ 4,077,307</u>	<u>3,873,506</u>	<u>3,004,408</u>
Interest rate range	<u>0.80%~2.85%</u>	<u>0.65%~4.40%</u>	<u>0.60%~2.70%</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group had provided the land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(l) Commercial paper payable

	June 30, 2019	December 31, 2018	June 30, 2018
Commercial paper payable	\$ -	-	5,450,000
Less: Unamortized discount	-	-	(966)
Net amount	<u>\$ -</u>	<u>-</u>	<u>5,449,034</u>
Interest rate range	<u>-</u>	<u>-</u>	<u>0.52%~0.79%</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Liabilities on sale of borrowed securities	\$ 101,879	668,469	624,924
Redeem liabilities on sale of borrowed securities	-	(62,095)	(46,190)
Valuation adjustment	178	(139,826)	(76,862)
Subtotal	<u>102,057</u>	<u>466,548</u>	<u>501,872</u>
Exchange Traded Notes	991	-	-
Valuation adjustment	13	-	-
Subtotal	<u>1,004</u>	<u>-</u>	<u>-</u>
Stock warrants issued	11,975,410	13,077,314	12,251,209
Stock warrants repurchased	(11,599,322)	(12,617,507)	(11,230,669)
Subtotal	<u>376,088</u>	<u>459,807</u>	<u>1,020,540</u>
Put options	1,073	16,074	31,318
IRS asset swaps	776	763	1,107
Asset swap options - short position	338,208	208,927	350,164
Structured notes	8,598	8,914	10,444
Currency derivatives	490	9,063	3,401
Currency swaps	84	31,575	29,091
Interest rate swaps	-	544	-
Subtotal	<u>349,229</u>	<u>275,860</u>	<u>425,525</u>
Total	<u>\$ 828,378</u>	<u>1,202,215</u>	<u>1,947,937</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Bonds sold under repurchase agreements

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Bonds sold under repurchase agreements	\$ <u>33,901,266</u>	<u>28,032,524</u>	<u>37,933,089</u>
Agreed-upon repurchase amounts	<u>34,188,618</u>	<u>28,213,380</u>	<u>38,264,115</u>
Interest rates	<u>0.30%~3.20%</u>	<u>0.35%~4.40%</u>	<u>0.00%~4.40%</u>
Date of repurchase	<u>2019.7.1~2020.6.26</u>	<u>2019.1.2~2019.12.20</u>	<u>2018.7.2~2019.6.21</u>

(o) 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.

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Customer equity of separate account ledger in settlement	\$ <u>598,882</u>	<u>26,969</u>	<u>4,157</u>

(p) Accounts payable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Payable of securities sold by customers	\$ 19,448	10,731	15,319
Payable of settlements	6,046,890	3,476,398	6,970,216
Others	<u>378,762</u>	<u>370,764</u>	<u>433,012</u>
Total	<u>\$ 6,445,100</u>	<u>3,857,893</u>	<u>7,418,547</u>

(q) Long-term borrowings

The details of the long-term borrowings of the Group were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Secured bank loans - Due in November, 2019	\$ -	-	1,966,222
Less: current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>-</u>	<u>1,966,222</u>
Unused shore-term credit lines	<u>\$ -</u>	<u>-</u>	<u>133,778</u>
Range of interest rates	<u>-</u>	<u>-</u>	<u>2.36%~2.42%</u>

As of June 30, 2019, the Group had provided the land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(r) Operating leases

The Group has no material incremental operating leases contracts for the six months ended June 30, 2018. The relevant information please refer to note 6(o) of the consolidated financial statements as of and for the year ended December 31, 2017.

(s) Lease liabilities

The Group's lease liabilities are as follow:

	June 30, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 200,502	13,618	186,884
Between one and five years	595,688	36,937	558,751
More than five years	<u>312,845</u>	<u>6,562</u>	<u>306,283</u>
	<u>\$ 1,109,035</u>	<u>57,117</u>	<u>1,051,918</u>
Current	<u>\$ 200,502</u>	<u>13,618</u>	<u>186,884</u>
Non-current financial assets	<u>\$ 908,533</u>	<u>43,499</u>	<u>865,034</u>

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Interest on lease liabilities	<u>\$ 3,285</u>	<u>6,870</u>
Expenses relating to short-term leases	<u>\$ 12,975</u>	<u>15,353</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 6,628</u>	<u>13,099</u>

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

	For the six months ended June 30, 2019
Total cash outflow for leases	<u>\$ 81,144</u>

(t) Employee benefit

(i) Defined benefit plans

In the prior fiscal year, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, pension cost in the interim consolidated financial statements is measured and disclosed according to the respective actuarial report as of December 31, 2018 and 2017.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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For the three months and the six months ended June 30, 2019 and 2018, the Group's pension expenses recognized in profit or loss were \$2,867, \$3,474, \$5,723 and \$6,938, respectively.

(ii) Defined contribution plan

In accordance with the Labor Pension Act of R.O.C, the Group contributes 6% of the employee's monthly wages to employee's individual pension accounts under the Bureau of the Labor Insurance. Therefore, the Group has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Group contributed \$20,098, \$21,713, \$41,020 and \$43,632 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the six months ended June 30, 2019 and 2018, respectively.

(iii) For the three months and the six months ended June 30, 2019 and 2018, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,199, \$1,163, \$2,433 and \$2,166, respectively.

(iv) Provision for employee benefits liabilities

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Compensated absences	<u>\$ 59,301</u>	<u>50,666</u>	<u>59,354</u>

(u) Income tax

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

The Company and its subsidiaries including Capital Investment Management Corp., Capital Futures Corp., Taiwan International Securities Investment Consulting Corp, Taiwan International Futures Corp., and CSC Venture Capital Corp. are founded in Taiwan. The corporate income tax rate are both 20% for the years ended December 31, 2019 and 2018.

The subsidiaries CSC International Holdings Ltd. and Taiwan International Securities (B.V.I) Corp is founded in British Virgin Islands, and it has a tax exemption for the years ended December 31, 2019 and 2018.

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

The tax rate of reinvestment business of subsidiaries which founded in Mainland are all 25% for the years ended December 31, 2019 and 2018. Except for the third level Capital Futures Technology (Shanghai) Co., Ltd., which applies for Small Low-Profit Enterprises Income Tax, the tax rate are both 20% for the years ended December 31, 2019 and 2018.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) The detail of income tax expense for the three months and the six months ended June 30, 2019 and 2018 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current tax expense	\$ 108,995	134,239	265,350	233,125
Deferred income tax expense (benefit)	(5,258)	(1,599)	(63,408)	99,523
Total	<u>\$ 103,737</u>	<u>132,640</u>	<u>201,942</u>	<u>332,648</u>

- (iii) The amount of income tax expense or benefit recognized in other comprehensive income for the three months and the six months ended June 30, 2019 and 2018 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Foreign exchange difference from translating financial statement of foreign operations	<u>\$ 3,184</u>	<u>14,688</u>	<u>4,066</u>	<u>16,303</u>

- (iv) Income tax assessment status

- 1) The Company's income tax returns through 2016, except for 2015, were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2017 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2017 were assessed by the Tax Authority.
- 4) Subsidiary - Taiwan International Securities Investment Consulting Corp.'s income tax returns for the liquidation date as of June 30, 2012 were assessed by the Tax Authority.
- 5) Subsidiary - Capital International Technology Corp.'s income tax returns through 2017 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2017 were assessed by the Tax Authority.

- (v) Income tax administrative relief

Since income tax of securities trading and amortization of intangible assets withheld from year 2010 to 2014 and 2016 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Capital and other equity

(i) Capital stock

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Company had authorized capital of \$30,000,000 and issued common stock of 2,320,908 thousand shares, 2,320,908 thousand shares, and 2,169,073 thousand shares, respectively, with a par value of \$10 per share.

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

(ii) Capital surplus

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

The followings are the capital surplus of the Company:

	June 30, 2019	December 31, 2018	June 30, 2018
Premium from stock issuance	\$ 1,776,413	1,776,413	1,776,413
Treasury stock transactions	437,096	437,096	437,096
Paid-in capital from merger	602,665	602,665	602,665
Difference between consideration and carrying amount of subsidiaries acquired and disposed	1,338	1,338	1,338
Changes in ownership interests in subsidiaries	<u>34,787</u>	<u>34,787</u>	<u>34,787</u>
	<u>\$ 2,852,299</u>	<u>2,852,299</u>	<u>2,852,299</u>

(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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Special reserve

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

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.

In accordance with Ruling No. 1080321644 issued by the Financial Supervisory Commission on July 10, 2019, from year 2019, a special reserve can not to be set aside, but a certain amount of budget should be designated for the current year to pay for employee transformation and training to protect employee’s right and interest. From year 2019, the special reserve can be reversed within an amount equal to special reserve for year 2016 to 2018 when the aforementioned fees being expended.

3) Undistributed earnings

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

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

The Company’s 2017 earnings distribution for cash dividends \$433,815 and stock dividends \$1,518,351 had been resolved by the shareholders’ meeting on June 27, 2018.

The Company’s 2018 earnings distribution for cash dividends \$928,363 had been resolved by the shareholders’ meeting on June 24, 2019.

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(w) Earnings per share

The basic earnings per share and dilutive earnings per share for the three months and the six months ended June 30, 2019 and 2018 were calculated as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Net income attributable to common shareholders of the Company	\$ <u>359,545</u>	<u>587,205</u>	<u>962,578</u>	<u>1,381,201</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,320,908</u>	<u>2,320,908</u>	<u>2,320,908</u>	<u>2,320,908</u>
Basic earnings per share (dollar)	\$ <u>0.15</u>	<u>0.25</u>	<u>0.41</u>	<u>0.60</u>
Effect of potentially dilutive common stock				
- Employee remuneration (thousands of shares) (Note)	<u>521</u>	<u>792</u>	<u>1,320</u>	<u>1,678</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,321,429</u>	<u>2,321,700</u>	<u>2,322,228</u>	<u>2,322,586</u>
Dilutive earnings per share (dollar)	\$ <u>0.15</u>	<u>0.25</u>	<u>0.41</u>	<u>0.59</u>

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

(x) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Brokerage commission from TSE market	\$ 375,539	529,694	686,320	979,791
Brokerage commission from OTC market	133,567	199,181	262,782	370,275
Handling fee from security financing	6,998	8,212	11,863	15,594
Futures commission income - brokerage	405,760	449,961	774,557	937,760
Overseas subsidiaries	17,223	12,178	26,876	29,675
Others	<u>17,732</u>	<u>13,721</u>	<u>36,582</u>	<u>40,122</u>
	\$ <u>956,819</u>	<u>1,212,947</u>	<u>1,798,980</u>	<u>2,373,217</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Underwriting commissions

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Revenue from underwriting securities on a firm commitment basis	\$ 14,959	17,708	22,743	36,651
Handling fee revenues from underwriting securities on best efforts basis	687	537	1,140	662
Processing fee revenues from underwriting operations	1,098	1,200	11,527	2,804
Revenue from underwriting consultation	1,120	2,338	3,260	6,383
Others	309	6,400	1,391	8,859
	<u>\$ 18,173</u>	<u>28,183</u>	<u>40,061</u>	<u>55,359</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Gains (losses) on securities sold - proprietary trading	\$ (6,875)	174,692	119,752	277,104
Gains (losses) on securities sold - underwriting	6,088	(3,014)	9,388	5,031
Gains (losses) on securities sold - hedging	8,946	(220,092)	96,140	(320,985)
Total	<u>\$ 8,159</u>	<u>(48,414)</u>	<u>225,280</u>	<u>(38,850)</u>

(iv) Interest revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Interest revenue - margin loans	\$ 145,498	215,235	283,994	418,854
Interest revenue - bonds	210,395	297,437	415,289	627,154
Overseas subsidiaries	15,154	15,503	23,977	28,589
Others	16,722	14,519	33,907	30,126
	<u>\$ 387,769</u>	<u>542,694</u>	<u>757,167</u>	<u>1,104,723</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Trading securities - proprietary	\$ (27,994)	(128,602)	336,529	(141,207)
Trading securities - underwriting	(3,883)	14,728	33,134	6,477
Trading securities - hedging	(9,980)	(170,977)	258,192	(52,727)
Settlement coverage bonds payable of short sale	(27)	769	-	(29)
	<u>\$ (41,884)</u>	<u>(284,082)</u>	<u>627,855</u>	<u>(187,486)</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Gains on changes in fair value of stock warrants	\$ 9,189,333	5,331,620	12,975,536	11,637,218
Gains on exercise of stock warrants before maturity	3,993,857	8,674,158	7,841,910	15,415,812
Losses on changes in fair value of stock warrants repurchased	(13,060,374)	(13,445,036)	(20,681,880)	(26,089,383)
Gains on expiration of stock warrants	5,795	21,949	9,684	41,748
Stock warrants issuance expenses	(38,804)	(38,973)	(76,804)	(82,907)
	<u>\$ 89,807</u>	<u>543,718</u>	<u>68,446</u>	<u>922,488</u>

(vii) Futures commission revenues

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Futures commission revenues - CSC Futures (HK) Ltd.	<u>\$ 49,490</u>	<u>119,938</u>	<u>107,623</u>	<u>297,126</u>

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

(viii) Commission expenses - future

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Future trading - reconsignment	\$ 61,325	70,679	121,606	144,858
Future trading - introducing brokers	246	(1,077)	414	1,444
Commission expenses - CSC Futures (HK) Ltd.	10,301	52,872	29,041	128,887
	<u>\$ 71,872</u>	<u>122,474</u>	<u>151,061</u>	<u>275,189</u>

(ix) Employee benefits, depreciation, and amortization expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Employee benefit expenses				
Salary expense	\$ 537,405	617,392	999,606	1,251,085
Health and labor insurance expense	37,956	39,952	80,434	86,517
Pension expense	24,164	26,350	49,176	52,736
Others	14,153	15,158	27,834	30,504
Depreciation expense	85,620	43,360	183,194	86,006
Amortization expense	8,628	8,442	16,822	17,299
	<u>\$ 707,926</u>	<u>750,654</u>	<u>1,357,066</u>	<u>1,524,147</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Other operating expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Rental expense	\$ 19,604	40,457	28,453	80,582
Taxes	77,685	103,263	167,143	219,064
Information technology expense	54,911	59,202	107,809	109,132
Postage expense	43,337	39,652	84,375	74,274
Professional service fee	5,558	87,187	10,945	194,232
Other expenses	135,101	122,525	264,049	284,852
	<u>\$ 336,196</u>	<u>452,286</u>	<u>662,774</u>	<u>962,136</u>

(xi) Other gains and losses

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Financial revenue	\$ 144,869	89,487	288,398	164,880
Currency exchange gains (losses)	(3,736)	22,067	1,150	17,864
Net gains (losses) on disposal of investment	(1,057)	38,909	6,744	38,888
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	(1,403)	(16,640)	19,900	5,323
Revenue from bank's allocation fee	34,007	32,150	67,567	66,337
Net gains (losses) on disposal of property and equipment	(342)	-	(342)	-
Dividend revenue	34,760	498	34,760	498
Gains on reversal of prior year's liabilities	38,707	14,065	51,898	25,302
Others	50,583	86,185	82,925	119,588
	<u>\$ 296,388</u>	<u>266,721</u>	<u>553,000</u>	<u>438,680</u>

(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 appropriate no more than 3% of the aforementioned amount of earnings as remuneration to the Directors. The proposal for the remuneration to employees and directors shall be reported to the shareholders' meeting.

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

For the three months and the six months ended June 30, 2019 and 2018, the estimated amounts of remuneration to employee were \$4,844, \$8,998, \$12,515 and \$18,963, and to directors were \$8,072, \$14,996, \$20,857 and \$31,604, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

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

For the three months and the six months ended June 30, 2019 and 2018, the estimated amounts of remuneration to employee were \$2,330, \$4,016, \$4,780 and \$8,643 and to directors and supervisors were \$2,330, \$3,950, \$4,780 and \$8,595 by the domestic subsidiaries of the Group, respectively.

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of June 30, 2019, December 31, 2018 and June 30, 2018, the maximum credit exposure amounted to \$98,488,574, \$92,766,076 and \$104,117,203, 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 (72.35%); secondly, is in Asia (14.55%, exclusion of Taiwan); then, is in America (7.52%). Compare to the same period of last year, there is no significant change in proportion of region of investments. The subsidiary Capital Futures Corp. only reveals the regional distribution in cash and cash equivalent and customers' margin account.

Region	June 30, 2019	December 31, 2018	June 30, 2018
Taiwan	\$ 70,891,165	68,026,272	70,325,983
Asia (Taiwan is excluded)	14,259,813	13,929,523	16,957,613
Europe	5,445,269	4,495,750	5,759,744
America	7,370,402	5,709,464	10,154,528
Other	23,332	82,619	265,825
Total	<u>\$ 97,989,981</u>	<u>92,243,628</u>	<u>103,463,693</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Impairment loss

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 19,223,586	10,047	16,677,224	23,522	26,294,632	21,728
Past due 0~30 days	264	264	272	272	1,030	1,030
Past due 31~120 days	282	282	914	914	4,204	4,204
Past due 121~360 days	243	243	25,523	25,523	109,887	109,887
Past due more than 360 days	307,510	307,510	288,286	288,286	182,173	182,173
	<u>\$ 19,531,885</u>	<u>318,346</u>	<u>16,992,219</u>	<u>338,517</u>	<u>26,591,926</u>	<u>319,022</u>

Allowance for doubtful debts under receivables and overdue receivables are recorded for the bad 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 June 30, 2019, December 31, 2018 and June 30, 2018, the impairment losses of accrued receivables were recognized \$318,346, \$338,517 and \$319,022, respectively.

3) Credit risk of accrued receivables and debt securities

Debt securities held by the Group including government bonds, listed and unlisted debt securities are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements as of and for the year ended December 31, 2018.

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

The loss allowance provision for the six months ended June 30, 2019 and 2018 was as follows:

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2019	-	5,861	-	-	338,517	-	344,378
Provision or reversal of Impairment loss	-	2,742	-	-	(2,701)	-	41
Amounts written off	-	-	-	-	(20,670)	-	(20,670)
Effect of exchange rate	-	-	-	-	3,200	-	3,200
Balance on June 30, 2019	<u>\$ -</u>	<u>8,603</u>	<u>-</u>	<u>-</u>	<u>318,346</u>	<u>-</u>	<u>326,949</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Total
Balance on January 1 per IAS39	\$ -	-	-	-	260,851	-	260,851
Adjustment on initial application of IFRS 9	-	15,153	-	-	-	-	15,153
Balance on January 1, 2018	-	15,153	-	-	260,851	-	276,004
Provision or reversal of Impairment loss	-	(4,892)	-	-	57,331	-	52,439
Effect of exchange rate	-	-	-	-	840	-	840
Balance on June 30, 2018	<u>\$ -</u>	<u>10,261</u>	<u>-</u>	<u>-</u>	<u>319,022</u>	<u>-</u>	<u>329,283</u>

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
June 30, 2019							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 102,057	102,057	102,057	-	-	-	-
Stock warrants issued	376,088	376,088	337,228	38,860	-	-	-
Put options - futures	1,073	1,073	1,073	-	-	-	-
Exchange traded notes	1,004	1,004	-	-	-	1,004	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	860	860	(20)	254	448	178	-
Put options	338,208	338,208	28,821	48,841	153,644	106,902	-
Currency derivatives	490	490	490	-	-	-	-
Short-term borrowings	4,077,307	4,077,307	4,077,307	-	-	-	-
Bonds sold under repurchase agreements	33,901,266	34,188,618	34,188,618	-	-	-	-
Guarantee deposited for short sales	1,215,246	1,215,246	1,215,246	-	-	-	-
Proceeds payable from short sales	1,353,726	1,353,726	1,353,726	-	-	-	-
Securities lending refundable deposits	907,858	907,858	907,858	-	-	-	-
Futures traders' equity	33,558,538	33,558,538	33,558,538	-	-	-	-
Leverage contract trading customers' equity	239,286	239,286	239,286	-	-	-	-
Notes payable and accounts payable	406,230	406,230	406,230	-	-	-	-
Receipts under custody	102,897	102,897	102,897	-	-	-	-
Other payables	1,744,360	1,744,360	1,742,451	1,909	-	-	-
Structured notes	3,680,170	3,680,170	3,130,724	225,927	206,322	117,197	-
Lease liabilities	1,051,918	1,109,035	97,252	103,250	294,878	300,810	312,845
	<u>\$ 83,058,582</u>	<u>83,403,051</u>	<u>81,489,782</u>	<u>419,041</u>	<u>655,292</u>	<u>526,091</u>	<u>312,845</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2018							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 466,548	466,548	466,548	-	-	-	-
Stock warrants issued	459,807	459,807	442,191	17,616	-	-	-
Put options - futures	16,074	16,074	16,074	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	32,882	32,882	33,869	(2,727)	814	926	-
Put options	208,927	208,927	8,925	19,064	125,073	55,865	-
Currency derivatives	9,063	9,063	9,063	-	-	-	-
Short-term borrowings	3,873,506	3,873,506	3,714,303	159,203	-	-	-
Bonds sold under repurchase agreements	28,032,524	28,213,380	28,213,380	-	-	-	-
Guarantee deposited for short sales	2,316,744	2,316,744	2,316,744	-	-	-	-
Proceeds payable from short sales	2,603,315	2,603,315	2,603,315	-	-	-	-
Securities lending refundable deposits	644,843	644,843	644,843	-	-	-	-
Futures traders' equity	33,158,826	33,158,826	33,158,826	-	-	-	-
Leverage contract trading customers' equity	225,899	225,899	225,899	-	-	-	-
Notes payable and accounts payable	381,154	381,154	381,154	-	-	-	-
Receipts under custody	120,325	120,325	120,325	-	-	-	-
Other payables	765,572	765,572	763,523	2,049	-	-	-
Structured notes	<u>3,676,833</u>	<u>3,676,833</u>	<u>3,175,382</u>	<u>191,419</u>	<u>237,377</u>	<u>72,655</u>	<u>-</u>
	<u><u>\$ 76,992,842</u></u>	<u><u>77,173,698</u></u>	<u><u>76,294,364</u></u>	<u><u>386,624</u></u>	<u><u>363,264</u></u>	<u><u>129,446</u></u>	<u><u>-</u></u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
June 30, 2018							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 501,872	501,872	501,872	-	-	-	-
Stock warrants issued	1,020,540	1,020,540	989,099	31,441	-	-	-
Put options - futures	31,318	31,318	31,318	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	30,198	30,198	12,638	16,499	1,061	-	-
Put options	350,164	350,164	31,753	34,542	95,554	188,315	-
Currency derivatives	3,401	3,401	3,401	-	-	-	-
Short-term borrowings	3,004,408	3,004,408	3,004,408	-	-	-	-
Commercial paper payable	5,449,034	5,450,000	5,450,000	-	-	-	-
Bonds sold under repurchase agreements	37,933,089	38,264,115	38,264,115	-	-	-	-
Guarantee deposited for short sales	1,140,215	1,140,215	1,140,215	-	-	-	-
Proceeds payable from short sales	1,291,796	1,291,796	1,291,796	-	-	-	-
Securities lending refundable deposits	763,774	763,774	763,774	-	-	-	-
Futures traders' equity	28,425,598	28,425,598	28,425,598	-	-	-	-
Leverage contract trading customers' equity	217,460	217,460	217,460	-	-	-	-
Notes payable and accounts payable	1,962,280	1,962,280	1,962,280	-	-	-	-
Receipts under custody	213,073	213,073	213,073	-	-	-	-
Other payables	1,571,704	1,571,704	1,569,929	1,775	-	-	-
Long-term borrowings	1,966,222	1,966,222	-	-	1,966,222	-	-
Structured notes	5,653,911	5,653,911	5,041,496	336,058	202,975	73,382	-
	<u>\$ 91,530,057</u>	<u>91,862,049</u>	<u>88,914,225</u>	<u>420,315</u>	<u>2,265,812</u>	<u>261,697</u>	<u>-</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iii) Currency risk

1) Currency risk exposure

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

		June 30, 2019		
		Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>				
<u>Monetary Item</u>				
USD	\$	581,641	31.0600	18,065,769
AUD		2,811	21.7950	61,266
CAD		299	23.7300	7,095
CHF		74	31.8550	2,357
EUR		8,751	35.3800	309,610
GBP		3,096	39.3900	121,951
HKD		84,167	3.9770	334,732
JPY		4,080,906	0.2886	1,177,749
SGD		247	22.9700	5,674
CNY		73,296	4.5210	331,371
ZAR		2	2.1900	4
KRW		447,213	0.0271	12,119
NZD		57	20.8500	1,188
THB		1,713	1.0165	1,741
<u>Non-Monetary Item</u>				
USD		477,234	31.0600	14,822,888
AUD		142,575	21.7950	3,107,422
CAD		2	23.7300	47
EUR		6,068	35.3800	214,686
GBP		1	39.3900	39
HKD		22,581	3.9770	89,805
JPY		25,220	0.2886	7,278
CNY		344,168	4.5210	1,555,984
NZD		2	20.8500	42
<u>Investments under equity method</u>				
HKD		11,896	3.9770	47,311

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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		June 30, 2019		
		Foreign Currency	Exchange Rate	Amount
		(thousands)		
<u>Financial liabilities</u>				
<u>Monetary Item</u>				
USD	\$	1,025,324	31.0600	31,846,563
AUD		133,596	21.7950	2,911,725
CAD		16	23.7300	380
CHF		74	31.8550	2,357
EUR		14,156	35.3800	500,839
GBP		2,989	39.3900	117,737
HKD		181,893	3.9770	723,388
JPY		4,079,875	0.2886	1,177,452
SGD		296	22.9700	6,799
CNY		277,782	4.5210	1,255,852
KRW		114,436	0.0271	3,101
THB		(333)	1.0165	(338)
<u>Non-Monetary Item</u>				
USD		5	31.0600	155
CNY		72	4.5210	326

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		June 30, 2018		
		Foreign Currency	Exchange Rate	Amount
		(thousands)		
<u>Financial assets</u>				
<u>Monetary Item</u>				
USD	\$	497,659	30.4600	15,158,693
AUD		4,950	22.4950	111,350
CAD		332	23.0400	7,649
CHF		31	30.5950	948
EUR		7,414	35.4000	262,456
GBP		3,822	39.9600	152,727
HKD		88,369	3.8810	342,960
JPY		949,317	0.2754	261,442
SGD		143	22.3400	3,195
CNY		129,942	4.5930	596,824
ZAR		711	2.2100	1,571
KRW		304,974	0.0275	8,387
NZD		27	20.6100	556
THB		2,588	0.9237	2,391
MYR		38	7.2660	276
<u>Non-Monetary Item</u>				
USD		545,208	30.4600	16,607,036
AUD		251,115	22.4950	5,648,832
EUR		82	35.4000	2,903
GBP		1	39.9600	40
HKD		42,256	3.8810	163,996
JPY		1,035	0.2754	285
CNY		400,135	4.5930	1,837,820
<u>Investments under equity</u>				
<u>method</u>				
HKD		11,192	3.8810	43,435

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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		June 30, 2018		
		Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>				
<u>Monetary Item</u>				
USD	\$	1,009,123	30.4600	30,737,887
AUD		251,459	22.4950	5,656,570
CHF		31	30.5950	948
EUR		6,643	35.4000	235,162
GBP		3,721	39.9600	148,691
HKD		203,950	3.8810	791,530
JPY		898,058	0.2754	247,325
SGD		139	22.3400	3,105
CNY		254,341	4.5930	1,168,188
ZAR		680	2.2100	1,503
KRW		104,923	0.0275	2,885
NZD		14	20.6100	289
THB		2,262	0.9237	2,089
<u>Non-Monetary Item</u>				
USD		68	30.4600	2,071
CAD		45	23.0400	1,037
JPY		911	0.2754	251
CNY		1	4.5930	5
NZD		2	20.6100	41

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the six months ended June 30, 2019 and 2018, the realized and unrealized currency exchange gains (losses) amounted to \$2,774 and \$(5,865), respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, customers' margin account, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the six months ended June 30, 2019 and 2018, given other factors remain the same, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will changes as follows:

	For the six months ended June 30,		For the six months ended June 30,	
	2019		2018	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
Net income	(528,841)	528,841	(712,714)	712,714
Other comprehensive income	598,114	(598,114)	801,360	(801,360)

(iv) Sensitivity analysis of interest rate risk

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

Market risk type	June 30, 2019	June 30, 2018	For the six months ended June 30,					
			2019			2018		
			Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,522,578	1,683,218	1,497,856	1,522,578	1,473,449	1,930,325	2,076,354	1,683,218

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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2) Not measured at fair value

As of June 30, 2019, December 31, 2018 and June 30, 2018, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	June 30, 2019		December 31, 2018		June 30, 2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets :						
Cash and cash equivalents	\$ 8,123,268	8,123,268	7,993,419	7,993,419	7,348,000	7,348,000
Bonds purchased under resale agreements	-	-	-	-	49,782	49,782
Accrued receivable	20,283,060	20,283,060	17,631,012	17,631,012	27,092,914	27,092,914
Customers' margin account	33,601,427	33,601,427	33,275,630	33,275,630	28,499,707	28,499,707
Leverage contract trading - customers' margin account	240,468	240,468	228,564	228,564	211,002	211,002
Restricted assets - current	732,569	732,569	730,728	730,728	626,344	626,344
Other non-current assets	1,504,771	1,504,771	1,416,547	1,416,547	1,509,364	1,509,364
Financial liabilities :						
Short-term borrowings	4,077,307	4,077,307	3,873,506	3,873,506	3,004,408	3,004,408
Commercial paper payable	-	-	-	-	5,449,034	5,449,034
Bonds sold under repurchase agreements	33,901,266	33,901,266	28,032,524	28,032,524	37,933,089	37,933,089
Accrued payable	12,716,686	12,716,686	10,788,574	10,788,574	12,714,890	12,714,890
Futures traders' equity	33,558,538	33,558,538	33,158,826	33,158,826	28,425,598	28,425,598
Leverage contract trading - customers' equity	239,286	239,286	225,899	225,899	217,460	217,460
Other financial liabilities - current	3,348,053	3,348,053	3,357,887	3,357,887	5,367,110	5,367,110
Long-term borrowings	-	-	-	-	1,966,222	1,966,222
Other financial liabilities - non-current	323,519	323,519	310,032	310,032	276,357	276,357
Other non-current liabilities	96,853	96,853	68,458	68,458	248,846	248,846

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

	Level 1	Level 2	Level 3	Total
Investment property				
June 30, 2019	\$ -	-	7,459,944	7,459,944
December 31, 2018	\$ -	-	2,237,610	2,237,610
June 30, 2018	\$ -	-	2,680,530	2,680,530

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2019				
Financial assets at fair value through profit or loss	\$ 12,956,627	18,512,134	-	31,468,761
Financial assets at fair value through other comprehensive income	275,191	14,784,474	2,256,674	17,316,339
Derivative financial assets	<u>231,326</u>	<u>70,412</u>	<u>-</u>	<u>301,738</u>
	<u>\$ 13,463,144</u>	<u>33,367,020</u>	<u>2,256,674</u>	<u>49,086,838</u>
Financial liabilities at fair value through profit or loss	\$ 479,149	-	-	479,149
Derivative financial liabilities	<u>1,073</u>	<u>348,156</u>	<u>-</u>	<u>349,229</u>
	<u>\$ 480,222</u>	<u>348,156</u>	<u>-</u>	<u>828,378</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2018				
Financial assets at fair value through profit or loss	\$ 12,267,176	18,674,078	-	30,941,254
Financial assets at fair value through other comprehensive income	484,340	10,381,589	1,911,577	12,777,506
Derivative financial assets	<u>235,070</u>	<u>69,659</u>	<u>-</u>	<u>304,729</u>
	<u>\$ 12,986,586</u>	<u>29,125,326</u>	<u>1,911,577</u>	<u>44,023,489</u>
Financial liabilities at fair value through profit or loss	\$ 926,355	-	-	926,355
Derivative financial liabilities	<u>16,074</u>	<u>259,786</u>	<u>-</u>	<u>275,860</u>
	<u>\$ 942,429</u>	<u>259,786</u>	<u>-</u>	<u>1,202,215</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2018				
Financial assets at fair value through profit or loss	\$ 16,054,956	17,787,536	-	33,842,492
Financial assets at fair value through other comprehensive income	571,252	19,817,603	1,830,707	22,219,562
Derivative financial assets	<u>354,711</u>	<u>93,602</u>	<u>-</u>	<u>448,313</u>
	<u>\$ 16,980,919</u>	<u>37,698,741</u>	<u>1,830,707</u>	<u>56,510,367</u>
Financial liabilities at fair value through profit or loss	\$ 1,522,412	-	-	1,522,412
Derivative financial liabilities	<u>31,318</u>	<u>394,207</u>	<u>-</u>	<u>425,525</u>
	<u>\$ 1,553,730</u>	<u>394,207</u>	<u>-</u>	<u>1,947,937</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the six months ended June 30, 2019 and 2018, there is no transfer of financial instruments between Level 1 and Level 2.

5) Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the Group. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. The valuation models and adjustment parameters were verified to ensure valuation procedures and results are in accordance with the requirements, so the valuation adjustments are pertinent and appropriate. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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6) Movements of financial assets at fair value classified into Level 3

(In Thousands Dollars)

For the six months ended June 30, 2019								
Item	Beginning Balance	Gains and losses on valuation		Addition		Reduction		Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 1,911,577	-	282,496	64,864	-	2,263	-	2,256,674

For the six months ended June 30, 2018								
Item	Beginning Balance	Gains and losses on valuation		Addition		Reduction		Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 1,787,809	-	51,615	2,135	-	10,852	-	1,830,707

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

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

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

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

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
June 30, 2019		
Financial assets fair value through other comprehensive income	\$ <u>22,567</u>	<u>(22,567)</u>
December 31, 2018		
Financial assets fair value through other comprehensive income	\$ <u>19,116</u>	<u>(19,116)</u>
June 30, 2018		
Financial assets fair value through other comprehensive income	\$ <u>18,307</u>	<u>(18,307)</u>

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

(vi) Transfer of financial assets

The transferred financial assets of the Group which are not qualified for de-recognition in the daily operation are mainly debt securities under 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:

Types of financial assets	June 30, 2019				
	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ <u>33,679,406</u>	<u>33,901,266</u>	<u>-</u>	<u>-</u>	<u>-</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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December 31, 2018					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 28,357,997	28,032,524	-	-	-

June 30, 2018					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 38,238,288	37,933,089	-	-	-

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

June 30, 2019						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	(e)=(c)-(d)
Derivative financial assets	\$ 70,412	-	70,412	-	-	70,412

June 30, 2019						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	(e)=(c)-(d)
Derivative financial liabilities	\$ 348,156	-	348,156	-	-	348,156
Under repurchase agreements	33,901,266	-	33,901,266	33,901,266	-	-
Total	\$ 34,249,422	-	34,249,422	33,901,266	-	348,156

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December 31, 2018					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals
Derivative financial assets	\$ 69,659	-	69,659	-	-
December 31, 2018					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals
Derivative financial liabilities	\$ 259,786	-	259,786	-	-
Under repurchase agreements	28,032,524	-	28,032,524	28,032,524	-
Total	\$ 28,292,310	-	28,292,310	28,032,524	-
June 30, 2018					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals
Derivative financial assets	\$ 93,602	-	93,602	-	-
June 30, 2018					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)	Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals
Derivative financial liabilities	\$ 394,207	-	394,207	-	-
Under repurchase agreements	37,933,089	-	37,933,089	37,933,089	-
Total	\$ 38,327,296	-	38,327,296	37,933,089	-

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(z) Financial risk management

Except the following mentioned, there were no material changes in the Group's financial risk management and policies as disclosed in note 6(v) of the consolidated financial statements as of and for the year ended December 31, 2018.

As of June 30, 2019, December 31, 2018 and June 30, 2018, 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	June 30, 2019		December 31, 2018		June 30, 2018	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Stock warrants issued	\$ 6,812,199	-	17,901,620	-	46,219,793	-

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.

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

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

1) For the three months ended June 30, 2019 and the six months ended June 30, 2019:

a) Gains (losses) on valuation

	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>	<u>Account</u>
Stock warrants issued	\$ 4,234,816	8,434,690	Gains (losses) on stock warrants issued
Stock warrants repurchased	(4,158,102)	(8,360,597)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>	<u>Account</u>
Security borrowing	\$ 15,262	30,186	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(21,226)	42,035	Gains (losses) on sale of trading securities
Futures transaction	(30,473)	(93,022)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended June 30, 2019</u>	<u>For the six months ended June 30, 2019</u>	<u>Account</u>
Stock warrants issued	\$ 8,954,169	12,392,440	Gains (losses) on stock warrants issued
Stock warrants repurchased	(8,902,272)	(12,321,283)	Gains (losses) on stock warrants issued

2) For the three months ended June 30, 2018 and the six months ended June 30, 2018:

a) Gains (losses) on valuation

	<u>For the three months ended June 30, 2018</u>	<u>For the six months ended June 30, 2018</u>	<u>Account</u>
Stock warrants issued	\$ 4,787,153	13,144,715	Gains (losses) on stock warrants issued
Stock warrants repurchased	(4,685,200)	(12,658,212)	Gains (losses) on stock warrants issued

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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b) Gains (losses) on sale

	For the three months ended June 30, 2018	For the six months ended June 30, 2018	Account
Security borrowing	\$ 123,805	181,717	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(285,073)	(458,608)	Gains (losses) on sale of trading securities
Futures transaction	(50,960)	(194,240)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the three months ended June 30, 2018	For the six months ended June 30, 2018	Account
Stock warrants issued	\$ 9,240,574	13,950,063	Gains (losses) on stock warrants issued
Stock warrants repurchased	(8,759,836)	(13,431,171)	Gains (losses) on stock warrants issued

Exchange traded notes

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

Financial Instruments	June 30, 2019		December 31, 2018		June 30, 2018	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Exchange traded notes issued	\$ 1,004	-	-	-	-	-

The Group determines counterparties with international credit rating BBB (inclusive) or above prior to issuing exchange traded notes, and therefore, no default is expected and credit risk is accordingly remote.

(ii) Market risk:

Market risk of exchange traded notes issued arises from changes in prices of the underlying securities. Market risk can be hedged by adjusting the positions of the underlying index or related financial instruments (such as futures or other derivative financial instruments).

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 are used to hedge against risk from investors. These underlying securities used as hedging instruments exhibit highly positive correlation with the fair values of exchange traded notes, and positions held are evaluated and adjusted periodically.

(v) Presentation of financial derivatives:

For the six months ended June 30, 2019, gains (losses) on exchange traded notes amounted to \$20, and were reflected as net gains (losses) from exchange traded notes. As of June 30, 2019, margin exchange traded notes amounted to \$20, and were reflected as other non current assets; outstanding liabilities exchange traded notes which recognized as financial liabilities at fair value through profit or loss current amounted to \$1,004.

Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of June 30, 2019, December 31, 2018 and June 30, 2018.

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

(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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iv) Presentation of financial derivatives:

For the six months ended June 30, 2019 and 2018, gains (losses) on futures and options transactions amounted to \$(386,574) and \$290,270, respectively, and were recognized in gains (losses) on derivatives - futures. As of June 30, 2019, December 31, 2018 and June 30, 2018, futures margin - proprietary fund amounted to \$230,378, \$223,490 and \$334,938, respectively, and were recognized in financial assets at fair value through profit or loss - current; excess future margin which recognized in cash and cash equivalent amounted to \$1,947,741, \$1,998,273 and \$2,013,876, respectively.

As of June 30, 2019, December 31, 2018 and June 30, 2018, the balance of call options which recognized in financial assets at fair value through profit or loss - current amounted to \$948, \$11,580 and \$19,773, respectively, put options which recognized in financial liabilities at fair value through profit or loss - current amounted to \$1,073, \$16,074 and \$31,318, respectively.

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

Financial Instruments	June 30, 2019		December 31, 2018		June 30, 2018	
	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	\$ 24,600,000	-	29,800,000	-	33,800,000	-

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

2) Market risk:

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

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

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

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

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

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

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

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

(ii) Structured notes

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

Financial Instruments	June 30, 2019		December 31, 2018		June 30, 2018	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Equity-linked notes	\$ 94,954	-	49,225	-	67,934	-
Principal guaranteed notes	2,850,749	-	2,730,772	-	4,752,278	-
Credit-linked notes	575,100	-	562,300	-	475,300	-
Principle guaranteed notes (in USD thousands)	USD 4,952	-	USD 10,597	-	USD 11,496	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Convertible bond asset-backed swaps

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

Financial Instruments	June 30, 2019		December 31, 2018		June 30, 2018	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset-backed swaps	\$ 715,300	-	694,900	-	840,200	-
Convertible bond options	3,699,500	-	3,012,400	-	2,801,600	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iv) Options

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

Financial Instruments	June 30, 2019		December 31, 2018		June 30, 2018	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Equity options	\$ -	-	-	-	30,000	-

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

2) Market risk:

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

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

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

(v) Presentation of derivative instruments in financial statement - OTC

As of June 30, 2019, December 31, 2018 and June 30, 2018, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset-backed swaps and currency swaps were presented on the balance sheets as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 12,158	13,855	16,289
Asset swap options-long position	21,035	4,072	6,024
Currency derivatives	35,999	46,967	40,650
Structured notes	-	3,075	2,462
Currency swaps	-	1,690	25,027
Interest rate swaps	1,220	-	3,125
Equity derivatives	-	-	25
Total	<u>\$ 70,412</u>	<u>69,659</u>	<u>93,602</u>

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	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 776	763	1,107
Asset swap options-short position	338,208	208,927	350,164
Structured notes	8,598	8,914	10,444
Currency derivatives	490	9,063	3,401
Currency swaps	84	31,575	29,091
Interest rate swaps	-	544	-
Total	<u>\$ 348,156</u>	<u>259,786</u>	<u>394,207</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 3,348,053</u>	<u>3,357,887</u>	<u>5,367,110</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 323,519</u>	<u>310,032</u>	<u>276,357</u>

For the three months and the six months ended June 30, 2019 and 2018, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset-backed swaps and currency swaps are presented on statements of income as follows:

	<u>For the three months ended June 30, 2019</u>		<u>For the six months ended June 30, 2019</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 662	224	91	1,220
Equity derivatives	1,946	-	1,946	-
Structured notes	(9,093)	(245)	(22,894)	(6,554)
IRS asset swaps	59	(12,624)	123	1,181
Asset swap options	(28,964)	5,660	(106,391)	76,055
Currency swaps	464	151	(4,889)	(83)
Currency derivatives	8,400	13,619	13,969	(2,396)
Total	<u>\$ (26,526)</u>	<u>6,785</u>	<u>(118,045)</u>	<u>69,423</u>

	<u>For the three months ended June 30, 2018</u>		<u>For the six months ended June 30, 2018</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 331	1,106	(815)	3,125
Equity derivatives	853	(310)	898	(266)
Structured notes	(12,574)	(2,999)	(21,825)	(6,275)
IRS asset swaps	58	(2,921)	136	15,182
Asset swap options	(28,411)	33,354	(64,670)	(35,392)
Currency swaps	18,472	2,029	1,938	(4,064)
Currency derivatives	12,315	(11,857)	32,022	1,765
Total	<u>\$ (8,956)</u>	<u>18,402</u>	<u>(52,316)</u>	<u>(25,925)</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(aa) Capital management

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

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Capital adequacy ratio	426 %	435 %	352 %

(ab) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the six months ended June 30, 2019 and 2018, were as follows:

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

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Other</u>	<u>Non-cash changes</u> <u>Foreign exchange movement</u>	<u>Fair value changes</u>	<u>June 30, 2019</u>
Short-term borrowings	\$ 3,873,506	203,801	-	-	-	4,077,307
Lease liabilities	1,070,869	(45,822)	27,101	(230)	-	1,051,918
Total liabilities from financing activities	<u>\$ 4,944,375</u>	<u>157,979</u>	<u>27,101</u>	<u>(230)</u>	<u>-</u>	<u>5,129,225</u>

	<u>January 1, 2018</u>	<u>Cash flows</u>	<u>Other</u>	<u>Non-cash changes</u> <u>Foreign exchange movement</u>	<u>Fair value changes</u>	<u>June 30, 2018</u>
Short-term borrowings	\$ 7,081,698	(4,077,290)	-	-	-	3,004,408
Commercial papers payable	4,099,184	1,349,850	-	-	-	5,449,034
Long-term borrowings	-	1,966,222	-	-	-	1,966,222
Total liabilities from financing activities	<u>\$ 11,180,882</u>	<u>(761,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,419,664</u>

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CAPITAL SECURITIES CORPORATION AND 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

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

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp	Subsidiary
Capital Investment Trust Corp. (Note)	Associate
Funds issued by Capital Investment Trust Corp. (Note)	Funds issued by associate
San Ho Enterprise Co., Ltd.	Juristic-person director
Kwang Hsing Industrial Co., Ltd.	Juristic-person director
Tai Chun Enterprise Co., Ltd	Juristic-person director
Other related parties	Key management personnel and others

Note: Since February 9, 2018, the corporation has become an associate of the Company.

(c) Key management personnel transactions

(i) Key management personnel compensation:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Short-term employee benefits	\$ 35,864	42,423	102,464	160,994
Post-employment benefits	679	654	1,378	1,222
Total	<u>\$ 36,543</u>	<u>43,077</u>	<u>103,842</u>	<u>162,216</u>

(ii) Bond transactions - bonds sold under repurchase agreements

Bonds sold under repurchase agreements with key management personnel as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

	June 30, 2019		December 31, 2018		June 30, 2018	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Key management personnel	<u>\$ 32,500</u>	<u>32,638</u>	<u>43,000</u>	<u>43,060</u>	<u>22,600</u>	<u>22,684</u>
	For the three months ended June 30,		For the six months ended June 30,			
Total financial expenses	2019	2018	2019	2018		
Key management personnel	<u>\$ 44</u>	<u>38</u>	<u>98</u>	<u>86</u>		

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iii) Structured notes transactions

As of June 30, 2019, December 31, 2018 and June 30, 2018, the balances of structured notes transactions with key management personnel were \$84,898, \$55,612 and \$51,034, respectively.

(d) Significant transactions with related parties

(i) Bond transactions - bonds sold under repurchase agreements

The balances of bonds sold under repurchase agreements with related parties as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

	June 30, 2019		December 31, 2018		June 30, 2018	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Funds issued by associate	\$ 40,000	40,000	50,000	50,044	50,000	50,267
Juristic-person directors	21,300	21,300	20,300	20,315	14,300	14,300
Total	<u>\$ 61,300</u>	<u>61,300</u>	<u>70,300</u>	<u>70,359</u>	<u>64,300</u>	<u>64,567</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Total financial expenses	\$ 130	36	314	89
Funds issued by associate	130	36	314	89
Juristic-person directors	28	18	56	32
Total	<u>\$ 158</u>	<u>54</u>	<u>370</u>	<u>121</u>

Transaction terms are the same as the general clients.

(ii) Structured notes transaction and future transactions

As of June 30, 2019, December 31, 2018 and June 30, 2018 the balances of structured notes transactions with juristic-person directors and others of the Group were \$4,950, \$17,082 and \$4,950, respectively. The balance of future transactions with the associate were \$368,072, \$287,357 and \$225,139, respectively.

(iii) Lease agreements

1) Lease revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Subsidiaries	\$ 86	259	346	519
Associates	4,311	2,874	8,623	7,186
Total	<u>\$ 4,397</u>	<u>3,133</u>	<u>8,969</u>	<u>7,705</u>

2) Guarantee deposits received

	June 30, 2019	December 31, 2018	June 30, 2018
Subsidiaries	\$ -	200	200
Associates	3,811	3,811	3,811
Total	<u>\$ 3,811</u>	<u>4,011</u>	<u>4,011</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(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 June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Subsidiaries	\$ <u>3,853</u>	<u>3,296</u>	<u>7,518</u>	<u>6,502</u>

2) Accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Subsidiaries	\$ <u>2,561</u>	<u>2,020</u>	<u>2,209</u>

(v) Commissions

The brokerage commission received from the Juristic-person directors, funds issued by associate of the Group and other related parties engaging in securities and futures trading for the three months and the six months ended June 30, 2019 and 2018, were as follows:

Brokerage commissions	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Associates	\$ 347	(25)	563	315
Funds issued by associate	5,004	1,637	8,019	3,939
Juristic-person directors	-	102	-	102
Other related parties	<u>273</u>	<u>1,423</u>	<u>562</u>	<u>4,394</u>
Total	\$ <u>5,624</u>	<u>3,137</u>	<u>9,144</u>	<u>8,750</u>

Re-consigned handling commissions	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Funds issued by associate	\$ 2,261	144	4,264	2,094
Other related parties	<u>46</u>	<u>37</u>	<u>77</u>	<u>79</u>
Total	\$ <u>2,307</u>	<u>181</u>	<u>4,341</u>	<u>2,173</u>

Other commissions	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Funds issued by associate	\$ <u>557</u>	<u>366</u>	<u>897</u>	<u>366</u>

(vi) Management service income and stock service income:

For the three months and the six months ended June 30, 2019, the Group provided management service and stock service for associate, and the service income amounted to \$61, \$63, \$157 and \$103, respectively.

(vii) Accrued receivables

The accrued receivables between the associate and the Group primarily were securities management service receivable. As of June 30, 2019, December 31, 2018 and June 30, 2018, the accrued receivables amounted to \$11, \$10 and \$10, respectively.

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Notes to the Consolidated Financial Statements

(viii) Disposals of financial assets

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

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

(8) Pledged assets:

The following assets were pledged as collateral or restricted in use as of June 30, 2019, December 31, 2018 and June 30, 2018:

	June 30, 2019	December 31, 2018	June 30, 2018	The collateral use
Restricted assets - current	\$ 732,569	730,728	626,344	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	34,831,857	29,145,321	39,737,148	Repurchase agreement
Property and equipment	1,859,504	3,968,485	3,979,859	Bank borrowings
Financial assets at fair value through profit or loss - non - current	180,485	185,109	185,455	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property	2,936,581	895,814	900,739	Bank borrowings
Total	<u>\$ 40,540,996</u>	<u>34,925,457</u>	<u>45,429,545</u>	

(9) Significant contingent liability and unrecognized contract commitment:

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	525,866	\$ 5,258,660	528,296	5,282,960	672,688	6,726,880
Collateral for margin purchase	20,149	201,490	34,550	345,500	6,295	62,950
Collateral for short sales	2,669	26,690	6,150	61,500	6,054	60,540
Lending securities to customers through short sales	34,389	343,890	50,957	509,570	26,926	269,260

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	253	\$ 2,530	1,074	10,740	189	1,890
Collateral for refinancing margin	23	230	53	530	36	360

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Promissory notes	\$ <u>26,640,000</u>	<u>26,440,000</u>	<u>24,290,000</u>
Promissory notes (in USD thousands)	USD <u>60,000</u>	USD <u>60,000</u>	USD <u>60,000</u>

- (d) As of June 30, 2019, December 31, 2018 and June 30, 2018, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$4,297,316, \$3,848,765 and \$2,377,271, 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) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation for damages of \$2,798. The case is under the trial of Taiwan Taipei District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.
- (g) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. There was one case that mutual reach the settlement and withdraw appeals on May 7, 2019. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the balance was \$48,034 as of June 30, 2019.
- (h) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.
- (i) The subsidiary, Capital Futures Corp., acquired hardware and software system for the development of future operation, which cost \$7,960 for contract price. As of June 30, 2019, the unpaid balance was amounted to \$5,072.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(i) Balance sheet of trust accounts

Balance Sheet of Trust Accounts

June 30, 2019, December 31, 2018 and June 30, 2018

Trust Assets	June 30, 2019	December 31, 2018	June 30, 2018	Trust Liabilities	June 30, 2019	December 31, 2018	June 30, 2018
Bank deposits	\$ 1,179,145	863,717	1,066,378	Accounts payable	\$ 645	230	684
Short-term investment				Trust capital	13,729,784	12,864,910	12,748,996
Funds	11,948,983	10,355,060	10,508,938	Accumulated earnings or deficit	(13,802)	(1,066,242)	(250,771)
Stocks	97,605	351,841	175,007				
Securities lent	361,941	90,222	507,737				
Bonds	56,984	12,003	11,894				
Structured notes	-	12,224	13,098				
Accounts receivable	<u>71,969</u>	<u>113,831</u>	<u>215,857</u>				
Total Assets	\$ <u>13,716,627</u>	<u>11,798,898</u>	<u>12,498,909</u>	Total Liabilities	\$ <u>13,716,627</u>	<u>11,798,898</u>	<u>12,498,909</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income statement of trust accounts

Income Statement of Trust Accounts

For the six months ended June 30, 2019 and 2018

	For the six months ended June 30,	
	2019	2018
Trust revenue		
Interest revenue	\$ 2,702	2,794
Cash dividends revenue	261,944	225,363
Rental revenue	3,560	4,683
Investment gains - realized	1,826	89,366
Investment gains - unrealized	773,186	-
Currency exchange gains	55,434	1,780,313
Other revenue	<u>30</u>	<u>-</u>
Subtotal	<u>1,098,682</u>	<u>2,102,519</u>
Trust expense		
Management fee	364	552
Service fee	30,511	44,611
Investment losses - unrealized	-	831,785
Currency exchange losses - unrealized	1,277,589	2,284,362
Supplementary insurance premium	<u>7</u>	<u>5</u>
Subtotal	<u>1,308,471</u>	<u>3,161,315</u>
Income (losses) before income tax	(209,789)	(1,058,796)
Income tax expense	<u>(179)</u>	<u>(163)</u>
Net income (losses)	<u><u>\$ (209,968)</u></u>	<u><u>(1,058,959)</u></u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Property list of trust accounts

Property list of trust accounts

June 30, 2019, December 31, 2018 and June 30, 2018

Investment items	June 30, 2019	December 31, 2018	June 30, 2018
Bank deposits	\$ 1,179,145	863,717	1,066,378
Short-term investment			
Funds	11,948,983	10,355,060	10,508,938
Stocks	97,605	351,841	175,007
Securities lent	361,941	90,222	507,737
Bonds	56,984	12,003	11,894
Structured Notes	-	12,224	13,098
Account receivables	<u>71,969</u>	<u>113,831</u>	<u>215,857</u>
Total	<u><u>\$ 13,716,627</u></u>	<u><u>11,798,898</u></u>	<u><u>12,498,909</u></u>

(10) Significant Catastrophic Loss:None

(11) Significant Subsequent Events:None

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) As of June 30, 2019, December 31, 2018 and June 30, 2018, the open positions of futures and option contracts were as follows:

(i) June 30, 2019

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	87	\$ 184,371	184,040	
	TAIEX Futures	Short	206	(427,943)	(435,772)	
	TSEC Weighted Index Futures	Short	1	(2,114)	(2,113)	
	Mini-TAIEX Futures	Long	5	2,573	2,619	
	Mini-TAIEX Futures	Short	31	(16,397)	(16,394)	
	Electronic Sector Index Futures	Short	5	(8,291)	(8,422)	
	Finance Sector Index Futures	Short	2	(2,566)	(2,573)	
	Single Stock Futures	Long	186	43,703	45,249	
	Single Stock Futures	Short	6,584	(890,669)	(910,060)	
	H Stocks Index Futures	Short	3	(16,823)	(17,005)	
	Dow Futures	Long	13	6,909	6,909	
	E-mini-Dow Futures	Short	2	(8,102)	(8,260)	
	Soybean Futures	Short	12	(17,304)	(17,201)	
	FTSE China A50 Index Futures	Long	62	26,012	26,007	
	FTSE China A50 Index Futures	Short	540	(224,893)	(226,511)	
	S&P 500 Futures	Long	10	5,892	5,864	
	S&P 500 Futures	Short	1	(4,579)	(4,572)	
	SGX Nikkei 225 Index Futures	Short	4	(12,152)	(12,248)	
	5 Year U.S. T-Note Futures	Long	80	293,401	293,595	
	10 Year U.S. T-Note Futures	Short	4	(15,893)	(15,899)	
	Mini-TOPIX Futures	Short	4	(1,786)	(1,790)	
	TOPIX Futures	Long	180	55,755	55,821	
	TOPIX Futures	Short	12	(53,622)	(53,714)	
	Crude Oil Futures	Short	45	(75,885)	(81,724)	
	Mini-Weekly Stock Index Futures	Long	37	19,692	19,765	
	OTC Futures	Short	11	(5,865)	(5,999)	
	AUD Futures	Long	35	76,350	76,488	
	GBP/USD Futures	Long	27	21,324	21,329	
	GBP/USD Futures	Short	69	(54,670)	(54,684)	
	AUD/USD Futures	Short	139	(75,744)	(75,932)	
	JPY/USD Futures	Long	69	42,419	42,391	
	JPY/USD Futures	Short	225	(139,447)	(139,026)	
	EUR/USD Futures	Short	102	(72,860)	(72,924)	
	Japanese Yen Futures	Long	2	7,211	7,246	
	Japanese Yen Futures	Short	27	(97,895)	(97,925)	
	GBP Futures	Long	14	34,563	34,649	
	VIX Futures	Short	28	(14,567)	(13,502)	
	Euro Futures	Long	16	71,060	71,106	
	Subtotal			(1,348,832)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Long	6	\$ 51	104	
	TAIEX Options (Put)	Long	34	366	153	
	TAIEX Options (Call)	Short	34	(255)	(444)	
	TAIEX Options (Put)	Short	6	(58)	(16)	
	TAIEX Weekly Options (Call)	Long	24	118	125	
	TAIEX Weekly Options (Put)	Long	361	380	366	
	TAIEX Weekly Options (Call)	Short	61	(343)	(399)	
	TAIEX Weekly Options (Put)	Short	24	(83)	(76)	
	Taiwan SE Weighted Index Options (Call)	Long	164	180	200	
	Taiwan SE Weighted Index Options (Call)	Short	707	(167)	-	
	Soybean Meal Option (Put)	Short	19	(116)	-	
	Subtotal			73		
Total				<u>\$ (1,348,759)</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) December 31, 2018

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	219	\$ 419,425	423,418	
	TAIEX Futures	Short	674	(1,300,015)	(1,303,020)	
	Mini-TAIEX Futures	Short	264	(126,317)	(127,524)	
	Electronic Sector Index Futures	Long	23	35,333	35,397	
	Finance Sector Index Futures	Short	30	(35,369)	(35,358)	
	Single Stock Futures	Long	1,938	347,884	344,406	
	Single Stock Futures	Short	3,226	(395,545)	(380,106)	
	H Stocks Index Futures	Long	7	13,704	13,757	
	HSI Futures	Short	5	(25,340)	(25,343)	
	Mini-HSI Futures	Long	4	4,067	4,055	
	SGX Nifty 50 Index Futures	Short	36	(24,058)	(24,155)	
	Dow Futures	Short	58	(26,931)	(26,880)	
	E-mini-Dow Futures	Long	5	17,770	17,867	
	E-mini-Dow Futures	Short	2	(7,113)	(7,151)	
	Soybean Futures	Short	12	(16,964)	(16,964)	
	FTSE China A50 Index Futures	Short	466	(149,721)	(148,929)	
	MSCI Taiwan Index Futures	Short	70	(76,977)	(76,654)	
	S&P 500 Futures	Long	42	98,471	100,602	
	S&P 500 Futures	Short	12	(6,009)	(5,993)	
	Mini-S&P 500 Futures	Long	16	60,226	61,558	
	Mini-S&P 500 Futures	Short	6	(22,746)	(23,115)	
	SGX Nikkei 225 Index Futures	Short	4	(12,002)	(11,092)	
	2 Year U.S. T-Note Futures	Short	1	(6,495)	(6,521)	
	10 Year U.S. T-Note Futures	Short	100	(372,827)	(374,771)	
	Euro-Bund Futures	Short	23	(132,141)	(132,402)	
	Nifty 50 Index Futures	Long	48	26,045	26,189	
	Nifty 50 Index Futures	Short	4	(2,193)	(2,192)	
	JPY/USD Futures	Long	53	32,509	32,120	
	JPY/USD Futures	Short	213	(130,851)	(130,068)	
	EUR/USD Futures	Long	113	79,609	80,110	
	USD Index Futures	Short	1	(2,946)	(2,940)	
	Japanese Yen Futures	Long	3	10,249	10,563	
	Japanese Yen Futures	Short	28	(97,593)	(98,591)	
	Euro Futures	Short	18	(79,280)	(79,631)	
	Subtotal			(1,904,141)		
Options contract :						
	TAIEX Options (Call)	Long	572	1,584	1,183	
	TAIEX Options (Put)	Long	1,475	8,648	9,788	
	TAIEX Options (Call)	Short	538	(4,898)	(3,805)	
	TAIEX Options (Put)	Short	403	(3,794)	(3,187)	
	Equity Options (Call)	Long	1	98	30	
	Equity Options (Put)	Long	54	184	127	
	Equity Options (Call)	Short	1,153	(3,777)	(2,063)	
	Equity Options (Put)	Short	172	(2,263)	(2,749)	
	TAIEX Weekly Options (Put)	Long	240	72	25	
	TAIEX Weekly Options (Call)	Short	90	(173)	(208)	
	S&P 500 Options (Put)	Long	24	654	427	
	S&P 500 Options (Call)	Short	24	(1,684)	(4,059)	
	Japanese Yen Options (Put)	Short	3	(6)	(3)	
	Subtotal			(5,355)		
Total				\$ (1,909,496)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) June 30, 2018

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	46	\$ 95,919	97,343	
	TAIEX Futures	Short	958	(2,040,052)	(2,045,255)	
	Mini-TAIEX Futures	Long	12	6,371	6,406	
	Mini-TAIEX Futures	Short	5	(2,620)	(2,660)	
	Electronic Sector Index Futures	Short	35	(60,297)	(60,949)	
	Finance Sector Index Futures	Long	25	30,882	31,080	
	Non-Finance Non-Electronics Sub-Index Futures	Long	2	2,522	2,523	
	Non-Finance Non-Electronics Sub-Index Futures	Short	1	(1,241)	(1,241)	
	Single Stock Futures	Long	1,823	195,052	190,480	
	Single Stock Futures	Short	6,904	(924,528)	(900,952)	
	HSI Futures	Long	9	48,881	49,781	
	HSI Futures	Short	6	(35,016)	(33,446)	
	SGX Nifty 50 Index Futures	Long	53	34,341	34,522	
	Dow Futures	Long	156	75,399	75,847	
	Dow Futures	Short	93	(44,998)	(45,244)	
	Mini-Dow Futures	Long	12	44,307	44,363	
	Mini-Dow Futures	Short	23	(85,319)	(84,998)	
	Soybean Futures	Short	12	(17,579)	(16,083)	
	Gold Futures	Short	12	(48,502)	(45,855)	
	Micro Gold Futures	Long	11	4,263	4,203	
	MSCI Taiwan Index Futures	Short	82	(96,429)	(96,812)	
	FTSE China A50 Index Futures	Long	282	97,631	99,040	
	FTSE China A50 Index Futures	Short	786	(279,348)	(275,984)	
	Real Estate Index Futures	Short	2	(1,903)	(1,948)	
	VIX Futures	Long	18	8,648	8,718	
	S&P 500 Futures	Long	4	2,188	2,181	
	S&P 500 Futures	Short	89	(48,456)	(48,532)	
	Mini-S&P 500 Futures	Long	43	178,411	177,234	
	Mini-S&P 500 Futures	Short	2	(8,475)	(8,290)	
	10-Year U.S. T-Note Futures	Short	639	(2,329,646)	(2,339,322)	
	Ultra 10-Year U.S. T-Note Futures	Short	28	(109,336)	(109,369)	
	Euro-Bond Futures	Short	36	(206,704)	(207,154)	
	Crude Oil Futures	Long	5	11,274	11,293	
	Nifty 50 Index Futures	Long	1	534	535	
	Nifty 50 Index Futures	Short	66	(35,088)	(35,287)	
	JPY/USD FX Futures	Long	41	24,818	24,873	
	JPY/USD FX Futures	Short	36	(21,635)	(21,697)	
	EUR/USD FX Futures	Long	14	10,032	10,044	
	EUR/USD FX Futures	Short	134	(95,156)	(95,388)	
	USD Index Futures	Short	34	(96,481)	(97,712)	
	Japanese Yen Futures	Long	4	13,899	13,810	
	Japanese Yen Futures	Short	3	(10,436)	(10,357)	
	CAD Futures	Long	8	18,376	18,559	
	Euro Futures	Long	19	84,208	84,905	
	Subtotal			(5,611,289)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Options contract :	TAIEX Options (Call)	Long	427	\$ 2,134	1,319	
	TAIEX Options (Put)	Long	2,167	11,417	5,935	
	TAIEX Options (Call)	Short	1,915	(9,298)	(9,391)	
	TAIEX Options (Put)	Short	2,928	(26,415)	(14,328)	
	Equity Options (Call)	Long	551	2,524	1,384	
	Equity Options (Put)	Long	221	1,010	1,305	
	Equity Options (Call)	Short	119	(744)	(634)	
	Equity Options (Put)	Short	87	(541)	(604)	
	TAIEX Weekly Options (Call)	Long	1,614	1,866	2,865	
	TAIEX Weekly Options (Put)	Long	3,607	2,423	1,447	
	TAIEX Weekly Options (Call)	Short	558	(1,636)	(2,958)	
	TAIEX Weekly Options (Put)	Short	854	(2,807)	(1,076)	
	Electronic Sector Index Options (Call)	Long	146	425	369	
	Electronic Sector Index Options (Put)	Long	110	353	372	
	Electronic Sector Index Options (Call)	Short	70	(337)	(266)	
	Electronic Sector Index Options (Put)	Short	42	(155)	(127)	
	Finance Sector Index Options (Call)	Long	221	660	485	
	Finance Sector Index Options (Put)	Long	56	86	50	
	Finance Sector Index Options (Call)	Short	23	(20)	(16)	
	Finance Sector Index Options (Put)	Short	92	(258)	(220)	
	S&P 500 Options (Call)	Long	190	2,552	404	
	S&P 500 Options (Put)	Long	65	2,021	3,808	
	S&P 500 Options (Call)	Short	45	(536)	(240)	
	S&P 500 Options (Put)	Short	85	(2,201)	(1,401)	
	Japanese Yen Option (Put)	Short	2	(5)	(2)	
	Gold Option (Call)	Long	4	7	6	
	Gold Option (Put)	Long	11	22	24	
	Gold Option (Call)	Short	4	(7)	(7)	
	Gold Option (Put)	Short	4	(56)	(48)	
	Subtotal			(17,516)		
Total				<u>\$ (5,628,805)</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity (Total liabilities - futures traders' equity)	4,757,193 1,134,039	4.19	4,777,019 1,021,286	4.68	≥ 1	Satisfactory to requirement
17	Current Assets Current Liabilities	38,493,436 35,254,144	1.09	33,181,534 29,881,639	1.11	≥ 1	"
22	Stockholders' equity Minimum paid-in capital	4,757,193 1,115,000	426.65 %	4,777,019 1,115,000	428.43 %	≥ 60% ≥ 40%	"
22	Adjusted net capital Total amount of customers' margin required for open positions of futures trader	3,391,764 6,204,348	54.67 %	3,288,588 6,668,582	49.31 %	≥ 20% ≥ 15%	"

- (c) Unique risk for futures trading

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to others:

(In Thousands Dollars)

Number	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related party	Maximum Balance of the Period	Ending balance	Capital Employed	Range of interest rate	Type of Loans (Note)	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on Loans to a Single Business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	US 29,322	US 29,322	US 29,322	- %	2	-	Operations	-		-	US 53,741	US 53,741
2	Taiwan International Securities (B.V.I) Corp. Limited.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	US 3,380	US 3,380	US 3,380	- %	2	-	Operations & repayment of financing	-		-	US 3,380	US 3,380
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	HK 1,463	HK 1,463	HK 1,463	- %	2	-	Repayment of financing	-		-	HK 1,463	HK 1,463
4	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables - Customer	No	26,220	43,185	18,508	5 %	2	-	Tradings	-		-	102,944	411,775
5	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables - Customer	No	61,693	86,370	-	5.81 %	2	-	Tradings	-		-	102,944	411,775
6	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables - Customer	No	86,370	86,370	-	3.5 %	2	-	Tradings	-		-	102,944	411,775
7	CSC Futures (HK) Ltd.	Alpha Rnd Singapore Pte Ltd.	Account receivables - Customer	No	1,339	86,370	-	5.81 %	2	-	Tradings	-		-	102,944	411,775

Note: Type of Loans

1. Business transactions

2. Necessaries of short-term financing

(ii) Providing endorsements and guarantees for other parties:None

(iii) Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital:None

(iv) Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital:None

(v) Handling fee discounts on transactions with related parties exceeding NT\$5 million:None

(vi) Accounts receivables from related parties exceeding NT\$100 million or 20% of paid-in capital:None

(vii) Significant transactions between parent company and subsidiaries for six months ended June 30, 2019:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	149		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	9,625		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	22,433		0.02 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	171,006		0.13 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payables	3,940		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	3,819		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	63,532	General transaction	1.85 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	8,547	General transaction	0.01 %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	210	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	280	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	19	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	1,190	General transaction	0.03 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	256	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expenses	5,084	General transaction	0.15 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenues	22,433	General transaction	0.65 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	36,006	General transaction	1.05 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Lease revenue	400	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	60	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Non-operating revenues	60	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	299		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	1,734		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	2,106	General transaction	0.06 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	233		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Lease revenue	321	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	Lease revenue	73	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Non-operating revenues	30	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	36		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	1,397,768		1.10 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,397,768		1.10 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	646,539		0.51 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	3,402,919		2.67 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payables	2,331		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	4,079	General transaction	0.12 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	32,831	General transaction	0.96 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	3,274	General transaction	0.10 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	2,928,669		2.30 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	172,289		0.14 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expenses	249	General transaction	0.01 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Accumulated depreciation	1,200		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Professional service fees	10,045	General transaction	0.29 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK 2,160	General transaction	0.25 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage handling fee expense	HK 154	General transaction	0.02 %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
3	CSC Securities (HK) Ltd.	CSC International Holdings Ltd.	3	Other payables	HK 228,306		0.70 %
4	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK)Limited	3	Other receivables	HK 26,248		0.08 %

Note 1: The numbers in the Ref No. column represent as follows:

- (1) 0 stands for the parent company.
- (2) Subsidiaries are coded from No. 1 per respective companies.

Note 2: Transaction relationship with the counterparties are as follows:

- (1) Parent company to subsidiaries.
- (2) Subsidiaries to parent company.
- (3) Subsidiaries to subsidiaries.

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on June 30, 2019	Balance on December 31, 2018	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 %	94,274	36,006	(2,966)	(2,966)	9,450	The transaction has been written off in the consolidated financial statements
0	Capital Futures Corp.	Taipei ,Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,212,539	1,212,539	99,182,845	56.21 %	2,674,079	851,314	309,810	174,230	337,222	"
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business.	1,339,555	1,339,555	45,000,000	100.00 %	1,666,493	18,082	9,167	9,167	-	"
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 %	56,071	101,625	30,214	30,214	58,875	Subsidiary
0	Capital Insurance Agency Corp.	Taipei ,Taiwan, R.O.C.	November 8, 2000		Manages personal insurance agent business.	7,400	7,400	740,000	100.00 %	43,163	53,800	3,760	3,760	1,354	"
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	300	100.00 %	22	(4)	(11)	(11)	-	The transaction has been written off in the consolidated financial statements
0	Taiwan International Securities Investment Consulting Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	March 3, 1994		Liquidation in progress.	9,992	9,992	999,200	99.92 %	12,675	-	(124)	(124)	-	"
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 %	748,303	406	(3,257)	(3,257)	-	"
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 10, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00 %	1,229,532	749,725	319,836	63,967	99,203	Associates
1	CSC Securities (HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931 dated January 5, 1998	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK 128,000 thousands	HK 128,000 thousands	128,000,000	100.00 %	HK 164,962 thousands	HK 20,038 thousands	HK 4,578 thousands	-	-	The transaction has been written off in the consolidated financial statements

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on June 30, 2019	Balance on December 31, 2018	Shares	Ratio	Book value					
2	TIS Securities (HK) Limited. (Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	HK (26,249) thousands	HK -	HK (1) thousands	-	-	The transaction has been written off in the consolidated financial statements
3	Taiwan International Capital (HK) Ltd. (Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00 %	HK (66,138) thousands	HK -	HK 19 thousands	-	-	"
4	CSC Futures (HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Future brokerage and other businesses permitted by local law of Hong Kong.	862,631	862,631	214,000,000	97.27 %	1,001,333	133,652	(21,230)	-	-	"
4	Capital International Technology Co., Ltd.	Taipei ,Taiwan, R.O.C.	December 29, 2014	No. FSC-1030038387 dated November 18, 2014	Management and consulting business. Information technology software	50,000	50,000	5,000,000	100.00 %	45,050	-	(1,492)	-	-	"
4	True Partner Advisor Hong Kong Ltd	Hong Kong	May 31, 2010	No. FSC-1040027513 dated July 16, 2015	Asset Management	36,701	36,701	245,000	49.00 %	47,311	55,784	2,797	-	-	Associates
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	2	100.00 %	HK -	HK -	HK -	-	-	The transaction has been written off in the consolidated financial statements

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

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

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

Note 4: The stockholders’ special meeting resolved to dissolve on June 27, 2012.

Note 5: The board of directors of the Company resolved to dissolve the investee company on December 30, 2011. The representative office of China dissolved in 2014 as well. According to the laws of Hong Kong, it can’t be liquidated voluntarily because the total assets of TIS Securities (HK) Limited. and Taiwan International Capital (HK) Ltd. can’t cover the liabilities. The company has briefed it to the accountant in Hong Kong to plan the solutions.

(c) Information on overseas branches or representative offices:

(In Thousands of New Taiwan Dollars)

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

(d) Information on investments in the Mainland Area:

(i) Investment in the Mainland Area and related information:

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2019	Remittance of recoverable investment this period		Accumulated remittance as of June 30, 2019	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of June 30, 2019
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	1,064	28.67%	305 B(2)	13,255	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(1,883)	56.21%	(1,058) B(2)	11,784	-

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.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Limitation on investment in the Mainland Area:

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

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

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

According to article 4, no. 5 of the letter no. 10400414001 issued by Financial Supervisory Commission on November 19, 2015, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the six months ended June 30, 2019 are as follows:

(i) Balance sheet and income statement:

1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	June 30, 2019	June 30, 2019
Current assets	11,242	4
Long-term investments	21,127	-
Property and premises	2,038	-
Other assets	19,395	3,380
Total assets	53,802	3,384
Current liabilities	33	21
Other liabilities	29	3,362
Total liabilities	62	3,383
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	8,914	(9,455)
Cumulative translation adjustments	(174)	(60)
Total stockholders' equity	53,740	1
Total liabilities and stockholders' equity	53,802	3,384

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	For the six months ended June 30, 2019	For the six months ended June 30, 2019
Operating revenue	585	-
Operating expense	(410)	-
Non-operating revenue	122	-
Non-operating expense	-	-
Income (loss) before tax	297	-
Net income (loss)	297	-

(ii) Securities held as of June 30, 2019

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	June 30, 2019	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u><u>21,127</u></u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	\$ <u><u>(3,362)</u></u>

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

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

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

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

- (i) Brokerage segment: Engaged in brokerage trading, margin trading, and securities lending business.
- (ii) 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) Futures: Engaged in the business of domestic futures brokerage services, trading on a proprietary basis, futures consultancy and managed futures enterprises.

(b) Measurement of segmental information

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

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

For the three months ended June 30, 2019							
	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination
Segment Revenue	\$ 810,090	68,468	219,934	38,664	66,069	488,756	(62,868)
Segment profit or loss	\$ 318,215	34,652	40,102	(7,113)	40,743	185,952	(84,843)
For the three months ended June 30, 2018							
	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination
Segment Revenue	\$ 1,093,455	81,841	270,674	106,539	56,642	669,612	(74,406)
Segment profit or loss	\$ 561,068	38,644	24,325	42,293	35,566	195,961	(100,267)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30, 2019							
	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>1,522,644</u>	<u>169,021</u>	<u>725,889</u>	<u>67,772</u>	<u>115,555</u>	<u>948,493</u>	<u>(117,541)</u>	<u>3,431,833</u>
Segment profit or loss	\$ <u>574,821</u>	<u>101,137</u>	<u>381,279</u>	<u>(38,411)</u>	<u>73,782</u>	<u>384,473</u>	<u>(176,954)</u>	<u>1,300,127</u>
	For the six months ended June 30, 2018							
	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>2,065,378</u>	<u>145,061</u>	<u>698,046</u>	<u>387,865</u>	<u>120,758</u>	<u>1,771,570</u>	<u>(158,054)</u>	<u>5,030,624</u>
Segment profit or loss	\$ <u>1,001,186</u>	<u>64,474</u>	<u>240,541</u>	<u>262,353</u>	<u>85,204</u>	<u>664,365</u>	<u>(344,002)</u>	<u>1,974,121</u>

Note 1: Internal segment revenues are eliminated on consolidation.

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

(d) Information about products and services

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

(e) Information about regions

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

(f) Information about major customers

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