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2020

ANNUAL REPORT 2020 Annual Report Capital Securities Corporation

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

ANNUAL REPORT

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N/A

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The breakout of the COVID-19 pandemic in early 2020 interrupted everyone's life and seriously impacted the global economy and trade developments. With countries imposing lockdowns and shutting down borders, consumption was suppressed and global economic growth bore the brunt. Accordingly, central banks followed suit to cut interest rates and applied quantitative easing (QE), among other measures, to save the market. Despite the undesirable international economic situations, thanks to successful prevention against the pandemic and the strength of Taiwan in terms of semiconductor and information and communication industries, the economy in Taiwan throughout 2020 rendered relatively outstanding results mainly in the following 4 aspects:

- 1. Sequential growth in quarterly exports
 - Due to strict measures adopted by governments around the world in the prevention against the pandemic, the number of orders for 1Q20 dropped. Lockdowns, however, expedited emerging-technology applications such as 5G and high-performance computing brought about by the stay-athome economy, which, plus the UC-China technology war that gave rise to order transfer effect, contributed to the quarterly growth in the number of export orders thereafter. The order volume of technology-related goods surged against headwinds. In 2020, Taiwan's export orders reached new heights and arrived at USD533.66bn.
- 2. Taiwan's technology sector became more valuable In 2020, technology stocks around the world benefited from the pandemic. The technology sector of Taiwan demonstrated its strength in quick response and flexibility. The technology sectors of Taiwan and the US continued to collaborate on OEM, particularly in semiconductors. Morris Chang, founder of TSMC (Taiwan Semiconductor Manufacturing Co., Ltd.), forecasts that "TSMC may become the battleground for geo-strategists", which fully demonstrates the value of Taiwan's tech sector in the global supply chain.
- 3. Economic policy primarily features "invest in Taiwan to keep growth going"
 After the presidential election in early 2020, the government's strategies for economic developments have been focused on the creation of "Top 6 Core Strategic Sectors", in order to keep important industrial chains in Taiwan and build momentum for industrial developments, making Taiwan a key force in the global economy and improving Taiwan's economic strength.
- 4. Overseas Taiwanese businesses/capital returning to Taiwan The COVID-19 pandemic and the US-China trade war in 2020 hindered China's economic developments. China is no longer the hot spot attracting capital. As such, the willingness of Taiwanese businessmen to invest in China has been affected. The prior west-bound capital of Taiwanese businessmen continued to return to Taiwan, and investments in Taiwan grew significantly accordingly.

The performance of Taiwan's stock market could be divided into three stages in 2020. During stage one, the COVID-19 pandemic broke out in 1Q20 and stock markets around the world plummeted. TAIEX fell below the 10-year average line to 8,523 pts. During stage two, the Fed cut interest rates and began acquiring bonds and offering bailouts. Mid-to-long-term capital entered the market in a crisis, causing global stock markets to rally against headwinds. The pandemic generated huge new demand for technology products, making Taiwan the largest beneficiary. During stage three, the US-China trade war became the focus of the US presidential election. The US actively sanctioned the technology sector of China. Taiwan's semiconductor/technology sectors benefited from the order transfer effect. As a result, TAIEX exceeded the threshold of 12,682 pts set in 1990, rallying to a new high in 30 years. TAIEX closed at 14,732 pts and the index went up by 2,735 pts, or 22.80%, in 2020. At the end of 2020, the market capitalization of the centralized market was NTD44.91trn, an increase of NTD8.43trn year-over-year. The TPEx Index, on the other hand, closed at 184.1 pts, and the annual index went up by 35 pts, or 23.47%.

In a highly volatile environment, the Company's management team still upheld stable management philosophy and maintained operating performance by weighing risk and profit evenly. In 2020, the Company's overall pre-tax profit was NTD3,949,388 thousand, and the net profit after tax was NTD3,569,529 thousand, ranking fifth among domestic securities firms.

The business operations in 2020 were as follows:

I.Brokerage: The centralized trading market share was 3.79% for the whole year, and the TPEx market share was 5.01%. The overall market share was 4.04%. The business scale ranked the fifth among domestic securities firms and the first among independent securities firms.

II.Investment Banking:

We acted as underwriter for the IPOs of Pan German Universal Motors Ltd., and Galaxy Software Services Corporation and completed fund-raising for the SPOs of Team Group (CB1), Promate (CB3), LemTech KY (CB3), Century Iron and Steel (CB4), and capital increase in cash of Soonest Express on the secondary market. Our underwriting team is experienced and has been commissioned to complete domestic and foreign cases of different scales and types.

III.Derivatives products: The call (put) warrants issued by the Company in 2020 amounted to NTD46.905bn in total, and the number of warrants issued was 4,835. The issued amount and number of issuances ranked the third in the market. The Company's annual issuance amount of structured products was NTD14.103bn.

IV.Fixed income:

In 2020, the Company participated in the bidding for issuance of nine domestic ordinary corporate bonds, accounting for 9% of the market share and ranking the fourth among domestic securities firms. The Company's cumulative amount of public bidding for domestic ordinary corporate bonds reached NTD40.29bn, accounting for 7.26% of the market share and ranking the fourth among domestic securities firms. In 2020, for corporate bonds, the relatively large undertaken projects included those from well-known domestic enterprises, namely, Taiwan Power Company, TSMC, Formosa Plastics, Chailease, CTCI, and TECO.

Capital Securities aims to "provide high value-added services beyond client expectation and grow alongside clients in the long run". Indebted to all employees' efforts, the Company won following awards in 2020:

- I. "Best Warrant Award" in the 2020 Securities Service Evaluation by Excellence Magazine;
- II. "Best Customer Satisfaction in Wealth Management" by Business Today in 2020;
- III. "Best Customer Referral", "Best Digital Finance", "Best Charity Promotion" in the 2020 Wealth Management Award by Wealth Magazine;
- IV. Continuously selected as a constituent of FTSE4Good TIP Taiwan ESG Index;
- V. Research team members of the Shanghai office were awarded by East Money with the 3rd place, the 74th place and the 83rd place in the 2019 China's Top 100 Analysts, the 1st place in the Top Analysts for China's Banking Industry, the Best Analysts in the First Quarter of 2020, and the 81st place in the 2020 China's Top 100 Analysts.

"Capital Care" is the brand value of the Company. It has long assumed the role of a corporate citizen and continued to organize the following charity events in 2020:

- I. Capital Group's blood donation event, "Love from Capital for Charity";
- II. Worked with the New Taipei City Welfare Association for the Blind to provide employees with massage services every week;
- III. The Company also promoted the "Capital Loves to Read" event to bring attention to rural education. Employees served as volunteers to read story books to students from appointed elementary schools. Meanwhile, the Company invited students from Gueishan Elementary School and Dacheng Elementary School in New Taipei City and Jianshi Elementary School in Hsinchu County to attend a city tour by visiting the National Taiwan Science Education Center, so that students could experience new scientific knowledge. The Company hopes to offer students from rural areas with more attention and cultural stimulation.
- IV. In order to promote rural education in Taiwan and mitigate the divide between rural and urban resources, the Company donated to a total of 9 elementary schools.

Key changes in the economy and stock market of Taiwan in the coming 2021 include:

- I. Optimism about exports and pressure from NTD appreciation
 - 1. Exports momentum may remain strong

The demand for emerging-technology applications, such as remote business opportunities, handset, 5G communications and high-performance computing, may continue to climb, hence a promising future for exports of ICT and electronic products. Meanwhile, as prices of international raw materials and supplies gradually rebound, global economy may stabilize as vaccination becomes more common. Most technology-related suppliers remain optimistic about the outlook of 2021. Export- oriented orders may maintain growth momentum throughout the year.

2. Far-reaching impact of the NTD trend

Export surplus put pressure on NTD appreciation. Exchange losses born by export-oriented sectors with relatively low gross profit margins are severe. Janet Louise Yellen, the new US Secretary of the Treasury declared that "the US doesn't seek a weaker currency to gain competitive advantage," and later indicated that "we should oppose attempts by other countries to do so". Major export-oriented countries in Asia may face challenges.

- II. Prospects of global technology industry
 - 1. Technology sector in Taiwan may maintain high growth Major Taiwanese technology companies may see notable growth in sales and market caps. In January 2021, TSMC announced its capex for 2021 at USD25.0~28.0bn. TSMC stays ahead in

advanced processes, tapping into business opportunities related to ARM-structured CPUs, 5G, high-performance computing and automobile utilization in the next few years.

2. Mixed results for US technology stocks

As investors in the US stock market generally expect the pandemic to be effectively contained in the second half of 2021, stock market has reflected the anticipated strong recovery of the US economy in advance. Meanwhile, ultra-low interest rates have flooded the financial market with funds, leading to huge growth potential for technology stocks. On the other hand, tech giants has greater influence over the government. FAANG stocks might may face spin-offs under the anti-trust trend.

- III. Changes to international political and economic settings
 - 1. New Biden administration

As soon as Biden was inaugurated as US President in January 2021, he implemented an economic stimulus program as well as pandemic prevention and vaccination policies. He asserts that before the pandemic is put under control, the government needs to make proactive efforts to bolster the economy by dealing with its financial deficits. Therefore, the Fed is expected to maintain a monetary easing environment to facilitate economic recovery.

2. Changes in US-China relations

The Biden Administration may ease its grip on China; nevertheless, their bilateral relations might not be significantly improved in the short term. In terms of economy, trade, and technology, Biden may attempt to secure the core competitiveness of the US tech sector and work with China on issues such as environmental protection, climate change, and the coronavirus pandemic. As far as homeland security and human rights protection are concerned, however, the US may continue to impose sanctions against China.

3. Concern over asset bubbles due to ultra-easy monetary environment COVID-19 drove the global economy to nosedive in 2020. Central banks around the world tried to save their markets by cutting interest rates and implement quantitative easing (QE) policies. Despite the economic recovery in subsequent quarters, the nearly zero interest rates have pushed capital in the bond markets worldwide to flee to stock markets for profits. This money-driven trend has resulted in a v-shaped reversal in major stock markets; the respective ratio of the US and Taiwan stock market values to their GDPs have reached new highs. Young people are one of the main drivers of this bullish trend. Their investment strategies run contrary to most traditional experience-based rules. They not only pushed the market value of Tesla to exceed the total value of the world's top three automakers but drove up the prices of virtual currencies again. Coupled with the rising prices of raw materials, one cannot help but feel concerned about rising inflation and asset bubbles. These issues are factors of uncertainty facing the investment market in 2021.

With all the challenges facing the economy and financial market, the Company's operational plan and business development strategies for 2021 are as follows:

- I. Expedite optimization of smart order services, one-account-for-all-products platform and digital services platform in the brokerage business for a better competitiveness in the market.
- II. Launch the Systematic Investment Plan (SIP) business in response to intra-day odd lot trading to attract young customers.
- III. Continue to promote the one-account-for-all-products platform and boost the number of new users and the deposits of their accounts so as to enhance the Company's interest income and wealth management business.
- IV. Maximize the sub-brokerage business and improve its services to corporations.
- V. Grasp opportunities to manage the wealth of high-asset clients while continue to develop new services and products for these clients in order to diversify wealth management strategies and increase the wealth management AUM.
- VI. Stay abreast of the development of the pandemic and vaccination efforts and reference the analyses released by research institutes on the trends and fundamentals of individual stocks in order to select outperforming targets and improve profitability.
- VII. Steadily trade foreign-currency debt positions while developing products and sales channels in order to optimize the opportunities to sell fixed-income products and launch corporate bonds.
- VIII. Maintain a leading position in the warrant market and launch more derivative products (ELN/PGN/OTC options) to boost business and profitability.
- IX. Focus on meeting clients' needs for corporate financing and utilize the resources from its non-operating capital management business and private equity fund to develop an investment banking business.

- X. Create a comprehensive depository system for faster settlement in response to the launch of its foreign-currency securities business.
- XI. Include ESG as part of the Company's investment targets/strategies, business aims, and corporate governance processes.
- XII. Strengthen business collaborations among the Company's futures, securities investment trust, venture capital, investment consulting and insurance businesses to achieve the synergy of these businesses.

2021 remains a year full of opportunities and challenges. How the pandemic may be contained by vaccination determines the future of the global community. In light of this, the Company may continue to uphold its sound business philosophy and show concern for the society, establish long-term partnerships with its clients, and provide high value-added financial services exceeding customer expectations while proactively utilizing financial technologies to achieve digital transformation and integrate various resources available in the securities service system in order to fully implement its operational plan and management policies, improve profitability, and achieve optimal management performance for its shareholders.

Alex Jiunn-Chih, Wang
Chairman
Capital Securities Corporation

Company Profile

- Establishment and registration date: June 21, 1988
- 2. Paid-in capital: NT\$21.709 billion
- 3. Company history:

In view of the key role the capital market plays in raising capital and promoting industrial upgrade in Taiwan, in 1988, the founder of the Company invited movers and shakers from different domestic enterprises to jointly establish the Company. The initial paid-in capital for the Company as a professional brokerage firm was NTD300mn, and it has since developed into an integrated international securities firm with its business covering brokerage, proprietary trading, underwriting, registrar agency, bonds, credit trade, derivatives, etc., and stands out in both primary and secondary markets. In order to provide a full range of financial management services to domestic and foreign corporations as well as the general investing public, the Company successively established affiliates such as Capital Futures, Capital Investment Management, Capital Insurance Agency, Capital Insurance Advisory, CSC Securities (HK) and CSC International Holdings, etc. Since 2016, the Company has set up CSC Venture Capital and CSC Capital Management and extended the reach of its services to pre-listing companies. In addition to its affiliates and branches in all major cities in Taiwan, the Group also established strongholds in financial centers such as Hong Kong and Shanghai. With the full support of all shareholders as well as its directors, the Group has been able to expand its business and advance toward the goal of being a professional international investment bank.

The Company continues to prosper, be indebted to all employees and shareholders. In 1989, the Company's paid-in capital increased to NTD1.6bn. In the same year, it obtained underwriting and proprietary trading licenses and was upgraded to a comprehensive securities firm, and started its OTC trading business at the end of the year. In 1991, the Company increased its paid-in capital to NTD2bn, and expanded its business scope to provide margin trading and short selling businesses. In 1993, the Company merged with Hongtai Securities Co., Ltd. and raised its paid-in capital to NTD3.28bn. In 1995, it increased its capital to NTD4.08bn. In the same year, the Company became publicly listed on the Taipei Exchange and on the Taiwan Stock Exchange in 2005. In 2010, the Company completed the merger with Antey Securities Finance Co., Ltd., acquired the shares of Taiwan International Securities Co., Ltd., and increased its paid-in capital to NTD23.057bn. In 2011, the Company merged with Taiwan International Securities Co., Ltd., conducted a capital increase with retained earnings, thus raising its paid-in capital to NTD23.691bn. In 2015, 2016 and 2017, the Company purchased treasury stock and decreased capital, and its paid-in capital was reduced to NTD21.691bn. In 2018, the Company conducted a capital increase with retained earnings and increased its paid-in capital to NTD23.209bn. In 2019, the Company bought back its shares from the open market and decreased its capital by 1.5bn, and thus decreased its paid-in capital to NTD21.709bn.

The quality of the services provided by the Company has been well received by investors, and below are the recognitions received to date:

In 2016, Chairman Chun-Chih Wang won the "Excellent Businessman of 2016" award from the Ministry of Economic Affairs in Taiwan. The Company also won the "Best Non-Financial Holding Brand Image Award" in Excellence Magazine's "Excellent Financial Securities Service Review", and the "Best Wealth Management Securities Excellence Award" in Business Today's "Wealth Management Bank and Securities Firm Review".

In 2017, the Company won the "Best Non-Financial Holding Brand Image Award" in Excellence Magazine's "Excellent Financial Securities Service Review", the "Best Wealth Management Team Award" of the Wealth Magazine's Wealth Management Awards, the "Best Brokerage Image Quality Award" of the "Wealth Magazine's Financial Award", as well as the "Best Wealth Management Securities Excellence Award" and the "Best Wealth Growth Award" of Business Today's "Wealth Management Bank and Securities Firm Review".

In 2018, the Company won the Excellence Magazine's "Best Warrant Award" of Non-Financial Holdings; the Business Today's "Best Information Technology Service Award" and "Most Trusted Security Award" in "Wealth Management Bank and Securities Firm Review"; the "Best Sales Team Award" and "Best Philanthropy Award" of the Wealth Magazine's Wealth Management Awards.

In 2019, the Company won the Excellence Magazine's "Best Digital Innovation Award" of Non-Financial Holdings, the Business Today's "Best Wealth Growth Award" in "Wealth Management Bank and Securities Firm Review", "Best Sales Team Award" and "Best Philanthropy Award" of the Wealth Magazine's Wealth Management Awards, and the "Outstanding Achievements in Corporate Social Responsibility" of the 15th-term SFI Awards.

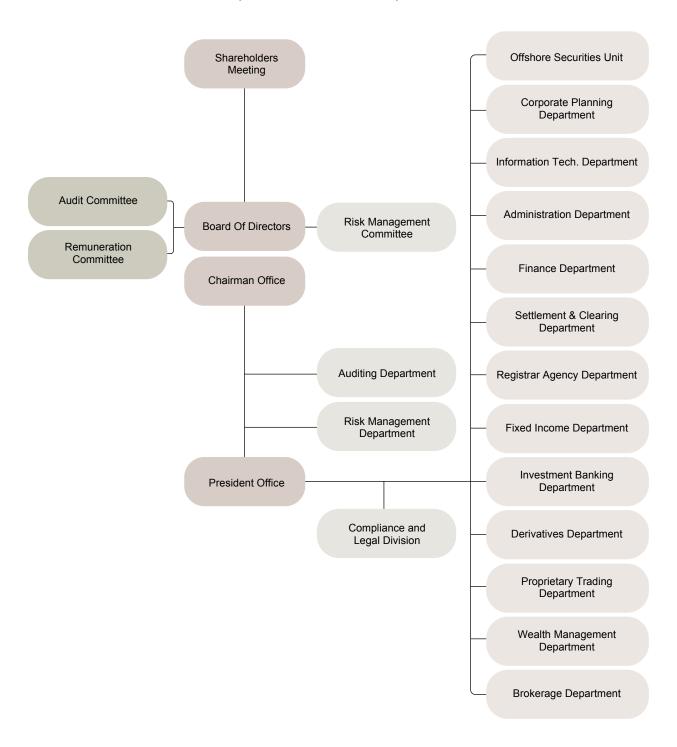
In 2020, the Company won "Best Warrant" in the Excellence Magazine's Excellent Securities Service Review; the Business Today's "Best Wealth Management Customer Satisfaction"; "Best Customer Referral", "Best Digital Finance", "Best Public Interest Promotion" of the Wealth Magazine's Wealth Management Awards and continued to be selected as a constituent for the FTSE4 Good TIP Taiwan ESG Index.

In 2021, the Company will maximize its knowledge of FinTech, uphold its philosophy of steady management, put our vision and care for society into action, establish long-term partnerships with our clients, and continue to provide high value-added financial services that exceed our clients' expectations.

III. Corporate Governance Report

1. Organization chart

Capital Securities Corporation



2. Background information of directors, supervisors, president, executive vice presidents, senior vice presidents, and heads of various departments and branches

(1) Background of directors and supervisors (1)

																		ľ	viai ch s	31, 2021		
Title	Nationality or place of Name registration		Gender	Date of appointment (start of office)	appointment (start	appointment (start		First elected/ appointed date(Note 1)	Shareholding electio		Current share		Shares held b and underage		Shares held I		Major career (academic) achievements	Concurrent duties in the Company and in other companies	degree Direct	or relatives e or closer a ors, Superv partment h	acting as risors, or	Remarks (Note 2)
							No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relation			
Chairman	Republic of China	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	Male	2019.06.24	3 Years	2013.06.25 2012.09.03	8,040,015 55,750	0.35% 0.00%	8,040,015 0	0.37% 0.00%	0	0.00% 0.00%	0	0.00% 0.00%	Ph.D. in Technology Management. Chung Hua University Central Trust of China - President EnTie Commercial Bank Co., Ltd President Bankers Association of the Republic of China - Secretary General Hua Nan Commercial Bank, Ltd President	Capital Futures Corp Director CSC International Holdings Ltd Director CSC Securities (HK) Ltd Director CSC Futures (HK) Ltd Director CSC Venture Capital Corp Chairman	N/A	N/A	N/A			
Director	Republic of China	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	Male	2019.06.24	3 Years	2013.06.25 1994.01.01	8,040,015 0	0.35% 0.00%	8,040,015 0	0.37% 0.00%	0	0.00% 0.00%	0	0.00% 0.00%	M.P.A., University of San Francisco, USA Capital Securities Corp Vice Chairman Capital Securities Corp Chairman	Capital Futures Corp Director Taiwan Oasis Technology Co., Ltd Director	N/A	N/A	N/A			
Director	Republic of China	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	Male	2019.06.24	3 Years	2013.06.25 2011.10.27	8,040,015 0	0.35% 0.00%	8,040,015 0	0.37% 0.00%	0 0	0.00%	0 0	0.00% 0.00%	Vocational High School Fu Tai Construction Corp Chairman Collins Co., Ltd Supervisor	Yu Chun Enterprise Co., Ltd Chairman Fu Tai Construction Corp Chairman Tai Min Construction Co., Ltd Chairman Tai Min Construction Co., Ltd Chairman Chuan Yi Investment Co., Ltd Chairman Cheng Dai Investment Co., Ltd Chairman Garnet Enterprise Co., Ltd Chairman Hong Tai Construction Co., Ltd Chairman Cost Capatal Management Co., Ltd Chairman Cost Capatal Management Co., Ltd Director Chao Long Investment Co., Ltd Supervisor Chao Long Investment Co., Ltd Supervisor Run Hsiang Enterprise Co., Ltd Supervisor Hong Sheng Construction Co., Ltd Supervisor Tai Construction Co., Ltd Supervisor Tai Construction Co., Ltd Supervisor Tai Tai Investment Co., Ltd Supervisor Tai Tai Investment Co., Ltd Supervisor Tai Tai Investment Co., Ltd Supervisor	N/A	N/A	N/A			
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	Male	2019.06.24	3 Years	2016.06.27 2019.06.24	50,871,288 80,000	2.19% 0.00%	50,871,288 80,000	2.34% 0.00%	0	0.00%	0	0.00% 0.00%	EMBA. National Chenochi University Executive Vice President and IT Supervisor of Capital Securities Corp. Capital Futures Corp President Capital futures Corp Vice Chairman Capital International Technology Corp Director, President Capital True Partner Technology Corp Ltd Director Capital Futures Technology (Shanghai) Co., Ltd Director Capital Futures Technology (Shanghai) Co., Ltd Director	Capital Securities Corp President CSC Venture Capital Corporation - Director, General Manager	N/A	N/A	N/A			
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	Male	2019.06.24	3 Years	2016.06.27 2010.06.15	50,871,288 186,391	2.19% 0.00%	50,871,288 1,391	2.34% 0.00%	0 5,531	0.00% 0.00%	0	0.00% 0.00%	B.A. in Cooperative Economics, National Taipei University Taiwan Cooperative Bank- Director and Deputy President Agricultural Credit Guarantee Fund- President EnTiel Securities Finance Company- Chairman Bankers Association of the Republic of China - Secretary general Capital Securities Corp Supervisor	N/A	N/A	N/A	N/A			

Title	Nationality or place of registration	Name	Gender	Date of appointment (start of office)	Service term	First elected/ appointed date(Note 1)	Shareholding electio		Current shareholding		Shares held b and underage		Shares held	by proxy	Major career (academic) achievements	Concurrent duties in the Company and in other companies	degree Direct	or relative e or closer ors, Super partment l	acting as visors, or	Remarks (Note 2)
							No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held			Title	Name	Relation	
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	Male	2019.06.24	3 Years	2016.06.27 2012.03.05	50,871,288 9	2.19% 0.00%	50,871,288 9	2.34% 0.00%	0	0.00% 0.00%	0	0.00% 0.00%	LL.M. Soochow University The Chinese Commercial and Industrial Coordination Society - Deputy Secretary - General The Chinese Commercial & Industrial Service Co., LdSupervision of Commerce - Deputy Secretary-General	Taiwan Federation of Commerce - Secretary-General	N/A	N/A	N/A	
Director	Republic of China	Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN	Male	2019.06.24	3 Years	2001.04.03 2018.03.08	9,910,253 0	0.43% 0.00%	9,910,253 0	0.46% 0.00%	0 0	0.00% 0.00%	0 0		Master of Finance and Economics, Cornell University KYMCO Private Equity Management Co., Ltd President/Partner	KYMCO Private Equity Management Co., Ltd President/Partner KYMCO Capital Fund I Co., Ltd Director Kwang Yang Motor Co., Ltd Director Kwang Yang Motor Co., Ltd Director Noodoe Corporation - Director Noodoe Corporation - Director Capital Investment Trust Corp Director Chunghwa SEA Holdings Co., Ltd Supervisor	N/A	N/A	N/A	
Director	Republic of China	Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN	Male	2019.06.24	3 Years	2019.06.24 2019.06.24	1,885,766 0	0.08% 0.00%	1,885,766 0	0.09% 0.00%	0	0.00% 0.00%	0		Department of Law, Fu Jen Catholic University Run Hsiang Enterprise Co., LtdGeneral Counsel	Shang Wei Investment Co., Ltd Director Hong Ce Venture Capital Co., Ltd Director Hwa Yi Medical Consultant Co., Ltd Supervisor	N/A	N/A	N/A	
Independent Director	Republic of China	SHEA, JIA-DONG	Male	2019.06.24	3 Years	2016.06.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Economics, Stanford University, USA Director, Institute of Economics, Academia Sinica Professor of Economics National Tawan University Central Bank of the Republic of China - Deputy Governor Ministry of Finance – Minister Tawan External Trade Development Council - Chairman Central Trust of China - Chairman Tawan Academy of Banking and Finance - Chairman	Bio Preventive Medicine Corp Independent Director	N/A	N/A	N/A	
Independent Director	Republic of China	LEE, SHEN-YI	Male	2019.06.24	3 Years	2019.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. of law. Chinese Culture University Officer of Taiwan Business Bank Co., Ltd. Officer of Ministry of Economic Affairs Officer of Auditing Division, Ministry of Finance Attorney of Chien Yeh Law Offices Managing Director of Chien Yeh Law Offices Managing Director of Chien Yeh Law Offices Member of Fair Trade Commission, Executive Yuan 2nd and 3rd member of the Control Yuan Adjunct Associate Professor of Chengchi University and Chinese Culture University	National Policy Advisor to the President One Eternity Foundation Co., Ltd Chairman One Eternity Foundation Co., Ltd. (Taiwan Branch) - Chairman Taiwan New Economy Foundation - Vice Chairman Taiwan New Economy Foundation - Vice Chairman WiN Semiconductors Corp Independent Director Nan Ya Plastics Corp Director East-Tender Optoelectronics Corp Director Tayouan International Airport Services Co., Ltd Supervisor Ciniese Culture University - Supervisor Capital Futures Corp Remuneration Committee member 2007	N/A	N/A	N/A	
Independent Director	Republic of China	SU, PING-CHANG	Male	2019.06.24	3 Years	2019.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master in Accounting, Chengchi University Senior Auditor of Deloitte & Touche Accountant, Managing Director of Horwath Chien Hsing CPAs	Crowe (TW) CPAs - Director General Jian Fu Technology Inc Chairman Kaifa Industry Co., Ltd Supervisor Nan Ho Industry Co., Ltd Supervisor	N/A	N/A	N/A	

Note 1: The date of first appointment as a director or independent director of the Company.

Note 2: Where the Chairman and the President or anyone holding an equivalent position (the top manager) of the Company are the same person or related in a spousal relationship or within the first degree of kinship, information concerning the reasons, reasonableness, necessity and actions taken in response (such as an increase in the number of independent directors, or the requirement that there must be over half of directors who are not also employees or managers) shall be described.

Table 1: Major shareholders of corporate shareholders

		March 31, 202
	Chuan Yi Investment Co., Ltd.	17.49%
	Hong Ye Investment Co., Ltd.	15.79%
	Feng Yang Investment Co., Ltd.	11.63%
	Wei Wang Investment Co., Ltd.	9.22%
Vin Fong Enterprise Co. Ltd	Tai Jian Investment Co., Ltd.	7.58%
Yin Feng Enterprise Co., Ltd.	Tai Lian Investment Co., Ltd.	7.44%
	Chen Huei Enterprise Co., Ltd.	6.38%
	Bao Qing Investment Co., Ltd.	5.06%
	Cheng Da Investment Co., Ltd.	4.04%
	Fu Ding Investment Co., Ltd.	3.73%
	Chuan Yi Construction Co., Ltd.	14.64%
	Qarnet Enterprise Co., Ltd.	14.24%
	Hong Yuan Construction Co., Ltd.	12.84%
	Yu Bao Enterprise Co., Ltd.	12.71%
	Lian Mao Investment Co., Ltd.	11.92%
Hung Lung Enterprise Co., Ltd.	Fu Tai Construction Co., Ltd.	11.70%
	Chen Huei Enterprise Co., Ltd.	9.23%
	Run Hsiang Enterprise Co., Ltd.	7.19%
	De Ye Apartment Building Management and Maintenance Co., Ltd.	3.18%
	Han Bao Enterprise Co., Ltd.	2.34%
Kwang Hsing Industrial Co., Ltd.	Kwang Yang Motor Co., Ltd.	100%
	Qarnet Enterprise Co., Ltd.	19.61%
	Hung Lung Enterprise Co., Ltd.	18.75%
Tai Ha Baal Estata Managamant Co. 144	Min Huei Enterprise Co., Ltd.	18.75%
Tai He Real Estate Management Co., Ltd.	Cai Jiang Enterprise Co., Ltd.	15.14%
	Sheng Hsiang Enterprise Co., Ltd.	15.14%
	Chung Lung Technology Co., Ltd.	12.50%

Note 1: Where director serves as a representative of corporate shareholder.

If the corporate shareholder is not a company, the aforementioned names and shareholding ratios of shareholders that shall be disclosed are replaced with the names of its funders or contributors and their funding or contributing ratios.

Note 2: Names and shareholding ratios of the major shareholders (whose shareholding ratios are in the top 10) of the corporate shareholder. If any of its major shareholders is a corporation, Table 2 below shall be filled out.

Table 2: Major shareholders of major corporate shareholders listed in Table 1

		March 31, 202				
	Chao Lung Investment Co., Ltd.	28.62%				
	Tai Hsiang Investment Co., Ltd.	21.74%				
	Tai Fa Investment Co., Ltd.	11.76%				
	Tai He Investment Co., Ltd.	11.59%				
Church Vi Investment Co. I tel	Wang Hsing Enterprise Co., Ltd.	6.33%				
Chuan Yi Investment Co., Ltd.	Chuan Yi Construction Co., Ltd.	5.98%				
	Yu Chun Enterprise Co., Ltd.	4.57%				
	Chen Huei Enterprise Co., Ltd.	3.44%				
	Hung Lung Enterprise Co., Ltd.	3.35%				
	Han Bao Enterprise Co., Ltd.	2.60%				
	Chao Lung Investment Co., Ltd.	41.25%				
	Tai Fa Investment Co., Ltd.	18.58%				
	Tai Hsiang Investment Co., Ltd.	18.54%				
	Tai He Investment Co., Ltd.	9.73%				
Hara Valarraturat Call III	Hong Chia Investment Co., Ltd.	3.28%				
Hong Ye Investment Co., Ltd.	Tai He Real Estate Management Co., Ltd.	1.74%				
	Tai Lian Investment Co., Ltd.	1.72%				
	Bao Zuo Investment Co., Ltd.	1.52%				
	Fu Ding Investment Co., Ltd.	1.52%				
	Tai Chun Investment Co., Ltd.	0.93%				
	Tai Fa Investment Co., Ltd.	38.73%				
	Tai Hsiang Investment Co., Ltd.	18.23%				
	Chao Lung Investment Co., Ltd.	18.23%				
	Tai He Investment Co., Ltd.	11.26%				
5 V lave-des-et 0 14d	Hong Tai Construction Co., Ltd.	2.44%				
Feng Yang Investment Co., Ltd.	Bao Zuo Investment Co., Ltd.	2.28%				
	Tai Sheng Investment Co., Ltd.	2.28%				
	Fu Tai Construction Co., Ltd.	2.22%				
	Tai Chun Enterprise Co., Ltd.	2.19%				
	Wang Hsing Enterprise Co., Ltd.	2.15%				
	Tai He Investment Co., Ltd.	36.76%				
	Chao Lung Investment Co., Ltd.	26.10%				
	Tai Fa Investment Co., Ltd.	12.87%				
	Tai Hsiang Investment Co., Ltd.	8.20%				
Mai Mana Investment On 141	Tseng Mao Investment Co., Ltd.	4.26%				
Wei Wang Investment Co., Ltd.	Bao Qing Investment Co., Ltd.					
	Hong Sheng Construction Co., Ltd.	2.05%				
	Tai Chun Investment Co., Ltd.	1.86%				
	Chuan Yi Investment Co., Ltd.	1.83%				
	Han Bao Enterprise Co., Ltd.	1.53%				

		March 31, 202				
	Chao Lung Investment Co., Ltd.	42.92%				
	Tai Fa Investment Co., Ltd.	18.07%				
	Tai Hsiang Investment Co., Ltd.	18.07%				
Tai Jian Investment Co., Ltd.	Tai He Investment Co., Ltd.	14.78%				
rai Jian investment Co., Ltd.	Tai Chun Enterprise Co., Ltd.	1.93%				
	Min Huei Enterprise Co., Ltd.	1.56%				
	Chen Huei Enterprise Co., Ltd.					
	Run Hsiang Enterprise Co., Ltd.	1.34%				
	Tai Hsiang Investment Co., Ltd.	43.02%				
	Chao Lung Investment Co., Ltd.	16.65%				
	Tai Fa Investment Co., Ltd.	15.27%				
T-: 1: lavt O 14d	Tai He Investment Co., Ltd.	14.85%				
Tai Lian Investment Co., Ltd.	Yin Feng Enterprise Co., Ltd.	3.26%				
	Han Bao Enterprise Co., Ltd.	3.26%				
	Fu Tai Construction Co., Ltd.	3.23%				
	Hong Tai Construction Co., Ltd.	0.44%				
	Tai Lian Investment Co., Ltd.	16.82%				
	Tai Chun Investment Co., Ltd.					
	Bao Qing Investment Co., Ltd.	9.88%				
	Feng Yang Investment Co., Ltd.	9.88%				
0	Cheng Da Investment Co., Ltd.	9.45%				
Chen Huei Enterprise Co., Ltd.	Lian Mao Investment Co., Ltd.	8.64%				
	Wei Wang Investment Co., Ltd.	8.64%				
	Yu Bao Enterprise Co., Ltd.	8.43%				
	Hong Ye Investment Co., Ltd.	5.00%				
	Tai Sheng Investment Co., Ltd.	4.54%				
	Tai Fa Investment Co., Ltd.	19.72%				
	Tai Hsiang Investment Co., Ltd.	19.43%				
	Chao Lung Investment Co., Ltd.	19.43%				
	Chuan Yi Construction Co., Ltd.	6.93%				
Dec Cing Investment Co. 111	Fu Tai Construction Co., Ltd.	6.93%				
Bao Qing Investment Co., Ltd.	Hung Lung Enterprise Co., Ltd.	5.51%				
	Run Hsiang Enterprise Co., Ltd.	5.51%				
	Tai He Investment Co., Ltd.	4.93%				
	Bao Zuo Investment Co., Ltd.	4.35%				
	Tai Sheng Investment Co., Ltd.	4.35%				

		March 31, 202		
	Tai Fa Investment Co., Ltd.	39.58%		
	Tai Hsiang Investment Co., Ltd.	32.56%		
	Chao Lung Investment Co., Ltd.	19.07%		
	Tai He Investment Co., Ltd.	4.65%		
Cheng Da Investment Co., Ltd.	Tai Jian Investment Co., Ltd.	1.81%		
	Hung Lung Enterprise Co., Ltd.	0.92%		
	Rui Cheng Construction Co., Ltd.	0.49%		
	Feng Yang Investment Co., Ltd.	0.46%		
	Bao Sheng Investment Co., Ltd.	0.46%		
	Chao Lung Investment Co., Ltd.	24.73%		
	Tai Fa Investment Co., Ltd.	13.02%		
	Tai Hsiang Investment Co., Ltd.	9.76%		
	Bao Qing Investment Co., Ltd.	6.51%		
Fu Ding Investment Co., Ltd.	Hong Chia Investment Co., Ltd.	6.51%		
ru Ding investment Co., Ltd.	Yu Chun Enterprise Co., Ltd.	6.03%		
	Fu Tai Construction Co., Ltd.	5.80%		
	Tai He Investment Co., Ltd.	5.21%		
	Tai Chun Enterprise Co., Ltd.	4.28%		
	Run Hsiang Enterprise Co., Ltd.	4.27%		
	Tai Chun Investment Co., Ltd.	12.57%		
	Lian Mao Investment Co., Ltd.	12.01%		
	Wei Wang Investment Co., Ltd.	12.01%		
	Tai Sheng Investment Co., Ltd.	10.32%		
Chuan Yi Construction Co., Ltd.	Yu Chun Enterprise Co., Ltd.	9.66%		
Chidan in Constituction Co., Etc.	Hong Ye Investment Co., Ltd.	9.35%		
	Cheng Da Investment Co., Ltd.	9.35%		
	Tai Lian Investment Co., Ltd.	8.04%		
	Tai Jian Investment Co., Ltd.	3.97%		
	Bao Zuo Investment Co., Ltd.	3.31%		
	Rui Cheng Construction Co., Ltd.	18.14%		
	Chuan Shun Construction and Development Co., Ltd.	18.14%		
	Hong Yong Construction Co., Ltd.	17.05%		
Qarnet Enterprise Co., Ltd.	Sheng Hsiang Enterprise Co., Ltd.	13.67%		
	Hong Tai Construction Co., Ltd.			
	Han Bao Enterprise Co., Ltd.	11.17%		
	Bao Zuo Investment Co., Ltd.	8.07%		

		March 31, 2
	Tai Chun Investment Co., Ltd.	13.16
	Chuan Yi Investment Co., Ltd.	13.16
	Hong Ye Investment Co., Ltd.	13.16 ^c
	Bao Qing Investment Co., Ltd.	12.00
Here V and Oracle of the Oracle	Feng Yang Investment Co., Ltd.	11.47
Hong Yuan Construction Co., Ltd.	Tai Lian Investment Co., Ltd.	10.53
	Cheng Da Investment Co., Ltd.	7.89
	Bao Sheng Investment Co., Ltd.	5.53
	Tai Jian Investment Co., Ltd.	5.26
	Tai Ye Enterprise Co., Ltd.	2.95
	Tai Chun Investment Co., Ltd.	13.25
	Lian Mao Investment Co., Ltd.	12.29
	Wei Wang Investment Co., Ltd.	12.29
	Chuan Yi Investment Co., Ltd.	10.46
V 5 5 4 4 6 444	Chuan Yi Construction Co., Ltd.	10.31
Yu Bao Enterprise Co., Ltd.	Cheng Da Investment Co., Ltd.	8.38
	Hong Ye Investment Co., Ltd.	6.99
	Feng Yang Investment Co., Ltd.	5.44
	Bao Zuo Investment Co., Ltd.	4.90
	Fu Ding Investment Co., Ltd.	4.20
	Tai He Investment Co., Ltd.	45.16
	Chao Lung Investment Co., Ltd.	23.23
	Tai Fa Investment Co., Ltd.	9.03
	Tai Hsiang Investment Co., Ltd.	8.39
	Tai Lian Investment Co., Ltd.	3.55
Lian Mao Investment Co., Ltd.	Hong Wei Construction Co., Ltd.	2.15
	Tai Sheng Investment Co., Ltd.	1.84
	Tai Jian Investment Co., Ltd.	1.45
	Feng Yang Investment Co., Ltd.	1.45
	Tai Chun Enterprise Co., Ltd.	1.35
	Bao Zuo Investment Co., Ltd.	16.88
	Lian Mao Investment Co., Ltd.	16.50
	Wei Wang Investment Co., Ltd.	16.50
	Tseng Mao Investment Co., Ltd.	14.96
Fu Tai Canatau ii a Call II	Chuan Yi Investment Co., Ltd.	10.33
Fu Tai Construction Co., Ltd.	Hong Chia Investment Co., Ltd.	4.67
	Tai Chun Enterprise Co., Ltd.	4.48
	Bao Sheng Investment Co., Ltd.	4.32
	Tai Ye Enterprise Co., Ltd.	2.66
	Tai Jian Investment Co., Ltd.	2.66

		March 31, 202				
	Chuan Yi Investment Co., Ltd.	15.90%				
	Hong Ye Investment Co., Ltd.	13.82%				
	Cheng Da Investment Co., Ltd.	13.82%				
	Yu Chun Enterprise Co., Ltd.	11.72%				
Pun Hojang Enterprise Co. Ltd.	Tai Lian Investment Co., Ltd.	9.94%				
Run Hsiang Enterprise Co., Ltd.	Feng Yang Investment Co., Ltd.	8.95%				
	Lian Mao Investment Co., Ltd.	5.20%				
	Tai Sheng Investment Co., Ltd.	5.07%				
	Bao Zuo Investment Co., Ltd.	4.97%				
	Wei Wang Investment Co., Ltd.	4.70%				
	Wei Wang Investment Co., Ltd.	19.17%				
	Hong Ye Investment Co., Ltd.	17.67%				
	Lian Mao Investment Co., Ltd.	18.33%				
De Ye Apartment Building Management	Hong Chia Investment Co., Ltd.	10.83%				
and Maintenance Co., Ltd.	Chuan Yi Investment Co., Ltd.	10.83%				
	Cheng Da Investment Co., Ltd.	10.17%				
	Bao Zuo Investment Co., Ltd.	8.75%				
	Chuan Yi Construction Co., Ltd.	4.08%				
	Tai Jian Investment Co., Ltd.	16.21%				
	Cheng Da Investment Co., Ltd.	14.60%				
	Bao Zuo Investment Co., Ltd.	14.59%				
	Lian Mao Investment Co., Ltd.	8.73%				
Han Dan Enterprise Co. Ltd.	Feng Yang Investment Co., Ltd.	8.33%				
Han Bao Enterprise Co., Ltd.	Tai Chun Investment Co., Ltd.	8.29%				
	Hong Ye Investment Co., Ltd.	7.90%				
	Bao Sheng Investment Co., Ltd.	5.85%				
	Run Hsiang Enterprise Co., Ltd.	4.95%				
	Tai Lian Investment Co., Ltd.	3.41%				
	Hsin Sheng Investment Co., Ltd.	11.31%				
	Hong Kuang Investment Co., Ltd.	7.99%				
	Kuang Chou Investment Co., Ltd.	6.66%				
	Da Ming Investment Co., Ltd.	6.33%				
Kurong Voing Mater Oc. 144	Kwang Hsing Industrial Co., Ltd.	5.39%				
Kwang Yang Motor Co., Ltd.	KO, CHIA-CHENG	1.05%				
	KO, HUNG-MING	1.03%				
	KO, WANG-SHU-YUAN	1.03%				
	KO, HSING-LANG					
	Hung Sheng Investment Co., Ltd.	1.00%				

		March 31, 2
	Lian Mao Investment Co., Ltd.	16.54°
	Wei Wang Investment Co., Ltd.	14.75%
	Hong Chang Enterprise Co., Ltd.	13.669
	Sheng Hsiang Enterprise Co., Ltd.	10.119
Min III at Fatancia Co. 141	Tai Chun Investment Co., Ltd.	10.029
Min Huei Enterprise Co., Ltd.	Tai Chun Enterprise Co., Ltd.	8.48
	Han Bao Enterprise Co., Ltd.	8.47
	Chen Huei Enterprise Co., Ltd.	6.42
	Yu Bao Enterprise Co., Ltd.	5.80
	Run Hsiang Enterprise Co., Ltd.	4.76
	Bao Qing Investment Co., Ltd.	18.83
	Bao Sheng Investment Co., Ltd.	18.83
	Sheng Hsiang Enterprise Co., Ltd.	18.01
	Hong Chang Enterprise Co., Ltd.	18.00
0.1 5 5.1 0 141	Tai Sheng Investment Co., Ltd.	9.59
Cai Jiang Enterprise Co., Ltd.	Bao Zuo Investment Co., Ltd.	8.11
	Hong Yong Construction Co., Ltd.	3.35
	Tai Lian Investment Co., Ltd.	2.34
	Hong Tai Construction Co., Ltd.	2.31
	Wei Wang Investment Co., Ltd.	0.56
	Bao Sheng Investment Co., Ltd.	27.14
	Hong Ye Investment Co., Ltd.	15.32
	Cheng Da Investment Co., Ltd.	15.32
	Chen Huei Enterprise Co., Ltd.	11.32
01	Bao Qing Investment Co., Ltd.	6.56
Sheng Hsiang Enterprise Co., Ltd.	Hong Tai Construction Co., Ltd.	5.91
	Feng Yang Investment Co., Ltd.	5.09
	Lian Mao Investment Co., Ltd.	5.08
	Wei Wang Investment Co., Ltd.	4.90
	Run Hsiang Enterprise Co., Ltd.	1.76
	Cai Jiang Enterprise Co., Ltd.	23.12
	Hong Chang Enterprise Co., Ltd.	23.12
Chung Lung Technology Co., Ltd.	Sheng Hsiang Enterprise Co., Ltd.	23.12
	Qarnet Enterprise Co., Ltd.	21.85
	Hung Lung Enterprise Co., Ltd.	8.79

Note 1: Used if major shareholders listed in Table 1 are corporate entities.

Note 2: Names and shareholding ratios of the major shareholders (whose shareholding ratios are in the top 10) of the corporation.

If the corporate shareholder is not a company, the aforementioned names and shareholding ratios of shareholders that shall be disclosed are replaced with the names of its funders or contributors and their funding or contributing ratios.

(1) Information of directors and supervisors (2)

March 31, 2021

															IVI	alcii 31, 2021
Criteria	experience and tions	Independence (Note 1)														
Name	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences relevant to business operations as require to perform the assigned duties					5	6	7	8	9	10	11	12	Number of positions as Independent Director in other public companies
Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	✓		√			✓	~	~	~	✓	~	~	~	✓		N/A
Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN			✓	✓		✓	✓	~	✓	✓	✓	~	✓	✓		N/A
Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING			✓	✓		✓	✓	~	✓	✓	✓	~	~	✓		N/A
Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		N/A
Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		N/A
Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING			~	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		N/A
Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN			√	✓		√	√	✓	√	√	√	✓	√	✓		N/A
Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		N/A
SHEA, JIA-DONG	✓		✓	✓	✓	✓	✓	1	✓	✓	✓	✓	✓	✓	✓	1
LEE, SHEN-YI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	~	✓	✓	1
SU, PING-CHANG		✓	✓	✓	✓	√	✓	✓	✓	✓	✓	✓	~	✓	✓	N/A
Note 1. A director or concentions in	required to ment o	" /" in the blank be	lave the necessar of		f the	fallou					h ha/	aha h		tiofica	l al. min	th t

Note 1: A director or supervisor is required to mark a "<" in the blank below the number of any of the following requirements which he/she has satisfied during the two years

- before being elected and during his/her term of office.

 (1) The director or supervisor is not an employee of the Company or any of its affiliates.

 (2) The member is not a director or supervisor of the Company or any of its affiliates (except for an independent director of the Company, its parent or subsidiary or any subsidiary of the same parent appointed pursuant to the Act or any local laws and regulations).

 The member is not a natural-person shareholder who holds shares, together with those held by his/her spouse or minor children or held in the name of another person, in an aggregate amount of at least 1% of the total shares issued by the Company or is one of the top-10 shareholders of the Company.

 The member is not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any manager under (1) or any of the
- persons under (2) and (3).

 The member is not a director, supervisor or employee of any corporate shareholder that directly holds at least 5% of the total shares issued by the Company, is
- one of the top-5 shareholders of the Company or has appointed a representative as a director or supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director of the Company, its parent or subsidiary, or any subsidiary of its parent appointed pursuant to the Company Act or local laws and regulations).
- The member is not a director, supervisor or employee of any other company where more than half of its directors or voting shares are controlled by the same person (except for an independent director of the Company, its parent or subsidiary, or any subsidiary of its parent appointed pursuant to the Company Act or local laws and regulations).

 The member is not a director, supervisor or employee of any other company or institution who also serves as or is in a spousal relationship with the Chairman,
- President or anyone holding an equivalent position of the Company (except for an independent director of the Company, its parent or subsidiary, or any subsidiary of its parent appointed pursuant to the Company Act or local laws and regulations).
- The member is not a director, supervisor, manager or shareholder holding at least 5% of the shares of any company or institution which has engaged in financial or business dealings with the Company (except where the company or institution holds at least 20% and no more than 50% of the total shares issued by the Company and is an independent director of the Company, its parent or subsidiary, or any subsidiary of its parent appointed pursuant to the Company Act or local
- The member is not an owner, partner, director, supervisor or manager, or a spouse thereof, of any professional, sole proprietorship, partnership, company or institution that engages in commercial, legal, financial and accounting services and which has conducted audit for the Company or any of its affiliates or has received a total amount of compensation not exceeding NT\$500,000 during the most recent two years, except for any member of any remuneration committee, public purchase review committee or special committee for mergers and acquisitions which performs its duties pursuant to the Securities and Exchange Act, Business Mergers And Acquisitions Act or other applicable laws and regulations.
- (10) The director or supervisor was or is not in a spousal relationship nor a relative within the second degree of kinship.(11) None of the circumstances under Article 30 of the Company Act applies to the member.
- (12) The director or supervisor is not elected as a government agency or juristic person or a representative thereof under Article 27 of the Company Act.

(2) President, executive vice presidents, senior vice presidents, department heads & branch heads

CHIA, CHUNG-TAO 0.00% EMBA, National Chengchi 2018/10/17 80,000 0.00% 0.00% CSC International Holdings Ltd. Shanghai Representative Office Representative Senior Vice Presiden Republic of LIN, JING-China HUA 0.00% Master of Commerce, University of Washington 2007/01/01 0.01% 0.009 emale 262.798 tepublic of LAI, AI-thina WEN 0.00% Department of Law, Soochow University emale 2015/01/01 21 0.00% 0.00% President CSC Securities (HK) - Director Capital Securities Nominee -Director Republic of China 0.00% Department of Economics, National Taiwan University Capital Insurance Advisory -Capital Insurance Advisory -Director Csc International Holdings -Director SC Securities (HK) - Director Republic of CHEN, MING-SHING Executive 0.00% Department of Law, National Taiwan University Capital Securities Nominee Vice President 2018/10/01 0.00% 0.00% Director
CSC Futures (HK) - Director
Taiwan International Securities
(B.V.I.) - Director
Taiwan International Capital (HK) - Director TIS Securities (HK) Limited -EMBA, NTU-Fudan 0.00% Overseas EMBA Program, National Taiwan University Senior Vice President Republic of XIE, XIU-China YING 2013/05/02 0.00% 0.00% emale Executive Republic of CHI-MING 0.00% EMBA, National Chengchi University 2012/06/01 0.01% 0.009 237,139 President LIN, SHU-CHUAN 0.00% EMBA, National Chengchi University 2013/09/01 0.00% 0.00% President CSC Venture Capital Corp. -Director CSC Futures (HK) - Director Executive Vice Republic of China 0.00% MBA, The City University of Male 2018/04/01 0.00% 0.00% President HUNG Capital Insurance Advisory -Director Capital Insurance Agency -Director Department of Banking and 0.00% Insurance, Ming Chuan University ecutive ZHANG, PEI- WEN emale 2013/09/01 0.00% 0.00% President Department of Business 0.00% Administration, Tamkang Republic of WANG, YA-China FANG Vice Female 2010/04/01 0.00% 0.00% President University Master of Industrial
Management, National
Taiwan University of
Science and Technology Senior Vice President 2014/04/01 0.00% 0.009 Senior Vice President Executive Vice President Republic of CHANG, LI-2017/04/01 0.00% 0.009 Republic of WU, YUN-China WEN 0.009 Department of Information 0.00% Management, National Central University Republic of China LIU, SHU-0.009 0.009 Executive Vice President Supervisor
Capital Insurance Agency Supervisor
CSC Venture Capital Supervisor Republic of CHENG 0.00% Master of Accounting, Drexel University 2008/11/01 1,484 0.00% 0.00% 2000/07/01 588.524 0.03% 0.00% 0.00% MBA, Armstrong University President Senior Vice President Republic of China 0.00% Master of Finance, Syracus University XIF. HUI-YA Female 2019/04/01 5.435 0.00% 0.00% Department of Public
0.00% Finance, National Chengchi
Ltd. - Supervisor Senior Vice President Republic of LIN, CHAO-China HSU 2019/08/01 1.000 0.00% 0.00% University

Master of Accounting,
0.00% National Chung Cheng Senior Vice President Republic of YAO, MING-China QING 2015/04/01 0.00% 0.00% University Senior Executive 0.00% Master of Finance, University of London Republic of YANG, JIE-China BIN Male 2002/11/01 609 0.00% 0.00% President Senior Vice President Master of Finance, Chaoyang University of Republic of XU, TSUI-2016/04/01 3.323 0.00% 0.00% 0.00% Chao Technology 0.00% Master of Finance, University of Illinois KAN, KAI-CHUNG Vice President 2019/07/03 0.00% 0.00% Republic of ZHANG, China JIA-WEN 0.00% MBA, Tarleton State University CSC Capital Management Co., Ltd. - Director 2018/04/01 353 0.00% 0.00% President Vice President YE. YI-LING Female 2015/04/01 605 0.00% 0.00% Master of Finance, Baruch 0.00% College, City University of New York

2017/04/01

0.00%

0.00%

Republic of CHIU, TSAN- HSI

Vice Repub President China

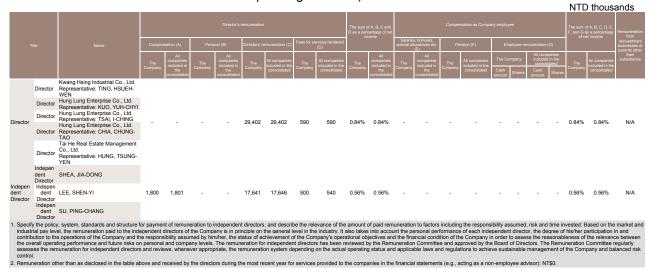
Title National		Name	Gender	Date of appointment (start	Current sh	areholding	Shares spous underage		Shares he	ld by proxy	Major career (academic)	Concurrent positions in other	seco	ouse or rel nd degree ting as ma	or closer	
	,			of office)	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	achievements	companies	Title	Name	Relation	
Senior Vice President	Republic of China	CHEN, YI- REN	Male	2015/04/01	700	0.00%	0	0.00%	0	0.00%	MBA, Baruch College, City University of New York					
executive lice President	Republic of China	LAI, JUN- FU	Male	2018/04/01	26,138	0.00%	0	0.00%	0		Department of Electronic Engineering, Tungnan University					
Senior /ice President	Republic of China	TSENG, MEI-LING	Female	2019/04/01	0	0.00%	0	0.00%	0		Department of Law, Chinese Culture University					
xecutive /ice President	Republic of China	LIN, YAN- FEN	Male	2014/04/01	0	0.00%	0	0.00%	0	0.00%	MBA, Drexel University					
Senior rice resident	Republic of China	CHEN, PEI- QI	Female	2008/04/08	1,541	0.00%	0	0.00%	0	0.00%	Master of International Business Administration, University of St. Thomas - Minnesota					
Senior /ice President	Republic of China	ZHANG, JING-YAO	Male	2017/04/01	0	0.00%	0	0.00%	0		Master of Banking and Finance, TamKang University					
Senior rice President	Republic of China	TU, TSUNG-EN	Male	2020/04/01	0	0.00%	0	0.00%	0		Department of Economics, National Taiwan University					
enior ice resident	Republic of China	CHANG, YU-CHING	Female	2020/04/01	7,411	0.00%	0	0.00%	0	0.00%	Master of Banking and Finance, TamKang University					
xecutive lice resident	Republic of China	WANG, JUAN-HUI	Female	2019/04/01	8,235	0.00%	0	0.00%	0	0.00%	EMBA, Postgraduate Institute of International Commerce, Tamkang University					
enior ice resident	Republic of China	YE, YU- ZHEN	Female	2018/04/01	692	0.00%	0	0.00%	0	0.00%	Department of Law, Soochow University					
enior ice resident	Republic of China	ZHENG, SHU- FEN	Female	2000/08/25	258,855	0.01%	0	0.00%	0		Department of Economics, Tunghai University					
xecutive lice resident	Republic of China	MA, JIA- HUAN	Male	2009/09/01	540,000	0.02%	4,000	0.00%	0		EMBA, National Chengchi University					
enior lice resident	Republic of China	ZHENG, YU- LING	Female	2003/06/19	447,038	0.02%	0	0.00%	0		EMBA, National Tsing Hua University					
enior ice resident	Republic of China	HUANG, ZHI- HUA	Female	2014/04/01	301,876	0.01%	0	0.00%	0	0.00%	Department of International Trade, Tamkang University					
enior ice resident	Republic of China	WENG, HE- MING	Male	2002/04/24	469	0.00%	0	0.00%	0	0.00%	EMBA, National Chengchi University					
enior ice resident	Republic of China	ZHANG, XUE-HE	Male	2019/04/01	11,225	0.00%	0	0.00%	0	0.00%	Department of Political Study, Fu Hsing Kang College					
enior ice resident	Republic of China	ZHU, DE- REN	Male	2019/04/01	5,105	0.00%	0	0.00%	0	0.00%	Master of Business Administration, Tamkang University					
enior ice resident	Republic of China	LI, MU-XIAN	Male	2011/05/02	0	0.00%	0	0.00%	0	0.00%	Donartment of Law Eurlen					
enior lice resident	Republic of China	ZHAO, FENG- RONG	Male	2011/05/02	0	0.00%	0	0.00%	0	0.00%	Master of Economics, University of California					
ice resident	Republic of China	WU, HONG- ZHI	Male	2003/05/01	0	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Nanya Institute of Technology					
ice resident	Republic of China	ZHANG, TIAN-MU	Male	2003/07/28	526	0.00%	0	0.00%	0	0.00%	Department of Tourism Management, Chinese Culture University					
ssistant lice resident	Republic of China	LIU, PIN- CHEN	Female	2020/04/01	0	0.00%	0	0.00%	0	0.00%	Department of International Business Studies, National Chi Nan University					
ice .	Republic of China	CHEN, ZHI- SHAN	Male	2014/03/03	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Ming Chuan University					
ice resident	Republic of China	YANG, ZHI- KAI	Male	2011/07/01	0	0.00%	0	0.00%	0		Department of Electrical Engineering, Cheng Shiu University					
ice resident	Republic of China	WEI, YU- MEI	Female	2015/06/01	0	0.00%	0	0.00%	0	0.00%	Department of Land Economics, National Chengchi University					
ssistant rice resident	Republic of China	LIN, AN- TSE	Male	2019/04/01	0	0.00%	0	0.00%	0		Department of Business Administration, Fu Jen Catholic University					Ī
ice resident	Republic of China	ZHAO, ZHI- MING	Male	2003/07/28	6,861	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Tatung University					
/ice President	Republic of China	ZHANG, REN-FANG	Male	2013/09/01	0	0.00%	0	0.00%	0	0.00%	Master of Business Administration, National Kaohsiung First University of Science and Technology					
resident	Republic of China	LI, XIANG- JUN	Male	2004/04/20	0	0.00%	0	0.00%	0	0.00%	Department of Banking and Finance, Tamkang University					
ice resident	Republic of China	MA, SHAO- HONG	Female	2015/04/01	0	0.00%	0	0.00%	0	0.00%	MBA, Chung Yuan Christian University					ľ
ice resident	Republic of China	CHEN, LI- ZHUN	Female	2002/07/11	334,456	0.02%	1,015	0.00%	0	0.00%	EMBA, Fu Jen Catholic University					
ice resident	Republic of China	WANG, WAN-QI	Female	2014/02/05	0	0.00%	0	0.00%	0	0.00%	Department of Finance, Southern Taiwan University of Science and Technology					
ssistant rice resident	Republic of China	HUANG, SHIH- CHUNG	Male	2020/04/01	0	0.00%	0	0.00%	0	0.00%	Department of Insurance, Chaoyang University of Technology					
ssistant rice resident	Republic of China	HSU, CHIH- HUI	Female	2019/10/01	0	0.00%	0	0.00%	0		Department of Political Science, Chinese Culture University					
resident	Republic of China	PENG, GUI- CONG	Male	2000/01/24	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Tatung Institute of Technology					
resident	Republic of China	CHANG, CHUN-FU	Male	2020/04/01	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Defense University					

Title	Nationality	Name	Gender	Date of appointment (start of office)	Current sh	areholding	Shares spous underage		Shares he	ld by proxy	Major career (academic) achievements	Concurrent positions in other companies		ouse or rel and degree ting as ma	or closer	
				of office)	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	auneveniens	шпрашез	Title	Name	Relation	
Assistant Vice President	Republic of China	WU, CHEN- MING	Male	2016/10/01	0	0.00%	0	0.00%	0		Master of Finance, National Yunlin University of Science and Technology					
Assistant Vice President	Republic of China	YEN, CHIA- YUEH	Female	2016/04/01	0	0.00%	0	0.00%	0		Master of Applied Economics, National Taiwan Ocean University					
Vice President	Republic of China	YU, XIAO- MEI	Female	2002/10/07	0	0.00%	0	0.00%	0		Department of Tourism Management, Chinese Culture University					
Assistant Vice President	Republic of China	LI, YI-CHIH	Female	2020/04/01	0	0.00%	0	0.00%	0	0.00%	Master of Management, Ming Chuan University					
Assistant Vice President	Republic of China	KU, PEI- CHING	Female	2020/08/03	0	0.00%	0	0.00%	0	0.00%	Department of Banking and Finance, Ming Chuan University					
Vice President	Republic of China	CHEN, XUAN-ZHI	Male	2008/05/17	0	0.00%	0	0.00%	0		EMBA, Yu Da University of Science and Technology					
Assistant Vice President	Republic of China	LIN, CHIH- FENG	Male	2020/04/01	0	0.00%	0	0.00%	0		Department of Business Administration, Tunghai University					
Assistant Vice President	Republic of China	YANG, YAN-QIU	Female	2013/09/01	12,169	0.00%	1,393	0.00%	0	0.00%	Department of Accounting, National Taichung University					
Assistant Vice President	Republic of China	YANG, KUN- LONG	Male	2015/02/01	0	0.00%	0	0.00%	0	0.00%	Department of Psychology, Chung Yuan Christian University					
Assistant Vice President	Republic of China	LIN, CHANG- TZU	Male	2020/11/16	0	0.00%	0	0.00%	0		Department of Information Managemen, Tamsui Oxford College					
Vice President	Republic of China	XU, LI-FEN	Female	2003/03/31	502	0.00%	0	0.00%	0		Department of Business Administration, Chihlee Institute of Technology					
Vice President	Republic of China	CAI, QING- FEN	Female	2006/11/15	8,787	0.00%	0	0.00%	0	0.00%	Master of Finance, On-job Master Program, National Taiwan University					
Assistant Vice President	Republic of China	CHIANG, JUNG-HUA	Male	2020/04/15	0	0.00%	0	0.00%	0		Master of Business Administration, Long Island University					
Vice President	Republic of China	LIN, HUI- JING	Female	2000/11/25	36,631	0.00%	0	0.00%	0	0.00%	Department of Textile Engineering, National Taipei Institute of Technology					
Assistant Vice President	Republic of China	FU, CHENG-HUI	Male	2020/10/01	0	0.00%	0	0.00%	0		Master of Finance and International Business, Fu Jen Catholic University					
Vice President	Republic of China	CHEN, MEI- RU	Female	2014/07/19	0	0.00%	0	0.00%	0	0.00%	Department of Accounting and Statistics, I-Lan Commercial Vocational Senior High School					
Assistant Vice President	Republic of China	WU, CHEN- YI	Male	2016/09/01	0	0.00%	0	0.00%	0		EMBA, National Taipei College of Business School of Open Education					
Vice President	Republic of China	HUANG, XIU- YU	Female	2001/08/10	42,599	0.00%	0	0.00%	0	0.00%	Department of Economics, Fu Jen Catholic University Master of Information					
Assistant Vice President	Republic of China	WU, QING- YAN	Male	2018/04/01	0	0.00%	0	0.00%	0		Management, Shu-Te University					
Vice President	Republic of China	TANG, WEN- JI	Female	2011/05/02	0	0.00%	0	0.00%	0	0.00%	Department of International Trade, Fu Jen Catholic University					
Assistant Vice President	Republic of China	HUANG, CHONG-JIE	Male	2018/08/01	0	0.00%	0	0.00%	0	0.00%	Department of Finance, Tunghai University					
Vice President	Republic of China	CAO, HOU- SHENG	Male	2004/08/02	0	0.00%	0	0.00%	0		Master of Labour Research, National Chengchi University					
Vice President Assistant	Republic of China	HUA	Male	2011/05/02	0	0.00%	0	0.00%	0	0.0070	Department of Statistics, Tunghai University Department of Information					
Vice President	Republic of China	ZHANG, ZHE-MING	Male	2017/10/01	0	0.00%	0	0.00%	0	0.00%	Engineering, University of Sydney					
Assistant Vice President	Republic of China	HUANG, MIAO-YIN	Female	2017/06/02	459	0.00%	0	0.00%	0	0.00%	Department of Accounting and Statistics, Overseas Chinese University					
Vice President	Republic of China	HAI, YAN	Female	2011/09/01	0	0.00%	0	0.00%	0	0.00%	Department of Banking & Insurance, Feng Chia University					
Assistant Vice President	Republic of China	LI, CHIH- CHIANG	Male	2019/04/01	0	0.00%	0	0.00%	0	0.00%	Department of Statistics, National Chengchi University					
Assistant Vice President	Republic of China	FENG	Female	2020/06/01	0	0.00%	0	0.00%	0	0.00%	Master of Finance and Information, National University of Kaohsiung					
Vice President	Republic of China	CHEN, ZHENG- YANG	Male	2014/10/01	0	0.00%	0	0.00%	0		Master of Business Administration, Feng Chia University					
Vice President	Republic of China	HUANG, YI- LIAN	Female	2015/08/03	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Feng Chia University					
Vice President	Republic of China	LIN, JING- WEN	Male	2011/06/28	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Taipei College of Business					
Vice President	Republic of China	YU- CHANG	Male	2003/06/23	1,082	0.00%	0	0.00%	0		Department of Applied Mathematics, Chung Yuan Christian University					
Vice President Senior	Republic of China	XUE- REN	Male	2015/01/07	0	0.00%	0	0.00%	0	0.00%	MBA, Central Missouri State University					
Vice President	Republic of China	PAN, HUI- MEI	Female	1999/08/01	3,540	0.00%	0	0.00%	0	0.00%	MBA, University of South Carolina					

- 3. Remuneration for directors, supervisors, president and vice presidents in the most recent year
- (1) Remuneration for directors (including independent directors), supervisors, president and vice presidents, names of the managers distributing employee remuneration, and the status of distribution
 - 1. Remuneration for directors and independent directors (names and methods of remuneration are disclosed individually)

											A, B, C and D as a ge of net income				F, and G		The sum of A, B, C, D, E, F, and G as a percentage of net income		Remuneration			
Title		Comp		Pe		Directors'		Fees for se					bonuses, special ances etc. (E)	Pen				from reinvestmer businesses				
		The	All companies included in the	The	All companies included in the	The	All companies included in the	The	All companies	The			All companies All companies All companies All companies		s The All companies consolidate			The	All companies sub	parents other than subsidiaries		
		Company	consolidated	Company	consolidated	Company	consolidated	Company	consolidated	Company	consolidated	Company	consolidated	Company								
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	14,634	14,634	-	-	17,641	17,641	1,106	1,141	0.94%	0.94%	-	-	-	-	-	-	-	-	0.94%	0.94%	N/A
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN		-	-		5,881	5,881	130	280	0.17%	0.17%	-	-	-	-			-		0.17%	0.17%	N/A
Director	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	-	-	-	-	5,881	5,881	130	130	0.17%	0.17%	-	-	-	-		-	-	-	0.17%	0.17%	N/A
	. Specify the policy, system, standards and structure for payment of remuneration to independent directors, and describe the relevance of the amount of paid remuneration to factors including the responsibility assumed, risk and time invested: Remuneration other than as disclosed in the table above and received by the directors during the most recent year for services provided to the companies in the financial statements (e.g., acting as a non-employee advisor): NTSO.																					

2. Remuneration for directors and independent directors (names and methods are disclosed on a consolidated basis with the corresponding brackets)



Note 1: Remuneration paid to the driver was NT\$811,000

Remuneration bracket table

		Name o	f director			
Range of remuneration paid to	Sum of the first 4	items (A+B+C+D)	Sum of the first 7 items (A+B+C+D+E+F+G)			
directors	The Company	All companies included in the consolidated statements H	The Company	All companies included in the consolidated statements I		
Below NT\$1,000,000	-	-	-	-		
NT\$1,000,000 (included) ~ NT\$2,000,000 (not included)	-	-	-	-		
NT\$2,000,000 (included) ~ NT\$3,500,000 (not included)	-	-	-	-		
NT\$3,500,000 (included) ~ NT\$5,000,000 (not included)	-	-	-	-		
NT\$5,000,000 (included) ~ NT\$10,000,000 (not included)	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG- YEN, SHEA, JIA-DONG, LEE, SHEN-YI, SU, PING-CHANG	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO Tail He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG- YEN, SHEA, JJA-DONG, LEE, SHEN-YI, SU, PING-CHANG	Yin Feng Enterprise Co., Ltd. Representative: LIU. CHING-TSUN Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUB-H-WEN Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO Tail He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG- YEN, SHEA, JJA-DONG, LEE, SHEN-YI, SU, PING-CHANG	Yin Feng Enterprise Co., Ltd. Representative: LUI, CHING-TSUN Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: TING, HSUEH-WEN Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO Tal He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG- YEN, SHEA, JIA-DONG, LEE, SHEN-YI, SU, PING-CHANG		
NT\$10,000,000 (included) ~ NT\$15,000,000 (not included)	-	-	-	-		
NT\$15,000,000 (included) ~ NT\$30,000,000 (not included)	-	-	-	-		
NT\$30,000,000 (included) ~ NT\$50,000,000 (not included)	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH		
NT\$50,000,000 (included) ~ NT\$100,000,000 (not included)	-	-	-	-		
NT\$ 100,000,000 and above						
Total	11	11	11	11		

3. Remuneration for president and vice presidents (names and methods are disclosed on a consolidated basis with the corresponding brackets)

		Sal	ary (A)	Pen	sion (B)		and special rance (C)	Empl	oyee ren	nuneratio	on (D)	D as a ponet inco	of A, B, C and ercentage of me after tax (%)	Remuneration from reinvestment
Title	Name	The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Company	All companies included in the consolidated	The Co	ompany Shares	include	npanies d in the lidated Shares	The Company	All companies included in the consolidated	businesses or parents other than subsidiaries
CSO	WANG, JIUNN- CHIH													
President Executive Vice					1,344	40,693	40,693	5,156						
President Executive Vice President	MING-SHING HUANG, CHI- MING													
Executive Vice President	FANG, CHIH- HUNG													
Executive Vice President	ZHANG, PEI- WEN		33,142	1,344 1,5										
Executive Vice President	QIU, JIAN- HUA								-	5,156 -			2.25%	
Executive Vice President	TAN, TE- CHENG	33,142 33,									-	- 2.25%		N/A
Senior Executive Vice President	YANG, JIE- BIN													
Executive Vice President	ZHANG, JIA- WEN													
Executive Vice President	LAI, JUN-FU													
Executive Vice President	LIN, YAN- FEN													
Executive Vice President	Wang, Juan-Hui													
Executive Vice President	MA, JIA- HUAN													

Note 1: Remuneration paid to the driver was NT\$566,000

Remuneration bracket table

Range of remunerations to the President and Executive	Sum of the first 4 items (A+B+C+D)					
Vice Presidents	The Company	All companies included in the consolidated statements				
Less than NT\$1,000,000	WANG, JIUNN-CHIH	WANG, JIUNN-CHIH				
NT\$1,000,000 (included) ~ NT\$2,000,000 (not included)	-	-				
NT\$2,000,000 (included) ~ NT\$3,500,000 (not included)	FANG, CHIH-HUNG, LAI, JUN-FU	FANG, CHIH-HUNG, LAI, JUN-FU				
NT\$3,500,000 (included) ~ NT\$5,000,000 (not included)	CHEN, MING-SHING, HUANG, CHI-MING, ZHANG, PEI-WEN, QIU, JIAN-HUA, TAN, TE-CHENG, WANG, JUAN-HUI	CHEN, MING-SHING, HUANG, CHI-MING, ZHANG, PEI-WEN, QIU, JIAN-HUA, TAN, TE-CHENG, WANG, JUAN-HUI				
NT\$5,000,000 (included) ~ NT\$10,000,000 (not included)	YANG, JIE-BIN, ZHANG, JIA-WEN, MA, JIA-HUAN	YANG, JIE-BIN, ZHANG, JIA-WEN, MA, JIA-HUAN				
NT\$10,000,000 (included) ~ NT\$15,000,000 (not included)	CHIA, CHUNG-TAO	CHIA, CHUNG-TAO				
NT\$15,000,000 (included) ~ NT\$30,000,000 (not included)	LIN, YAN-FEN	LIN, YAN-FEN				
NT\$30,000,000 (included) ~ NT\$50,000,000 (not included)	-	-				
NT\$50,000,000 (included) ~ NT\$100,000,000 (not included)	-	-				
NT\$100,000,000or more	-	-				
Total	14	14				

4. Names of the managers distributing employee remuneration, and the status of distribution

						March 31, 2021
	Title	Name	Shares amount	Cash amount	Total	Total amount as a percentage of net income after tax (%)
	CSO	WANG, JIUNN-CHIH				
	President	CHIA, CHUNG-TAO				
	Senior Executive Vice President	YANG, JIE-BIN				
	Executive Vice President	CHEN, MING-SHING, HUANG, CHI-MING, FANG, CHIH- HUNG, ZHANG, PEI-WEN, QIU, JIAN-HUA, TAN, TE- CHENG, ZHANG, JIA-WEN, LAI, JUN-FU, LIN, YAN-FEN, WANG, JUAN-HUI, MA, JIA-HUAN				
	Senior Vice President	CHANG, TUN-FU, PAN, HUI-MEI				
	Senior Vice President	LIN, JING-HUA, LIN, SHU-CHUAN, WANG, YA-FANG, WU, YUN-WEN, HOU, LE-PING, YAO, MING-QING, XU, TSUI- YUN, YE, YI-LING, CHEN, PEI-QI, ZHENG, SHU-FEN, ZHENG, YU-LING	0		36,460	
Managers	Senior Vice President	XIE, XIU- YING, LIN, BO-WEI, CHANG, LI-FEN, LIU, SHU-RU, XIE, HUI-YA, LIN, CHAO-HSU, KAN, KAI-CHUNG, CHIU, TSAN-HSI, CHEN, YI-REN, TSENG, MEI-LING, ZHANG, JING-YAO, TU, TSUNG-EN, CHANG, YU-CHING, YE, YU-ZHEN, HUANG, ZHI-HUA, WENG, HE-MING, ZHANG, XUE-HE, ZHU, DE-REN, LI, MU-XIAN, ZHAO, FENG-RONG		36,460		1.02%
	Vice President	LAI, AI-WEN, WU, HONG- ZHI, ZHANG, TIAN-MU, CHEN, ZHI- SHAN, YANG, ZHI-KAI, WEI, YU-MEI, ZHAO, ZHI-MING, ZHANG, REN-FANG, LI, XIANG- JUN, MA, SHAO-HONG, CHEN, LI-ZHUN, WANG, WAN-QI, PENG, GUI-CONG, CHANG, CHUN-FU, YU, XIAO-MEI, CHEN, XUAN-ZHI, , XU, LI-FEN, CAI, QING-FEN, LIN, HUI-JING, CHEN, MEI-RU, HUANG, XIU-YU, TANG, WEN-JI, CAO, HOU-SHENG, KAI, SHI-HUA, HAI, YAN, CHEN, ZHENG-YANG, HUANG, YI-LIAN, LIN, JING-WEN, ZHENG, YU-CHANG, DENG, XUE-REN				
	Assistant Vice President	WU, CHEN-MING, YEN, CHIA-YUEH, YANG, YAN-QIU				
	Assistant Vice President	LIU, PIN-CHEN, LIN, AN-TSE, HUANG, SHIH-CHUNG, HSU, CHIH-HUI, LI, YI-CHIH, KU, PEI-CHING, LIN, CHIH- FENG, YANG, KUN-LONG, LIN, CHANG-TZU, CHIANG, JUNG-HUA, FU, CHENG-HUI, WU, CHEN-YI, WU, CHING- YEN, HUANG, CHONG-JIE, ZHANG, ZHE-MING, HUANG, MILINI JI, CHIH-CHIANG, LI, ENLEPING				

(4) Percentage of remuneration paid to the Company's Directors, Supervisors, President and Executive Vice Presidents relative to net income; describe the remuneration policy and association with business performance:

The total amounts of the remuneration paid by the Company to directors, the President and vice presidents in 2019 and 2020 accounted respectively for the following percentages of net income after tax:

- (1) The total amount of remuneration, travel allowance and attendance fee paid to the Company's directors in 2019 accounted for 2.88% of the annual net income after tax. The total amount of remuneration paid to the President and vice presidents in 2019 accounted for 2.49% of the annual net income after tax.
- (2) The total amount of remuneration, travel allowance and attendance fee paid to the Company's directors in 2020 accounted for 2.67% of the annual net income after tax. The total amount of remuneration paid to the President and vice presidents in 2020 accounted for 2.25% of the annual net income after tax.
- (3) The proportion of remuneration distributed to the directors and managerial officers of the Company is pursuant to Article 20 of the Company's Articles of Incorporation. If there is a profit of a year, 0.6% to 2% shall be appropriated as employee's remuneration, and no more than 3% shall be appropriated as directors' remuneration.
- (4) Based on the market and industrial pay level, the remuneration paid to the directors of the Company is in principle on the general level in the industry. It also takes into account the personal performance of each director, the degree of his/her participation in and contribution to the operations of the Company and the responsibility assumed by him/her, the status of achievement of the Company's operational objectives and the financial condition of the Company in order to assess the reasonableness of the relevance between the overall operating performance and future risks on personal and company levels. The remuneration for directors has been reviewed by the Remuneration Committee and processed by the Board of Directors. The Remuneration Committee regularly assesses the remuneration for directors and reviews, whenever appropriate, the remuneration system depending on the actual operating status and applicable laws and regulations to achieve sustainable management of the Company and balanced risk control.
- (5) The remuneration of the Company's managerial officers includes salary and bonuses. The salary is determined by referring to the level of the peers' level, and job title, rank, educational/industrial background, professional ability and job responsibilities. For the bonus, the managerial officers' performance evaluation is taken into account, including financial indicators (such as earnings achievement rate, earnings growth rate, securities market share growth rate, wealth management achievement rate, cumulative profit achievement rate, operating expense control rate) and non-financial indicators (such as business planning, leadership, working efficiency, professional knowledge, characters and working attitude, compliance with laws and regulations, and risk control). The managerial officers' remuneration are reviewed by the Remuneration Committee and deliberated by the Board of Directors.

4. Corporate governance

(1) Functionality of board of directors1. Functionality of board of directors

A total of 10 meetings (A) were held in the last year (January 1, 2020 ~ March 31, 2021); directors' attendance records are summarized below:

Title	Name	Actual attendance (presence) A	Proxy attendance	Actual attendance (presence) rate (%) [A/Number of Board of Directors meetings during the term of office]	Remarks
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	10	0	100%	
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	10	0	100%	
Director	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	10	0	100%	
Director and President	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	9	1	90%	
Director	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	10	0	100%	
Director	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	10	0	100%	
Director	Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN	5	5	50%	
Director	Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN	7	3	70%	
Independent Director	SHEA, JIA-DONG	10	0	100%	
Independent Director	LEE, SHEN-YI	10	0	100%	
Independent Director	SU, PING-CHANG	10	0	100%	

Other relevant information:

- 1. Where any of the following circumstances occurs to any meeting of the Board of Directors, the date, term and proposal of the meeting as well as the opinions of all the independent directors and actions taken by the Company on the opinions shall be specified:
 - (1) Conditions described in Article 14-3 of the Securities and Exchange Act: the Company has established an Audit Committee, pursuant to Article 14-5 of the Securities and Exchange Act, this item is not applicable.
 - (2) In addition to the matters mentioned above, any resolution of the Board of Directors for which dissent or reservation has been expressed by any independent director and where such dissent or reservation has been recorded in the minutes or any written statement: None.
- 2. With respect to the status of recusal of any director with an interest in any proposal, the name of the director, title of the proposal, reasons for recusal, and participation in the voting shall be described:

(1) 5th meeting, 11th Board of Directors on January 21, 2020

 Agenda: Approval of the results of performance appraisal for officers at the level of manager or higher in 2019.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO

had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the Chairman WANG, JIUNN-CHIH, recused himself, and

director SHEA, JIA-DONG acted on his behalf) was adopted for approval without any objection upon consultation by the chairperson with the

directors present.

Agenda: Approval of distribution of year-end bonuses to officers at the level of manager or higher in 2019.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO

had avoided involvement in this case due to status as stakeholders.

Vote outcome: This proposal (the Chairman WANG, JIUNN-CHIH, recused himself, and

director SHEA, JIA-DONG acted on his behalf) was adopted for approval without any objection upon consultation by the chairperson with the

directors present.

3. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC

International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused

himself, and director SHEA, JIA-DONG acted on his behalf) was adopted without any objection upon consultation by the chairperson with the

directors present.

4. Agenda: Participation in purchase of the shares of Capital Futures, the reinvestment enterprise of the Company, for cash capital increase.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the

representatives of Capital Securities Corp., a corporate director of Capital Futures Corp and had avoided involvement in this case due to status as

stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused

himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with

the directors present.

(2) 6th meeting, 11th Board of Directors on March 26, 2020

1. Agenda: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC International Holdings Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of Capital

Securities Corporation, a corporate director of CSC International Holdings Ltd., and had avoided involvement in this case due to status as a

stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU,

CHING-TSUN) The remaining directors were consulted and passed without objection.

 Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC

International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder. The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without

objection.

Vote outcome:

 Agenda: CSC Securities (HK) Ltd., the Company's overseas reinvestment enterprise, plans to continue to apply to its parent CSC International Holdings Ltd. for short-term financing of an amount of US\$10,000,000.

Reason for avoidance: Chairman WANG, JIUNN-CHIH concurrently served as the representative

of Capital Securities Corporation, a corporate director of CSC International Holdings Ltd., and the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had

avoided involvement in this case due to status as a stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed

without objection.

4. Agenda: List of candidates nominated by the Company for the independent directors of Capital Futures Corp., to be submitted to its 2020 annual shareholders' meeting.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the

representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as

stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused

himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with

the directors present.

(3) 7th meeting, 11th Board of Directors on May 14, 2020

1. Agenda: 2019 directors and supervisors' remuneration distribution.

Reason of avoidance: All directors and independent directors have conflict of interest to this

proposal; they recused themselves when proceeding to the part involved

themselves individually.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed

without objection.

2. Agenda: Distribution of the remuneration for employees (in cash) in 2019.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-

TAO had avoided involvement in this case due to status as stakeholders.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed

without objection.

(4) 2nd extraordinary meeting, 11th Board of Directors on June 29, 2020

1. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC

International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a

stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed

without objection.

(5) 8th meeting, 11th Board of Directors on July 28, 2020

Agenda: Proposal to add one more overseas negotiable securities trader at the trust platform.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC

International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a

stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed

without objection.

(6) 9th meeting, 11th Board of Directors on August 25, 2020

1. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the

subsidiary CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC

International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a

stakeholder.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused

himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with

the directors present.

(7) 10th meeting, 11th Board of Directors on November 12, 2020

1. Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary

CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC International

Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had

avoided involvement in this case due to status as a stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without

objection.

2. Agenda: New appointment of the representative of the corporate director CSC Venture Capital

Corp., the Company's reinvestment enterprise, and for the President.

Reason for avoidance: Director/President CHIA, CHUNG-TAO had avoided involvement in this case

due to status as stakeholders.

Vote outcome: This proposal was adopted without objection upon consultation by the

chairperson with the remaining directors present.

3. Agenda: Proposal to recommend the "Articles of Incorporation" and appointment of directors,

supervisors, and president of the 100% re-investment, CSC Capital Management Co., Ltd.

Reason for avoidance: Director CHANG, CHIH-MING of the Company was one of the recipients,

and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: This proposal was adopted without objection upon consultation by the

chairperson with the remaining directors present.

(8) 11th meeting, 11th Board of Directors on January 21, 2021

1. Agenda: the results of performance appraisal for officers at the level of manager or higher in 2020.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO

had avoided involvement in this case due to status as stakeholders.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without

objection.

2. Agenda: the distribution of year-end bonuses to officers at the level of manager or higher in 2020.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO

had avoided involvement in this case due to status as stakeholders.

The case was circumvented by the chairman (the chairman of the case, Vote outcome:

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without

objection.

Agenda: List of candidates nominated by the Company for the re-elected directors and independent directors of the 9th Board of Directors of Capital Futures Corp.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the

representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as

stakeholders.

Vote outcome: This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused

himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors

present.

Agenda: Proposal to re-appoint the directors, supervisors, and president of Capital True Partner Technology Co., Ltd., the re-investment with 51% stake held by the Capital International Technology Corp. the reinvestment enterprise of Capital Futures, the reinvestment

enterprise of the Company.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director LIU, CHING-TSUN were the

representatives of Capital Securities Corp., a corporate director of Capital Futures Corp. and had avoided involvement in this case due to status as

stakeholders.

This proposal (the chairperson, Chairman WANG, JIUNN-CHIH, recused Vote outcome:

himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors

present.

(9) 12th meeting, 11th Board of Directors on March 25, 2021

1. Agenda: CSC Securities (HK) Ltd., the Company's overseas reinvestment enterprise, plans to continue to apply to its parent CSC International Holdings Ltd. for short-term financing of

an amount of US\$10,000,000.

Reason for avoidance: Chairman WANG, JIUNN-CHIH concurrently served as the representative

of Capital Securities Corporation, a corporate director of CSC International Holdings Ltd., and the representative of CSC International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided

involvement in this case due to status as a stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without

objection.

Agenda: Issuance of a Letter of Comfort for the capital required for business expansion of the subsidiary CSC International Holdings Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of Capital

Securities Corporation, a corporate director of CSC International Holdings Ltd., and had avoided involvement in this case due to status as a

stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without

objection.

Agenda: Issuance of a Letter of Comfort for the capital required for the business of the subsidiary CSC Securities (HK) Ltd.

Reason for avoidance: Chairman WANG, JIUNN-CHIH was the representative of CSC

International Holdings Ltd., a corporate director of CSC Securities (HK) Ltd., and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU,

CHING-TSUN) The remaining directors were consulted and passed without objection.

4. Agenda: Proposal to add the investable type and scope for the re-investment, CSC Venture Capital Corp., to increase its investment channels.

Reason for avoidance: Chairman WANG, JIUNN-CHIH and director/President CHIA, CHUNG-TAO

were the representatives of Capital Securities Corp., a corporate director of CSC Venture Capital Corp and had avoided involvement in this case due to

status as stakeholders.

Vote outcome: The case was circumvented by the chairman (the chairman of the case,

WANG, JIUNN-CHIH was evaded, and was chaired by the director LIU, CHING-TSUN) The remaining directors were consulted and passed without $\frac{1}{2}$

objection.

 Agenda: Proposal to recommend the appointment of directors, supervisors, and president of "CSC Private Equity Fund I Co. Ltd," a 100% re-investment of the subsidiary "CSC

Capital Management Co., Ltd."

Reason for avoidance: Director CHANG, CHIH-MING of the Company was one of the recipients,

and had avoided involvement in this case due to status as a stakeholder.

Vote outcome: This proposal was adopted without objection upon consultation by the

chairperson with the remaining directors present.

- 3. TWSE/TPEx listed company shall disclose the assessment cycle and period, scope of assessment, method and content of assessment for the self (or peer) appraisal of the Board of Directors, and list the following implementation of the Board of Director's appraisal in Table (2)
- 4. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements.
 - (1) To enhance the functions of the Board of Directors, the Company has established functional committees under the Board of Directors including the Remuneration Committee, Risk Management Committee and Audit Committee. In line with the international trend in corporate governance and the requirements of the competent authority, the Company will continue strengthening the structure and operations of the Board of Directors in relation to the aspect of corporate governance in order for the Board of Directors to fully perform its professional and independent functions.
 - (2) To implement corporate governance and enhance the functions of the Board of Directors and functional committees, the 6th meeting of the 11th Board of Directors held on March 26, 2020 adopted the "Regulations for Appraisal of the Performance of the Board of Directors and Functional Committees". Starting from 2020, an appraisal of the performance of the Board of Directors will be conducted annually.

2. Implementation of the Board of Directors Appraisal

•	•••						
Assessment cycle (Note 1)	Once per year						
Assessment period (Note 2)	Performance assessment between January 1, 2020 to December 31, 2020						
Assessment scope (Note 3)	oard of Directors, individual board member, and functional committees (the Audit and emuneration Committees)						
Assessment method (Note 4)	nternal self assessment in the Board of Directors, self-assessment by director, and internal self assessment in the functional committees						
Assessment content (Note 5) and results	 The measurements of the Board of Directors performance assessment inclumajor aspects for total 41 items; the self assessment is conducted by all the independent directors (total 11 directors). The overall average score is 4.98 the overall assessment result is positive. The assessment aspects and comprehensive comments are summarized as 	directors and points (highest 5 points);					
	Assessment aspect	Assessment criteria					
	Participation in the operation of the company;	Total 12 items					
	2. Improvement of the quality of the board of directors' decision making;	Total 12 items					
	3. Composition and structure of the board of directors;	Total 7 items					
	4. Election and continuing education of the directors;	Total 4 items					
	5. Internal control	Total 6 items					
	Subtotal	Total 41 items					
	Comprehensive comment: Very regular operation of the Board of Directors Directors discussed each proposal in very serious manner.						
	2. The measurements of the self-assessment by director include the following s total 23 items; the self assessment is conducted by all the directors and inde 11 directors). The overall average score is 4.93points (highest 5 points); the result is positive. The assessment aspects and comprehensive comments are summarized as	pendent directors (total overall assessment					
	Assessment aspect	Assessment criteria					
	Alignment of the goals and missions of the company;	Total 3 items					
	2. Awareness of the duties of a director;	Total 3 items					
	3. Participation in the operation of the company;	Total 8 items					
	4. Management of internal relationship and communication;	Total 3 items					
	The director's professionalism and continuing education;	Total 3 items					
	6. Internal control	Total 3 items					
	Subtotal	Total 23 items					
	Comprehensive comment:1. The Chairman fully understand and faithfully perform his duties; althoug serves in the re-investees, but this is all based on the needs of consolid.2. Fulfill the duties of directors.						
	 The measurements of the Audit Committee performance assessment include aspects for total 22 items; the self assessment is conducted by all independed directors). The overall average score is 5.00 points (highest 5 points); the ov- is positive. The assessment aspects and comprehensive comments are summarized as 	ent directors (total three erall assessment result					
	Assessment aspect	Assessment criteria					
	Participation in the operation of the company;	Total 4 items					
	2. Awareness of the duties of the Audit Committee;	Total 5 items					
	3. Improvement of quality of decisions made by the Audit Committee;	Total 7 items					
	4. Makeup of the Audit Committee and election of its members;	Total 3 items					
	5. Internal control	Total 3 items					
	Subtotal						
	Comprehensive comment:	Total 22 items					

4. The measurements of the Remuneration Committee performance assessment include the following four major aspects for total 18 items; the self assessment is conducted by all members (total three members). The overall average score is 5.00 points (highest 5 points); the overall assessment result is positive.

The assessment aspects and comprehensive comments are summarized as following:

	Assessment aspect	Assessment criteria							
1.	Participation in the operation of the company;	Total 4 items							
2.	Awareness of the duties of the Remuneration Committee;	Total 4 items							
3.	Improvement of quality of decisions made by the Remuneration Committee;	Total 7 items							
4.	Makeup of the Remuneration Committee and election of its members;	Total 3 items							
	Subtotal	Total 18 items							
Co	Comprehensive comment: none								

- Note 1: Fill in the execution cycle of the Board appraisal, e.g. once per year.
- Note 2: Fill in the period covered by the Board appraisal, e.g. assessing the performance between January 1, 2020 to December 31, 2020.
- Note 3: Assessment scope includes the Board of Directors, individual board member, and functional committee.
- Note 4: Assessment method includes the internal self assessment in the Board of Directors, self-assessment by director, peer assessment, retention of external professional institutions or experts, or other proper means.
- Note 5: Assessment content shall include at least the following:
 - (1) Assessment of the Board of Directors' performance: at least including the degree of participation in the company's operations; improvement in the quality of decision making by the board of directors; the composition and structure of the board of directors; the election of the directors and their continuing professional education; internal control.
 - (2) Assessment of individual board member: at least including: grasp of the company's goals and missions; recognition of director's duties; degree of participation in the company's operations; management of internal relationships and communication; professionalism and continuing professional education; internal control.
 - (3) Assessment of functional committee: degree of participation in the company's operations; recognition of the duties of the functional committee; improvement in the quality of decision making by the functional committee; composition of the functional committee, and election and appointment of committee members; internal control.

(2) Functionality of the Audit Committee

A total of 7 (A) Audit Committee meetings were held in the last year (January 1, 2020 ~ March 31, 2021); independent directors' attendance records are summarized below:

Title	Name	Actual attendance (B)	Proxy attendance	Attendance rate (%) (B/A)	Remarks
Independent Director	SHEA, JIA-DONG	7	0	100%	
Independent Director	LEE, SHEN-YI	7	0	100%	
Independent Director	SU, PING-CHANG	7	0	100%	

Other relevant information:

- Where any of the following circumstances occurs during the operation of the Audit Committee, the date, term and proposal of the relevant Board of Directors meeting as well as the resolution of the Audit Committee and actions taken by the Company on the opinions of the Audit Committee shall be specified.
 - (1) The matters referred to in Article 14-5 of the Securities and Exchange Act.
 - 1. 5th meeting, 11th Board of Directors on January 21, 2020
 - (1) Agenda: Proposal that "Mr. Li, O-Siang" intends to purchase the land located at the road of Taoyuan City from the Company.

Resolution of the Audit Committee: Approved after deliberation in the 4th Meeting, Audit Committee of the 2nd Term on January 15, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(2) Agenda: Participation in purchase of the shares of Capital Futures, the reinvestment enterprise of the Company, for cash capital increase.

Resolution of the Audit Committee: Approved after deliberation in the 4th Meeting, Audit Committee of the 2nd Term on January 15, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: This proposal (the Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present.

- 2. 6th meeting, 11th Board of Directors on March 26, 2020
 - (1) Agenda: Ratification of amendment to the "Internal Control System" and the "Rules for Implementation of Internal Audits" of the Company.

Resolution of the Audit Committee: Consulted and passed without objection in the 5th Meeting, Audit Committee of the 2nd Term on March17, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection; ratification was granted.

(2) Agenda: The "Statement on the Internal Control System" of the Company for 2019.

Resolution of the Audit Committee: Approved after deliberation in the 5th Meeting, Audit Committee of the 2nd Term on March 17, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(3) Agenda: The individual and consolidated financial statements for 2019 have been prepared by the Company and audited by Feng-Hui Lee and Tan-Tan Chung, CPAs from KPMG Taiwan, with issuance of an audit report with unqualified opinions.

Resolution of the Audit Committee: Approved after deliberation in the 5th Meeting, Audit Committee of the 2nd Term on March 17, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(4) Agenda: Recommendations for distribution of the profits in 2019.

Resolution of the Audit Committee: Approved after deliberation in the 5th Meeting, Audit Committee of the 2nd Term on March 17, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(5) Agenda: Amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company.

Resolution of the Audit Committee: Approved after deliberation in the 5th Meeting, Audit Committee of the 2nd Term on March 17, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(6) Agenda: Proposal to issue the Statement on AML/CFT pursuant to the "Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission".

Resolution of the Audit Committee: Approved after deliberation in the 5th Meeting, Audit Committee of the 2nd Term on March 17, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(7) Agenda: The 2019 Business Report of the Company.

Resolution of the Audit Committee: Approved the amended version after deliberation in the 5th Meeting, Audit Committee of the 2nd Term on March 17, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

- 3. 7th meeting, 11th Board of Directors on May 14, 2020
 - (1) Agenda: Ratification of amendment to the "Internal Control System" and the "Rules for Implementation of Internal Audits" of the Company.

Resolution of the Audit Committee: Consulted and passed without objection in the 6th Meeting, Audit Committee of the 2nd Term on April 27, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection; ratification was granted.

(2) Agenda: Anti-money laundering and counter terrorism financing risk evaluation report for the Company for 2019.

Resolution of the Audit Committee: Approved after deliberation in the 6th Meeting, Audit Committee of the 2nd Term on April 27, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(3) Agenda: Proposal to apply for the establishment of asset management co. ltd. and private equity fund co. ltd. to the competent authority.

Resolution of the Audit Committee: Approved after deliberation in the 6th Meeting, Audit Committee of the 2nd Term on April 27, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

- 4. 9th meeting, 11th Board of Directors on August 25, 2020
 - (1) Agenda: Ratification of amendment to the "Internal Control System" and the "Rules for Implementation of Internal Audits" of the Company.

Resolution of the Audit Committee: Consulted and passed without objection in the 7th Meeting, Audit Committee of the 2nd Term on August 13, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection; ratification was granted.

(2) Agenda: The individual and consolidated financial statements for Q2 of 2020 (January-June 2020) have been prepared by the Company and audited by Feng-Hui Lee and Tan-Tan Chung, CPAs from KPMG Taiwan, with issuance of an audit report with unqualified opinions.

Resolution of the Audit Committee: Approved after deliberation in the 7th Meeting, Audit Committee of the 2nd Term on August 13, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

- 5. 10th meeting, 11th Board of Directors on November 12, 2020
 - (1) Agenda: Ratification of amendment to the "Internal Control System" and the "Rules for Implementation of Internal Audits" of the Company.

Resolution of the Audit Committee: Consulted and passed without objection in the 8th Meeting, Audit Committee of the 2nd Term on November 3, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection; ratification was granted.

(2) Agenda: Assessment by the Company on the independence of CPAs in 2020.

Resolution of the Audit Committee: Approved after deliberation in the 8th Meeting, Audit Committee of the 2nd Term on November 3, 2020.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

- (3) Agenda: Professional fees for the CPAs of the Company in 2021.

 Resolution of the Audit Committee: Approved after deliberation in the 8th Meeting, Audit Committee of the 2nd Term on November 3, 2020.

 Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.
- 6. 11th meeting, 11th Board of Directors on January 21, 2021
 - (1) Agenda: Ratification of amendment to the "Internal Control System" and the "Rules for Implementation of Internal Audits" of the Company.

Resolution of the Audit Committee: Consulted and passed without objection in the 9th Meeting, Audit Committee of the 2nd Term on January 11, 2021.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection; ratification was granted.

- (2) Agenda: Amendment to the "Procedures for Endorsements/Guarantees" of the Company. Resolution of the Audit Committee: Approved after deliberation in the 9th Meeting, Audit Committee of the 2nd Term on January 11, 2021. Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.
- (3) Agenda: Proposal to re-invest NT\$100 million in "Taiwania Capital Buffalo Fund V".

 Resolution of the Audit Committee: Approved the amended version after deliberation in the 9th Meeting, Audit Committee of the 2nd Term on January 11, 2021.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

- 7. 12th meeting, 11th Board of Directors on March 25, 2021
 - (1) Agenda: Ratification of amendment to the "Internal Control System" and the "Rules for Implementation of Internal Audits" of the Company.

Resolution of the Audit Committee: Consulted and passed without objection in the 10th Meeting, Audit Committee of the 2nd Term on March 18, 2021.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection; ratification was granted.

- (2) Agenda: The "Statement on the Internal Control System" of the Company for 2020.

 Resolution of the Audit Committee: Approved after deliberation in the 10th Meeting, Audit Committee of the 2nd Term on March 18, 2021.

 Actions taken by the Company on the opinions of the Audit Committee shall be specified: The
 - Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.
- (3) Agenda: From the 2021 Q1 financial statements, the certifying CPAs, Lee, Feng Hui and Chung, Tan Tan, are replaced by Wu, Cheng Yen and Chung, Tan Tan.

 Resolution of the Audit Committee: Approved after deliberation in the 10th Meeting, Audit Committee of the 2nd Term on March 18, 2021.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(4) Agenda: Recommendations for distribution of the profits in 2020.

Resolution of the Audit Committee: Approved after deliberation in the 10th Meeting, Audit Committee of the 2nd Term on March 18, 2021.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(5) Agenda: Proposal to issue the Statement on AML/CFT pursuant to the "Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission".

Resolution of the Audit Committee: Approved after deliberation in the 10th Meeting, Audit Committee of the 2nd Term on March 18, 2021.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

(6) Agenda: The 2020 Business Report of the Company.

Resolution of the Audit Committee: Approved the amended version after deliberation in the 10th Meeting, Audit Committee of the 2nd Term on March 18, 2021.

Actions taken by the Company on the opinions of the Audit Committee shall be specified: The case was consulted by all the directors without objection.

- (2) In addition to the matters mentioned above, any resolution approved by more than two-thirds of all the directors but not approved by the Audit Committee: None.
- 2. With respect to the status of recusal of any independent director with an interest in any proposal, the name of the independent director, title of the proposal, reasons for recusal, and participation in the voting shall be described.
 - At the Audit Committee meetings held during January 1, 2020 to March 31, 2021, there wasn't any proposal involving the interest of any independent director.
- Communications of independent directors with the chief internal auditor and CPAs (including important matters, methods and results with respect to communication of the Company's financial and business conditions).
 - 1. Each month, the Company will prepare a written report regarding the deficiencies found by the audit in the previous month and the follow-up to improvement of such deficiencies and submit it to the independent directors for examination. The independent directors will give instructions for further explanation/presentation of the report or provide other suggestions.
 - 2. The chief internal auditor of the Company will convene meeting of the Audit Committee at least quarterly to give explanation to the independent directors regarding the auditing activities and results and the follow-up thereto.
 - 3. The Company will convene meetings of the Board of Directors at least quarterly, with the independent directors and chief internal auditor attending such meetings. The chief internal auditor will present a report at each meeting of the Board of Directors regarding the internal auditing activities and results and the follow-up thereto.
 - 4. During review of the semi-annual and annual financial reports, the CPAs will attend the Audit Committee meeting to give explanation and have adequate discussion with the independent directors regarding the process of auditing the Company's financial statements, matters within the scope and updates to the relevant laws and regulations. The CPAs will also attend the Board of Directors meeting to give explanation to the directors.
 - 5. If necessary, the chief internal auditor, CPAs and independent directors may directly communicate with each other, and the channels for communication have remained open and unimpeded.
 - 6. For the subjects and summaries of communications among the independent directors, chief internal auditor and CPAs and the actions taken by the Company in response for implementation, please visit the website of the Company.

(3) Status of corporate governance, differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof.

				Status of operation	Deviation and causes of	
	Assessment criteria	Yes	No	Summary description	deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies	
1.	Has your company established and disclosed its corporate governance best practice principles pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established the "Corporate Governance Best Practice Principles", which are disclosed on the Company's website, the internal site and the MOPS.	N/A	
2.	Shareholding structure and shareholder's equity					
(1)	Does your company have an internal procedure and act accordingly for handling shareholders' suggestions, questions, disputes, and lawsuits?	√		(1) The Company has established the "Regulations for the Handling of Business Disputes" and "Regulations for Fair Treatment of Customers". The business units have established regulations or requirements for the protection of customers' rights and interests, the standard operations of business personnel, the use of customer information, confidentiality and the reporting and processing of customers' opinions. Additionally, the Company has appointed spokespersons and set up contacts for investor relations and stock services, and there is a section of "Investor Relation" on the Company's website. There are also a Customer Service Center and an Office for Compliance and Legal Affairs responsible for contacting and communicating with the stakeholders and handling all relevant suggestions, questions, disputes and lawsuits.	N/A	
(2)	Does your company have lists of the major shareholders who actually control the company and the persons who have ultimate control of the major shareholders?	√		(2) The Company keeps track of shareholders and their shareholding positions by monitoring the shareholder registry and monthly holding reports. The lists of major shareholders whose directors are corporate shareholders and those whose major shareholders are corporations are disclosed on pp. 10-16, and the shareholders whose shareholding ratios are in the top 10 are disclosed on p. 68.	N/A	
(3)	Does your company have a firewall mechanism in place to control the risks between the company and its affiliates?	V		(3) Risk control measures and firewalls have been established and implemented to regulate transactions between the Company and affiliated enterprises. The Company follows the authority's rules with regards to other matters concerned.	N/A	
(4)	Does your company have internal regulations to prohibit insiders of the company from using undisclosed information in the market to trade securities?	✓		(4) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", "Regulations for the Processing of Material Internal Information" and "Regulations for the Management of Accounts Opened by Insiders for Trading of Securities and Futures" to regulate the use of undisclosed information in the market by insiders for trading of securities.	N/A	

		Deviation and causes of			
	Assessment criteria	Yes	No	Summary description	deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
3.	Composition and responsibilities of the Board of Directors				
	Does your company have and implement a policy of diversification for the composition of the Board of Directors?	>		(1) The Company has established a set of "Corporate Governance Principles" and disclosed them on the corporate website and the Market Observation Post System. The principles require the board of directors to devise appropriate strategies with respect to the Company's operations and prospects. All board members are being required to possess the knowledge, skills and characters needed to perform their duties. Composition of the board has been diversified in a number of aspects including but limited to gender, age, culture, education background, and professional experience. In order to improve corporate governance and strengthen the functions and independence of the independent directors, the Company has adopted strict standards and regulations stipulating that no director shall serve for more than three consecutive terms, and there has not been any director serving for more than three consecutive terms. The professional knowledge possessed by the members of the Board of Directors include business management, international business, information/technology, banking, securities, financial management and law studies. The members come from diverse backgrounds, including senior academics and people with rich experience in the relevant industries. Such backgrounds are beneficial for enhancing the overall development strategy and operating performance of the Company. Board members' information is disclosed in page 8-9.	N/A
(2)	Does your company voluntarily establish other functional committees similar to the Remuneration Committee and Audit Committee set up pursuant to the relevant laws and regulations?	>		(2) The Company currently has Remuneration Committee, Audit Committee, Risk Management Committee, Integrity Committee, Human Resource Review Committee and ESG (Environmental, Social and Governance) Committee in place.	N/A
(3)	Does your company have regulations and methods for evaluating the performance of the Board of Directors and conduct regular performance evaluation every year? Does your company submit the results of the performance evaluation to the Board of Directors? Are the results used as the basis for the remuneration and nomination for re-election of individual directors?	>		(3) The Company has established the "Performance Assessment Standards for the Board of Directors and Functional Committees" as the basis of implementation. The results of the 2020 performance assessment for the Board of Directors and functional committees have been reported to the 12th meeting of the Board of Directors of 11th Term on March 25, 2021. The results may be referred to when electing or nominating directors; the performance of individual directors may be referred to when determine their respective remunerations.	N/A
(4)	Does your company assess the independence of the CPAs on a regular basis?	*		(4) The Company has prepared an independence assessment form in accordance with Article 47 of the Certified Public Accountant Act and the contents of Bulletin No. 10 "Integrity, Impartiality, Objectivity and Independence" of the Norm of Professional Ethics for Certified Public Accountants of the Republic of China. The form is used to evaluate the independence, professionalism and	N/A

				Status of operation	Deviation and causes of
	Assessment criteria	Yes	No	Summary description	deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
				competence of the CPAs and to assess whether they are related to or have business or financial interests with the Company. In addition, a statement of the CPAs and a draft of the assessment on independence of the CPAs have been obtained. The Company conducts an assessment on the independence of the CPAs at the meetings of the Audit Committee and Board of Directors held in Q4 of each year. The assessment in 2020 concluded that Feng-Hui Lee and Tan-Tan Chung, the CPAs from KPMG Taiwan, met the criteria for assessment of independence and were competent to serve as the CPAs of the Company for financial and tax certification. For the resolutions of the Board of Directors regarding assessment on the independence of the CPAs, please see p. 35.	
4	Does your TWSE/TPEx-listed company designate competent and an appropriate number of corporate governance personnel along with a chief corporate governance officer responsible for related matters (including, but not limited to, providing information required by directors and supervisors to perform their duties, assisting directors and supervisors in compliance, handling matters related to the Board of Directors and shareholders' meetings and preparing minutes of the Board of Directors and shareholders' meetings)?	✓		At the 18th meeting of the 10th Board of Directors held on May 13, 2019, a resolution was adopted for the manager of the Planning Office to act as the chief corporate governance officer. A Corporate Governance Section has been established under the Planning Office with an appropriate number of competent personnel to, in accordance with the law, manage affairs relating to the Board of Directors and shareholders' meeting, produce minutes of the Board of Directors and shareholders' meeting, help directors take office and receive continuing education, provide directors with the information required for business, assist directors in compliance, carry out ethical management and prepare CSR reports. The purposes are to promote corporate governance, enhance the functions of the Board of Directors and build a culture of corporate governance. Please visit the Company's website for details of chief corporate governance officers' education.	N/A
5.	Does your company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues which the stakeholders are concerned with?	√		The Company has a spokesperson, an investor relations contact, a Customer Service Center and a "Stakeholders" section on its website to gather opinions from stakeholders. Information of the above contact windows and contact methods have already been disclosed on the Company's website. We are dedicated to maximizing stakeholders' interest, and maintaining open and diverse communication channels for discovering problems and solutions.	N/A
6.	Does your company engage any professional registrar to deal with matters related to the shareholders' meeting?	√		Capital Securities Corporation is an integrated securities service provider, and has a Registrar Agency Department to handle shareholder meeting affairs.	N/A
7.	Disclosure of information				
(1)	Does your company have a website to disclose the financial and corporate governance information of the company?	✓		(1) Financial, business and corporate governance information has been disclosed on the Company's website and is updated regularly to keep investors informed.	N/A

				Status of operation	Deviation and causes of
	Assessment criteria	Yes	No	Summary description	deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(2)	Does your company adopt other information disclosing methods (such as setting up an English website, designating a person for collection and disclosure of information, implementing a spokesperson system, and publishing the process of investor conferences on the website)?	~		 The Company has made an English version of its website that is accessible from the home page. The relevant departments are in charge of the collection and disclosure of the Company's information. The Company has spokesperson and investor relations contact available to facilitate communication with investors. Information of the above contact windows and contact methods have already been disclosed on the Company's website. All disclosures and video recordings made at investor seminars are posted onto website. 	N/A
(3)	Does your company publish and file the annual financial report within two months after the end of a fiscal year? Does your company publish and file the Q1, Q2 and Q3 financial reports and monthly operating performance before the required time limit?		✓	(3) In accordance with the "Securities and Exchange Act" and "Regulations Governing Securities Firms", the Company publish and file the annual financial report, the financial statements of Q1-Q3 and the monthly operating results.	The Company has been in compliance with the "Securities and Exchange Act" and "Regulations Governing Securities Firms".
8.	Does your company have additional important information that is helpful to understand the operation of corporate governance (including but not limited to the interests and care of employees, investor relationship, supplier relationship, rights of stakeholders, continuing education of directors and supervisors, implementation of risk management policies and measurement criteria, implementation of customer policies, and purchase by the Company of liability insurance for directors and supervisors)?	V		 (1) Employee rights: The Company has personnel management policies, "Workplace Sexual Harassment Prevention, Grievance and Disciplinary Policy" and "Employee Opinion Usage Guidelines" in place to gather employees' opinions with respect to the Company's business, operating procedures, administrative measures, policies, suggestions, or any incident of violation against personal rights. (2) Employee care: The Company offers various types of leave as required by law. In addition to purchasing Labor Insurance and National Health Insurance coverage, the Company also offers employees other types of insurance coverage (accident, life, medical, savings, etc) that they can purchase at discounted rate, and arranges wedding subsidies, funeral subsidies, emergency aids and a series of activities aimed at enhancing employees' loyalty and identification. (3) Investor relations and stakeholders' rights: The Company has spokesperson, investor relations contact, a Customer Service Center, and a "Stakeholders" section on its website to gather opinions from stakeholders. Information of the above contact windows and contact methods have already been disclosed on the 	N/A
				Company's website. We are dedicated to maximizing stakeholders' interest, and maintaining open and diverse communication channels for discovering problems and solutions. (4) Supplier relationship: The Company has required its suppliers to meet the requirements of corporate governance and ensure their operations are in compliance with the applicable laws and regulations. They are also required to fulfill CSR jointly. If any supplier is involved in any violation of the CSR policy that has significant environmental and social impact, the Company may terminate or cancel	

	Ì		Status of operation	Deviation and causes of	
Assessment criteria	Yes	No	Summary description	deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies	
			the contractual terms at any time, and the supplier may not claim any compensation from the Company.		
			(5) Continuing education of directors: Detailed information regarding continuing education of the directors of the Company is disclosed on p. 61.		
			(6) Risk management policies and risk assessment standards: The Company has "Risk Management Policy" and risk assessment standards in place, and convenes Risk Management Committee meetings on a quarterly basis. Risk-return trade-offs and impacts on capital adequacy ratio are measured with adequacy reports prepared and presented to the management. By enforcing the risk management system, the Company aims to generate consistent and high-quality profits for its shareholders.		
			(7) Customer policy: The Company has a set of "Fair Customer Treatment Guidelines" that covers many aspects of its business activities including fair contract, duty of care and loyalty, truthful advertising, product/service suitability, notification, disclosure, sale of complex and high-risk products, balanced performance compensation, grievance protection and professionalism.		
			(8) Insurance against directors' liabilities: The board of directors passes resolution each year to insure the Company against directors' liabilities. For the resolution adopted by the Board of Directors regarding the purchase of liability insurance for all directors, please see p. 57.		

^{9.} On the basis of the result of corporate governance evaluation released by TWSE's Corporate Governance Center in the most recent year, please describe the matters to which improvements have been made. Regarding the matters to which improvements have yet to be made, please list those which have been selected as priorities and the measures to be taken. In 2020, 1,617 TWSE/TPEx-listed companies participated in corporate governance evaluation. According to the result of evaluation, the Company was ranked in the top 6% to 20% among the companies evaluated. The Company has been committed to protecting the rights and interests of shareholders, fair treatment of shareholders, strengthening the structure and functions of the Board of Directors, improving information transparency and fulfilling CSR. Currently, the Company prioritizes the strengthening of the structure and functions of the Board of Directors, while reviewing the categories where it failed to receive any score and finding measures for improvement.

- (4) Disclose the composition, responsibilities, and functioning of remuneration committee, if available:
- 1. Information of the members of the Remuneration Committee Professional qualifications and independence

	Criteria	Having more than the follo	Independence (Note 2)													
Identity (Note 1)		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties		2		4	5	6		8	9	10	Number of positions as Remuneration Committee member in other public companies	Remarks
Independen t Director	LEE, SHEN-YI		✓	~	~	✓	~	~	~	~	✓	✓	✓	~	2	
Independen t Director	SU, PING-CHANG		✓	~	1	✓	✓	1	~	1	~	✓	✓	~	0	
Other	YEN, CHIEN-SAN		✓	✓	✓	✓	✓	~	✓	✓	~	✓	✓	✓	0	

- Note 1: The member type shall be specified as a director, an independent director or other.
- Note 2: A member is required to mark a "\sigma" in the blank below the number of any of the following requirements which he/she has satisfied during the two years before being elected and during his/her term of office.
 - (1) The member is not an employee of the Company or any of its affiliates.
 - (2) The member is not a director or supervisor of the Company or any of its affiliates (except for an independent director of the Company, its parent or subsidiary or any subsidiary of the same parent appointed pursuant to the Act or any local laws and regulations).
 - (3) The member is not a natural-person shareholder who holds shares, together with those held by his/her spouse or minor children or held in the name of another person, in an aggregate amount of at least 1% of the total shares issued by the Company or is one of the top-10 shareholders of the Company.
 - (4) The member is not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any manager under (1) or any of the persons under (2) and (3).
 - (5) The member is not a director, supervisor or employee of any corporate shareholder that directly holds at least 5% of the total shares issued by the Company, is one of the top-5 shareholders of the Company or has appointed a representative as a director or supervisor of the Company pursuant to Paragraph 1 or Paragraph 2, Article 27 of the Company Act (except for an independent director of the Company, its parent or subsidiary, or any subsidiary of its parent appointed pursuant to the Company Act or local laws and regulations).
 - (6) The member is not a director, supervisor or employee of any other company where more than half of its directors or voting shares are controlled by the same person (except for an independent director of the Company, its parent or subsidiary, or any subsidiary of its parent appointed pursuant to the Company Act or local laws and regulations).
 - (7) The member is not a director, supervisor or employee of any other company or institution who also serves as or is in a spousal relationship with the Chairman, President or anyone holding an equivalent position of the Company (except for an independent director of the Company, its parent or subsidiary, or any subsidiary of its parent appointed pursuant to the Company Act or local laws and regulations).
 - (8) The member is not a director, supervisor, manager or shareholder holding at least 5% of the shares of any company or institution which has engaged in financial or business dealings with the Company (except where the company or institution holds at least 20% and no more than 50% of the total shares issued by the Company and is an independent director of the Company, its parent or subsidiary, or any subsidiary of its parent appointed pursuant to the Company Act or local laws and regulations).
 - (9) The member is not an owner, partner, director, supervisor or manager, or a spouse thereof, of any professional, sole proprietorship, partnership, company or institution that engages in commercial, legal, financial and accounting services and which has conducted audit for the Company or any of its affiliates or has received a total amount of compensation not exceeding NT\$500,000 during the most recent two years, except for any member of any remuneration committee, public purchase review committee or special committee for mergers and acquisitions which performs its duties pursuant to the Securities and Exchange Act, Business Mergers And Acquisitions Act or other applicable laws and regulations.
 - (10) None of the circumstances under Article 30 of the Company Act applies to the member.

- 2. Information on the operation of the Remuneration Committee
 - 1. The Remuneration Committee of the Company is composed of three members.
 - 2. Duration of service: from June 24, 2019 to June 23, 2022. The Remuneration Committee held 6 meetings (A) in the last year (2020); details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Proxy attendance	Attendance rate (%) (B/A)	Remarks
Convener	LEE, SHEN-YI	6	0	100%	
Committee member	SU, PING-CHANG	6	0	100%	
Committee member	YEN, CHIEN-SAN	6	0	100%	

Other relevant information:

- 1. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, an explanation shall be made regarding the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Remuneration Committee's proposals (including differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.
- 2. In the event that any member of the Remuneration Committee has expressed dissent or reservation over the Committee's decisions, and that the dissent or reservation has been recorded or delivered in writing, the decision shall indicate the date of the Committee's meeting, term, contents of the proposal, opinions of all the members, and how the opinions of a member is handled: None.

Note:

- (1) Date of resignation is shown for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- (2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee are listed; in which case, the remarks column would specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- (3) Scope of responsibilities of the Remuneration Committee:
 - 1. Formulation and regular review of the policies, systems, standards and structures of the performance evaluation of and remuneration for directors and managers.
 - 2. Regular evaluation and establishment of the remuneration for directors and managers.

(5) Fulfillment of social responsibilities

Status of fulfillment of CSR, differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof.

				Compliance (Note1)	Deviation and causes of deviation from the Corporate	
	Assessment criteria	Yes No		Summary description (Note2)	Governance Best- Practice Principles for TWSE/TPEx Listed Companies	
1.	Does your company conduct assessment on the risks of the environmental, social and corporate governance issues related to the operations of the company based on the materiality principle? Does your company formulate any risk management policy or strategy? (Note 3)	✓		 The Company's operations-related risks in the regards of environmental, social and corporate governance issues are evaluated in detail by an international credit rating company. The Company's ESG-related risk management strategy is set in the Company's risk management regulations. 	N/A	
2.	Does your company set up any dedicated(or designate any existing)unit for the task of CSR promotion? Does the Board of Directors of your company authorize the top management to handle relevant matters and report to the Board?	·		During the board of directors meeting held on March 27, 2015, the Corporate Planning Office was assigned the duty to oversee corporate social responsibilities, while the President was made the responsible person for CSR activities. The role of the Corporate Planning Dept. in regards to corporate social responsibilities is to assist in practical actions. In addition to establishing/amending corporate social responsibility policies, the Corporate Planning Dept. is also responsible for the preparation of annual CSR reports, and the reporting of CSR plans and progress during board meetings and shareholder meetings. Driven by its awareness towards sustainability, the Corporate Planning Office takes into consideration the possible impacts of the Company's business activities on the society and the natural environment when making strategic plans. The Office also pays attention to CSR issues and trends local and abroad, and shares them with employees to shape the Company's distinctive CSR culture. The Company established the ESG Committee in 2021. The President serves as the convener and chairman of the meeting. The Committee is responsible for the implementation and supervision of the social, environmental and governance (ESG), and reports to the Board of Directors once a year.	N/A	
3.	Environmental issues					
(1)	Does your company have an environmental management system suitable for the industrial characteristics of the company?	✓		(1) The Company is a financial and securities firm, not a manufacturing company. As there has been no environmental pollution, the environmental protection operational regulations are established based on the features of the industry.	N/A	
(2)	Does your company put efforts into enhancing the efficiency of resource usage? Does your company use recycled materials which have a low impact on the environmental load?	✓		(2) The Company is a financial and securities firm with low pollution. It has not manufactured any product for sales, nor has it sold any product packaging material that has been demanded to be recalled. The Company is dedicated to improving the efficiency of all resources used. It has been active in the promotion of a paper-less environment by introducing new measures such as: e-statement, e-bulletin, e-signature, and use of electronic presentation in meetings. Employees are encouraged to	N/A	

			Compliance (Note1)	Deviation and causes of deviation
Assessment criteria	Yes	No	Summary description (Note2)	- from the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies
			make double-sided photocopies, and a recycling tray has been placed near all photocopying machines to reduce the use of paper. Recycling bins have been placed on each floor for sorting of resources to reduce pollution and resource waste to achieve sustainable use of resources.	
(3) Does your company assess the current and future risks and opportunities which climate change potentially brings to the company? Does your company take measures in response to climate-related issues?	•		(3) Since 2020, the Company has disclosed climate-related opportunities and risk identification, impact on the Company's operations, and management measures for climate change risk in the corporate social responsibility reports. The Company has been supporting the government's energy conservation policies by replacing power-consuming equipment with more efficient alternatives. The Company organizes self-inspections and reminds employees from time to time to take steps toward minimizing the impact of climate change on business activities.	N/A
(4) Does your company make statistics of the greenhouse gas emissions, water consumption and total waste weight during the previous two years? Does your company formulate policies for energy saving and carbon reduction, reduction of greenhouse gas emissions, reduction of water consumption or management of other waste?	√		(4) The Company conducts greenhouse gas inventories on an annual basis. In 2020, CO2 emissions generated by the use of water, electricity and fuels have amounted to approximately 4.204 million kg. The Company is a financial and securities firm, not a manufacturing company, which has been no environmental pollution. The waste of the Company are life garbage, and to implement the reduction of waste, the garbage is categorized as general garbage (food residuals included) and recyclable resources. Employees categorize the garbage at the temporary storage area, and the property management of the building or the cleaning vendor will clean and remove the garbage. The general garbage is move to the incineration plant for disposal by the qualified waste cleaner; the recyclable resources are removed by the recycling vendors.	N/A
4. Social issues (1) Does your company have management policies and procedures in accordance with relevant regulations and International Bill of Human Rights?	√		(1) The labor terms agreed to by the Company with its employees regarding wages, days off, leave, retirement and compensation for occupational injuries have all met the requirements of the "Labor Standards Act" in order to protect the rights and interests of employees, ensure employee management and promote harmonious labor relations. In accordance with the "Act of Gender Equality in Employment", the Company has established the "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace". The Company has stipulated in the "Work Rules" that all employees must be covered by labor insurance and the National Health Insurance. Subsidies for the premiums thereof will be provided by the Company in	N/A

		ų.			Complia	Deviation and causes of deviation	
	Assessment criteria	Yes	No		Summar	y description (Note2)	from the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies
				re Th re ap pe ar di	egulations. he Company ecruitment, se pplicants or t erformance a nd remunera scriminate o	ith the applicable laws and o's policies regarding the election and employment of job the assignment, placement, appraisal, promotion, training tion of employees do not in the basis of gender, sexual ge, race or religion.	
(2	Does your company establish and implement reasonable employee benefit measures (including remuneration, leave and other benefits)? Is the operating performance or result properly reflected in the remuneration for employees?	√		Ri re in: le: in: oo cc ur Ci W er w re m	ules and oth egulations an icludes mining ave, pension issurance benecupational icompliance winder the Lab ompany has leffare Communeration ierits, degree ompany, wo ositively relations and the company of the company	whas established the Work er relevant personnel and systems, whose scope mum wages, working hours, in payments, labor and health hefits and compensation for njuries. They are all in the relevant requirements or Standards Act. The established an Employee mittee. Elected by the hee Committee is in charge of all d affairs. The Company's policy is based on personal er of contribution to the rik performance, and is ted to the operating of the Company.	N/A
(3	Does your company provide a safe and healthy work environment to its employees? Does your company regularly provide its employees with safety and health education?	✓		its sa sa re or er Ca	r offers a clean environment to , who are also provided with ion equipment required for their alth. Moreover, the Company ects the work environment, alth examination for its id invites doctors from the ral Hospital to provide health ervices on site.	N/A	
				Impleme	ented Itam	Description	
				Employee Health	Insurance and welfare	(1) Measures mandated by law 1. Labor and health insurance. 2. The "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace" has been established. 3. "Employee lactation rooms" have been set up. 4. Regular health examinations have been organized for employees. 5. Doctors have been engaged to provide regular consultation services, including health education, health promotion and health guidance for employees, at the Company's Head Office. (2) Measures provided above legal requirements 1. The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. 2. Employees are invited to include their family members into group insurance at discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members. 3. Free massage services have been provided to the employees of the Head Office. 4. Holding a special lecture on "My Plate Manual" to promote the concept of healthy diet to colleagues. 5. The "Regulations for Management of the Establishment of Recreational and Charitable Clubs and Their Funding" has been established to encourage the employees to get into the habit of participating in sports and charitable activities.	

				Complia	nnce (Note1)	Deviation and causes of deviation
Assessment criteria	Yes	No		Summai	y description (Note2)	from the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies
			Implemented measures	Item	Description	
				Safety certification	The Company has received the ISO22301 certification for business continuity management. The primary purpose of the certification is to ensure that the Company will be able to minimize damage in any sudden event of emergency to maintain personnel safety, compliance, customers' rights and interests, the Company's goodwill and security of the Company's assets, and to make sure the important business activities of the Group can gradually resume within the target recovery time to maintain operations.	
				Certification for personal information	The Company is the first financial institution to obtain international certification for personal information management with respect to securities, futures, and insurance brokerage/agency services. It shows that the Personal Information Management System (PIMS) adopted by the Company offers effective protection and management of personal information, and compiles with all requirements of the Personal Data Protection Act to protect the rights of information owners, while at the same time minimize possible impacts from event of attack. It represents the Company's commitment to continually manage and improve its personal information management system.	
			Safety of work environment	Workers' safety	The Company has compiled with the "Occupational Safety and Health Act" by appointing an OSH Officer, a team of first aid officers, and organizing training according to the Occupational Safety and Health Education and Training Rules. The Company has established and implemented an "Ergonomic Hazard Prevention Program" to prevent musculoskeletal injuries or illnesses caused by work activities. In addition, it has formulated and promoted the "Abnormal Workload Induced Disease Prevention Plan' to plan and take the necessary safety and health measures for the prevention of diseases caused by abnormal workloads such as shifts, night work, and long working hours.	
				Fire safety	Fire drills have been held on a regular basis. In accordance with the Fire Services Act and its Enforcement Rules, a fire safety manager has been appointed. The manager has regularly attended seminars and recurrent training sessions.	
				Safety assurance	All of the Company's business premises and branches are covered by the following insurance: Commercial fire insurance; Electronic equipment insurance; Public accident liability insurance.	
(4) Does your company have effective programs for development and training regarding employees' career skills?			develements emple 1. To cu the Co training caree develements chante develements develements develements develements speciements training school Capit 2007 staff. 2. The Co intens confe develements Many desig proce emple anytin 3. To er finance estab	opment oppers' calltivate all ompanying programment is to provinels for the verying management of the verying management of the verying management of the verying management of the verying management on the verying opposite of the verying opposite	whas the following programs for and training regarding areer skills: Il kinds of professional talents, has designed comprehensive ams based on the different and organizational needs of employees at all de timely and diverse learning he employees in order to vin benefits from the of organizational talents and ers. These include: orientation, ning, management reserve agement growth training, and let do by renowned experts and let opic of finance. In addition, the College was founded in the the Company's managerial or trains its sales force and broadcast to help them ssional qualities and skills. In gourses have also been inhance outcome of the learning tilizing digital means, the employees to acquire icates, the Company has egulations concerning professional exams and	N/A

					Compliance (Note1)	Deviation and causes of deviation
	Assessment criteria	Yes	No		Summary description (Note2)	from the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies
					subsidies for the application fees of certification exams.	
(5)	Does your company conform to the relevant regulations and international standards with respect to customer health and safety, customer privacy, marketing and labeling for products and services? Does your company establish the relevant consumer rights protection policies and complaint procedures?	•		(5)	For the products and services provided to financial consumers, the Company has fully complied with relevant laws and regulations and international standards, and has formulated "Standards for Fair Treatment to Clients", "Standards for Handling Business Dispute", "Standards for Handling Personal Information After the Termination of Personal Information Security File Maintenance Program and Business", "Administrative Procedures for the Production, Distribution and Publication of Promotional Materials for Advertising, Business Solicitation and Business Promotion Campaigns", "Evaluation Measures for Know Your Customer", "Key Points for Review of Investment-based Financial Products", "Key Points for Information Security Control Operations", and other relevant consumer protection policies and internal regulations for complaint-filing procedures. These are fully implemented previously said.	N/A
(6)	Does your company establish any supplier management policy that requires suppliers to comply with regulations concerning environmental protection, occupational safety and health or labor rights? What's the status of its implementation?	•		(6)	The Company has established "Regulations of Supplier Management" that requires suppliers to pay attention to the following: (i) Human rights; (ii) Social impact; (iii) Environmental protection: Suppliers must comply with all applicable environmental laws and regulations, ensure safe discharge of waste, exhaust gas and sewage, use as few non-renewable resources as possible, use all resources with high efficiency, and reduce environmental impact; (iv) Personnel safety and health: Suppliers must provide their employees with safe work environment, appropriate training and protection against dangerous machine equipment, and they must comply with the laws and regulations related to worker health and safety. If the contract signed with any supplier has included a provision stating that the Company may terminate or cancel the contract in the event of violation of the CSR policy by the supplier, the supplier may not claim compensation from the Company.	N/A
5.	Does your company use internationally accepted standards or guidelines for preparation of reports as reference in preparing the CSR report and other reports disclosing non-financial information of the company? Do the aforementioned reports receive assurance or guarantee opinions from any third-party verifying agency?	√		Pr Re Co fra un Re as	ne Company has prepared the said reports in accordance with TWSE's "Rules Governing the reparation and Filing of Corporate Social responsibility Reports by TWSE Listed companies" and the guiding policy and remework and the standard of core disclosures ander GRI 2016 to prepare the 2020 CSR report. The report will be assured or obtain the resurrance opinion by a third-party certification ganization in 2021.	N/A
6.	CSR and the company's own CSR principles:	mpa The	nies, Boar	ple d of	ciples in accordance with the Corporate Social case describe the differences between the actual Directors of the Company adopted the Corpora 5, and all relevant activities have complied with	al implementation of ate Social

			Deviation and causes of deviation from the Corporate
Assessment criteria	Yes	No	Governance Best- Practice Principles for TWSE/TPEx Listed Companies

- 7. Other important information useful for understanding the status of CSR implementation:
 - The Company has been publishing corporate social responsibility reports on a regular basis since 2015. The Company has also created a CSR section on its website to disclose relevant and reliable information concerning the CSR report. Stakeholders are able raise queries via phone, website, or email, and the Company will respond to such queries individually.
- Note 1: Where the status of operation is "Yes", please describe the important policies, strategies and measures adopted and the status of their implementation. Where the status of operation is "No", please explain the reasons and describe the plans for adopting relevant policies, strategies and measures in the future.
- Note 2: Where the company has prepared any CSR report, the status of operation may instead indicate the method of access to the CSR report and the index page numbers.
- Note 3: The materiality principle means those environmental, social and corporate governance issues that have material impact to the investors and other stakeholders of the company.

(6) Integrity performance

Status of implementation of ethical management, differences with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof.

				Compliance	Deviation and causes of deviation from Ethical	
	Assessment criteria	Yes	No Summary description		Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies	
1.	Establishment of ethical management policies and programs					
(1)	Does your company establish ethical management policies adopted by the Board of Directors? Does your company clearly specify, in its regulations and external documents, the ethical management policies and practice and the commitment of the Board of Directors and the management to rigorous and thorough implementation of those policies?	✓		(1) At the 5th extraordinary meeting of the 8th Board of Directors (2012.03.29), the Company adopted the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct". The Board of Directors and the senior management have been actively fulfilling the commitments of the ethical management policy, and they have signed a statement of compliance with the ethical management policy and thoroughly implemented the policy in internal management and business activities. Details of the business integrity policy have been disclosed on the Company's website to provide counterparties, customers and business-related institutions and personnel with a better understanding of the Company's integrity philosophy and policy.	N/A	
(2)	Does your company establish a risk assessment mechanism against unethical conduct to analyze and assess, on a regular basis, operating activities within its business scope which are at a higher risk of involving unethical conduct, and accordingly establish programs to prevent unethical conduct? Do such programs include at least measures to prevent the acts specified under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(2) The Company has established a mechanism to assess the risks of unethical conduct, and has prepared the "Unethical Conduct Self-Assessment Form" for regular analysis and assessment. With regard to operating activities within the business scope that are at a higher risk of involving unethical conduct, they are specifically subject to the relevant regulations.	N/A	
(3)	Does your company specify, in the programs for prevention of unethical conduct, the operational procedures, code of conduct, punishment for violations and complaint systems? Have such programs been implemented and regularly reviewed and revised?	•		(3) The Company's "Procedures for Ethical Management and Guidelines for Conduct" includes requirements and procedures for handling all kinds of unethical conduct, incorporates ethical management into the policies for employee performance appraisal and human resources, and establishes clear and effective systems for rewards, punishments and complaints. Where the unethical conduct is severe, the employee engaging in such conduct will be dismissed pursuant to the applicable laws or regulations or the Company's personnel regulations. The Ethical Management Committee of the Company regularly assesses whether the prevention measures taken for the purpose of implementing ethical management are effective, and evaluates compliance with ethical management in the relevant operating procedures. The relevant requirements are reviewed and revised in line with changes in internal and external laws and regulations.	N/A	

				Compliance	Deviation and causes of deviation
l	Assessment criteria		No	Summary description	from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Implementation of ethical management Does your company assess the past records of the counterparties regarding ethics? Do contracts between the company and the counterparties expressly include provisions governing ethical conduct?	✓		(1) In signing a contract with any counterparty, the Company will ensure full understanding of the status of ethical management conducted by the counterparty and specifies in the contract that where any party is discovered to be engaged in unethical conduct in business activities, the other party may terminate or cancel the contract unconditionally at any time.	N/A
(2)	Does your company have a special unit as subordinate to the Board of Directors for the implementation of corporate ethical management? Does the unit regularly report (at least annually) to the Board of Directors regarding the ethical management policies and unethical conduct prevention programs and the supervision and implementation thereof?	×		(2) The Company has set up an Ethical Management Committee responsible for establishing, supervising and implementing ethical management policies and prevention programs. The Committee meets at least annually to review the performance of ethical management and submit a report (at least annually) in this regard to the Board of Directors. The Company has "Integrity Code of Conduct" and "Operational Procedures and Guidelines of Ethical Corporate Management Best Practice" in place. They exist to enforce integrity principles throughout internal management and commercial activities. The Company has actively raising the awareness among its employees of operating activities within the business scope that are at a higher risk of involving unethical conduct. The Company has also organized courses on ethical management and designed a system of post-course tests, which must be passes by the employees to complete the courses. In 2020, the Company organized online courses on a total of 10 different topics (including promotion of securities regulations, ethical corporate management regulations, principles of handling business disputes, prohibited conducts of securities personnel, promotion of CSR, introduction of whistleblowing system, Financial Consumer Protection Act and principle of fair treatment to customers, promotion of regulations related to handling internal material information and insider trading). 19,775 employees had completed the above online training for a total of 27,602 hours.	N/A
(3)	Does your company have policies against conflicts of interest and provide proper channels through which explanations may be given? Has the company implemented them?	•		(3) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" and "Regulations for Prevention of Conflicts of Interest in Concurrent Activities Carried Out by Business Personnel on an Engaged Basis". When a director of the Company or the juristic person represented thereby has a stake in any proposal at a meeting and where the stake would prejudice the interests of the Company, that director may state opinions and respond to questions at the meeting, may not participate in the discussion or vote on that proposal, and shall	N/A

				Compliance	Deviation and causes of deviation
Assessment criteria		No		Summary description	from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
				recuse himself/herself. The relevant circumstances will be recorded in the minutes of the meeting. If any employee conducting business discovers that a potential conflict of interest exists involving himself/herself or any of his/her stakeholders obtaining improper benefits, the employee shall report the relevant circumstances to both the departmental manager and the dedicated unit of the Company, and the departmental manager shall provide proper instructions.	
(4) Does your company establish effective systems for accounting and internal control to ensure the implementation of ethical management? Do the company's internal auditing units formulate relevant audit plans based on the results of assessment on the risks of unethical conduct and accordingly audit the compliance with the unethical conduct prevention programs? Or are audits conducted by commissioned CPAs?	✓		(4)	In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", the Company has designed and established the "accounting system" and "internal control system". Based on the internal control system, the internal auditing unit formulates auditing plans for relgular audits.	N/A
(5) Does your company regularly hold internal and external education and training sessions regarding ethical management?	√		(5)	The Company organizes integrity training on a regular basis. Employees are required to pass a post-course exam to be considered of having completed the course. In 2020, the Company organized online courses on a total of 10 different topics (including promotion of securities regulations, ethical corporate management regulations, principles of handling business disputes, prohibited conducts of securities personnel, promotion of CSR, introduction of whistleblowing system, Financial Consumer Protection Act and principle of fair treatment to customers, promotion of regulations related to handling internal material information and insider trading). 19,775 employees had completed the above online training for a total of 27,602 hours.	N/A
3. Functioning of the whistleblowing system (1) Does your company have concrete systems for whistleblowing and rewards? Does your company have convenient channels in place for whistleblowing and has it appointed appropriate personnel to deal with the persons who are the subject of whistleblowing?	✓		(1)	During the 15th meeting of the 10th board of directors held on 2018.11.22, a set of "Whistleblower System Implementation Guidelines" was passed to support a corporate culture of integrity, transparency and progress and to encourage report of illegal conducts. The Auditing Department was assigned the responsibility to receive and investigate reported cases. Informants may raise reports through phone, e-mail or written mail.	N/A
(2) Does your company establish standard operating procedures for investigation of matters reported by whistleblowers, measures to be taken following the conclusion of investigation and relevant mechanisms for confidentiality?	✓		(2)	According to the Company's "Whistleblower System Implementation Guidelines," any person discovering a likelihood of any crime, fraud or violation of law in the Company may submit a whistleblowing report. The types of cases that employees may report on include:	N/A

Assessment criteria				Compliance	Deviation and causes of deviation from Ethical			
			No	Summary description	Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies			
(3)	Does your company take any measures to protect whistleblowers from improper treatment as a result of their whistleblowing?	·		crime, fraud or any occurrence likely to constitute a violation of law. The Auditing Department has been assigned the responsibility to handle and investigate reported cases. Where a report has been found to be true by investigation, the person accused in the report shall be immediately required to cease the actions concerned, and the relevant departments shall propose measures for review and improvement. Where any material violation or any likelihood of damage to the Company is involved, it shall be reported to the Audit Committee, and compensation for damage will be claimed through legal proceedings if necessary to protect the reputation, rights and interests of the Company. The Company shall maintain confidentiality of the identity information of any whistleblower, Where the principle of confidentiality is violated and such violation is found to be true by investigation, it shall be referred to the Personnel Inquiry Committee for review and processed in accordance with the relevant work rules of the Company. (3) The Company ensures that whistleblowers are not subjected to adverse treatment of any kind, such as dismissal, relief of duty, demotion, salary cut, or any loss of benefit that they are entitled to under laws, contracts	N/A			
4	Strongthoning disclosure of information	√		or customary practices, as a result of the reports they raise. The "Ethical Corporate Management Root	N/A			
+ .	Strengthening disclosure of information Does your company disclose the contents of its ethical management principles and outcome of implementation on its website and the Market Observation Post System?			The "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" are disclosed on the Company's internal and external websites and the MOPS. The status of implementation of ethical management is also disclosed thereon.	IWA			
5.	5. In the event your company has established its own ethical management best practice principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between the implementation of ethical management and the company's own ethical management best practice principles: The Company's operations, "Integrity Code of Conduct" and "Operational Procedures and Guidelines of Ethical Corporate Management Best Practice" are fully compliant with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies."							
6.	review and amendment of the company's or In accordance with the requirements of the to ethical management, which have been ap	wn et comp oprov	hical eten ed by	the implementation of your company's ethical man management best practice principles) t authority, the Company has reviewed or revised t y the Board of Directors and disclosed on the Com loyees to understand the ethical management police	he regulations related pany's website, the			

(7) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The Company's corporate governance policies have been disclosed at:

- 1. MOPS/Corporate Governance.
- 2. The Capital Group (www.capital.com.tw)/About Capital/Corporate Governance.
- (8) Other important information helpful for increasing understanding of your company's corporate governance may be disclosed along with the above information: None.

(9) Internal Control Systems

1. Statement of Internal Control System:

Capital Securities Corporation Statement of Internal Control System

Date: March 25, 2021

The following declaration has been made based on the 2020 self-assessment of the Company's internal control system:

- 1. The Company is aware that creation, implementation, and maintenance of internal control system are the responsibilities of its board of directors and management, and has duly established such a system. The purpose of internal control system is to provide reasonable assurances concerning the outcome and efficiency of the Company's operations (including profitability, business performance, and asset security), the reliability, timeliness, and transparency of reported information, and compliance and accomplishment of relevant regulations and goals.
- 2. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably assure the achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- 3. The Company evaluates the effectiveness of its internal control system design and execution using the criteria outlined in "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each major element is further broken down into several subelements. Please refer to the "Regulations" for more details.
- 4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- 5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2020. This system (including the supervision and management of subsidiaries) has provided assurance with regards to: (1) the Company's business results and target accomplishments; (2) reliability, timeliness and transparency of reported financial information; and (3) compliance with relevant laws.
- 6. This statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- 7. This declaration was passed unanimously without objection by all 11 Directors present at the board meeting dated March 25, 2021.

Capital Securities Corporation Chairman: Wang, Jiunn-Chih President: Chia, Chung-Tao

- If review of the internal control system has been conducted by engaged CPAs, the CPAs' review report must be disclosed: No CPA has been engaged in the current year to review the internal control system.
- (10) During the most recent year as of the date on which the annual report was printed, did the company or its internal personnel receive punishment in accordance with the law? Did the company's internal personnel receive punishment for violating the requirements of the internal control system? Please describe any defect found during the same period and its status of improvement
 - (1) Tai-Zheng-Fu-Zi No. 190503710, issued by TWSE on December 11, 2020; and Jin-Guan-Zheng-Quan-Zi No. 1090379685 on March 4, 2021:

TWSE audited the Company and found the deficiency violating Article 14 of the Taiwan Stock Exchange Corporation Co-Location Service Management Regulations and the Company's internal control system. The Company was required to improve and implement the internal control system. The penalty for the violation was NT\$150,000; the deficiency has violated Paragraph 2, Article 2 of the Regulations Governing Securities Firms, and the Financial Supervisory Commission took corrective actions pursuant to Article 65 of the Securities and Exchange Act.

Status of improvement:

The internal control system has been reviewed with addition of a remedial mechanism to strengthen legal compliance and ensure implementation of the internal control system.

(2) Letter Jin-Guan-Zheng-Qi-Fa-Zi No. 1100330653 dated on February 3, 2021, and Letter Jin-Guan-Zheng-Qi-Zi No.11003306531 dated on February 3, 2021:

Before a branch handled the notification of the trader's high-risk account, the off-setting operation of the account was performed; this was deemed a violation to Paragraph 2, Article 9 of the Regulations Governing the Operation of Futures Introducing Broker Business by Securities Firms, and shall be fined NT\$120,000, with disciplinary action taken on personnel accountable. Status of improvement:

The internal control system has been reviewed with addition of a remedial mechanism, and personnel training has been enhanced to strengthen legal compliance and ensure implementation of the internal control system.

- (11) Major resolutions passed in shareholder meetings and board of director's meetings held in the most recent year up till the publication date of this annual report:
 - 1. Important resolutions of the Board of Directors and their implementation Major resolutions by the board of directors of Capital Securities Corp.:
 - 1. 5th meeting, 11th Board of Directors on January 21, 2020
 - 1. Agenda: The 11th repurchase by the Company of the treasury stock for write-off and capital reduction.

Resolution: The case was consulted by all the directors without objection.

Implementation: Implementation was completed on January 2, 2020. The Company repurchased 150,000,000 shares for a total amount of NT\$1,604,386,481 at an average price of NT\$10.7 per share. It is proposed to write off all of the aforementioned 150,000,000 shares, as required, and set the record date of capital reduction on January 31, 2020.

2. Agenda: Participation in purchase of the shares of Capital Futures, the reinvestment enterprise of the Company, for cash capital increase.

Resolution: This proposal (the Chairman WANG, JIUNN-CHIH, recused himself, and director CHANG, CHIH-MING acted on his behalf) was adopted without any objection upon consultation by the chairperson with the directors present. The Chairman has been authorized to make the purchase at the actual issue price per share within the limit of a maximum of 19,883,169 shares.

Implementation: 19,883,169 common shares of Capital Futures Corp. were acquired on March 24, 2020 with unit price of 34.4. The total transaction amount was NT\$683,981,014.

2. 6th meeting, 11th Board of Directors on March 26, 2020

1. Agenda: Recommendations on the remuneration for employees and directors of the Company in 2019.

Resolution: The case was consulted by all the directors without objection.

Implementation: The remuneration was distributed as required and submitted to the 2020 annual general meeting for reporting.

2. Agenda: Recommendations for distribution of the profits in 2019.

Resolution: The case was consulted by all the directors without objection.

Implementation: This motion has been raised for acknowledgment during the 2020 annual general meeting.

3. Agenda: Amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company.

Resolution: The case was consulted by all the directors without objection.

Implementation: Approved after the deliberation of the 2020 annual general meeting.

4. Agenda: Amendments to the Company's "Rules and Procedures for Shareholders' Meetings."

Resolution: The case was consulted by all the directors without objection.

Implementation: Approved after the deliberation of the 2020 annual general meeting.

3. 7th meeting, 11th Board of Directors on May 14, 2020

1. Agenda: Proposal to issue the domestic unsecured USD corporate bonds to improve the mid-term working capital and strengthen the financial structure.

Resolution: The case was consulted by all the directors without objection.

Implementation: the issuance was proceeded depending on the market conditions; until 2020, no domestic unsecured USD corporate bonds have been issued.

2. Agenda: Proposal to apply for the establishment of asset management co. ltd. and private equity fund co. ltd. to the competent authority.

Resolution: The case was consulted by all the directors without objection. Implementation: established upon the approval of the competent authority.

- 4. 8th meeting, 11th Board of Directors on July 28, 2020
 - 1. Agenda: Liability insurance for directors, supervisors and essential employees in 2020. Resolution: The case was consulted by all the directors without objection.

Implementation: Renewal of insurance was completed, with the insurance term starting from September 1, 2020 and ending on September 1, 2021.

- 5. 11th meeting, 11th Board of Directors on January 21, 2021
 - 1. Agenda: Amendments to the Company's "Operational Procedures for Endorsements/Guarantees."

Resolution: The case was consulted by all the directors without objection.

Implementation: The case will be raised for approval during the 2021 annual general meeting.

2. Agenda: Amendments to the Company's "Rules for the Election of Directors."

Resolution: The case was consulted by all the directors without objection.

Implementation: The case will be raised for approval during the 2021 annual general meeting.

- 6. 12th meeting, 11th Board of Directors on March 25, 2021
 - 1. Agenda: Recommendations on the remuneration for employees and directors of the Company in 2020.

Resolution: The case was consulted by all the directors without objection.

Implementation: to be reported in the 2021 annual general meeting.

2. Agenda: Recommendations for distribution of the profits in 2020.

Resolution: The case was consulted by all the directors without objection.

Implementation: The case will be raised for acknowledgment during the 2021 annual general meeting.

2. Resolutions of the shareholders' meeting (annual shareholders' meeting on June 22, 2020) and their implementation:

	Item		Proposal	Resolution	Execution
		Proposal (1)	The Company's 2019 Business Report and Financial Statements for approval.	A statutory majority voted in favor, and the proposal was approved as proposed.	To proceed as resolved during the shareholders' meeting and announce accordingly.
Approved items	Approved items	Proposal (2)	The Company's 2019 Statement of Earnings Distribution for approval.	A statutory majority voted in favor, and the proposal was approved as proposed.	Distribution was completed pursuant to the resolution of the annual shareholders' meeting, and the cash dividend per share was NT\$0.8 (record date: August 19, 2020; date of dividend distribution: September 11, 2020).
	Discuss	Proposal (1)	Discussion of the proposal of amendment to the "Procedures for the Acquisition or Disposal of Assets".	A statutory majority voted in favor, and the proposal was approved as proposed.	The amendment was announced on the Company's website, and the amended "Procedures for the Acquisition or Disposal of Assets" came into force.
	Discussion items	Proposal (2)	Amendments to the Company's "Rules and Procedures for Shareholders' Meetings" for discussion.	A statutory majority voted in favor, and the proposal was approved as proposed.	The amendment was announced on the Market Observation Post System, and the amended "Rules and Procedures for Shareholders' Meetings" came into force.

- (12) In the event that any director or supervisor expressed a dissenting opinion regarding any of the important resolutions adopted by the Board of Directors during the most recent year as of the date on which the annual report was printed, and that the opinion was recorded or delivered in writing, please describe its main contents: None.
- (13) Resignation of relevant personnel in the last year, up till the publication date of this annual report

March 31, 2021

Title	Name	Date Onboard	Date Departed	Reasons for Resignation or Discharge
	N/A			

Note: The relevant personnel means the Chairman, President, accounting manager, financial manager, chief internal auditor, chief corporate governance officer and R&D manager.

(14) Managers, directors and supervisors of the Company and their participation in continuing education and training related to corporate governance:

1. Manager:

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Title	Name	Course start time	Course end time	Organizer	Hours	Course Name
		2020/08/07	2020/08/07	Taiwan Institute of Directors (TWIoD)	3	The strategic turning points for Taiwanese enterprise amid the critical pandemic.
President CHIA, CHUNG-TAO		2020/09/01	2020/09/01	Taiwan Corporate Governance Association	3	Continuing education of directors and supervisors: Legal responsibility of insider trading and case study
		2020/12/17	2020/12/17	Securities and Futures Institute	3	Analysis and case study of non-normal transaction for directors and supervisors in the regard of corporate governance
		2020/02/12	2020/02/12	Securities and Futures Institute	3	Discussion of practice of AMT/CFT
		2020/03/12	2020/03/12	Securities and Futures Institute	3	Analysis of Financial Information and Decision Making for Businesses
Executive Vice President	CHEN, MING- SHING	2020/09/04	2020/09/04	Securities and Futures Institute	3	Discussion of employees and directors' remuneration: starting from the amendments to Article 14 of the Securities and Exchange Act.
		2020/10/14	2020/10/14	Taiwan Stock Exchange Corporation	3	2020 dissemination of the prevention of insider trading and insider equity transaction
		2020/11/24	2020/11/24	Taiwan Corporate Governance Association	3	Corporate governance 3.0- sustainable development blueprint.
Senior Vice President	XIE, XIU-YING	2020/10/13	2020/10/13	Securities and Futures Institute	3	Preparation of annual budgets with new sources of funds and cost-saving, and the tips
		2020/01/16	2020/01/16	Association of Certified Anti-Money Laundering Specialists (ACAMS)	7	The 11th Local Convention in Taiwan, Association of Certified Anti-Money Laundering Specialists (ACAMS)
		2020/07/20	2020/07/24	Taiwan Securities Association	15	On-job Training of Securities Specialists
Vice President	LAI, AI-WEN	2020/09/21	2020/09/21	Taiwan Securities Association	6	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2020/09/29	2020/09/30	Taiwan Securities Association	6	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2020/07/31	2020/07/31	Securities and Futures Institute	8	Laws and Regulation Compliance Dissemination of the Securities Industry
		2020/08/07	2020/08/07	Taiwan Futures Exchange	3	2020 Futures Commission Merchant and Introducing Broker Internal Control System Modification and AML/CTF Seminar
Executive Vice President	HUANG, CHI- MING	2020/08/14	2020/08/14	Taiwan Stock Exchange Corporation	4	2020 Seminar on Awareness of the Standards and Requirements of the Internal Control System
1 100.00111		2020/09/28	2020/09/28	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
		2020/10/07	2020/10/07	Taiwan Securities Association	7.5	On-job Training of Securities Specialists
		2020/10/15	2020/10/16	Chinese National Futures Association	6	On-job Training of Futures Specialists
		2020/03/04	2020/03/05	Chinese National Futures Association	6	On-job Training of Futures Specialists
		2020/07/06	2020/07/06	Securities and Futures Institute	6	Laws and Regulation Compliance Dissemination of the Securities Industry
		2020/07/14	2020/07/14	Taiwan Stock Exchange Corporation	4	2020 Internal Control Amendment Seminar
Senior Vice	LIN, SHU-	2020/08/13	2020/08/13	Taiwan Futures Exchange	3	Futures Commission Merchant and Introducing Broker Internal Control System Modification and AML/CTF Seminar
President	CHUAN	2020/08/26	2020/08/26	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
		2020/09/28	2020/09/28	Taiwan Securities Association	3	Forum on the Compliance of Securities Firms with Anti-Money Laundering and Counter-Terrorism Financing Laws
		2020/09/29	2020/09/29	Taiwan Stock Exchange Corporation	3	2020 dissemination of regulations and operation for the practitioners in dealers and brokers.
		2020/11/13	2020/11/13	Securities and Futures Institute	6	Laws and Regulation Compliance Dissemination of the Securities and Futures Industry
		2020/10/07	2020/10/07	Taiwan Securities Association	3	Entrusted with the purchase and sale of foreign securities laws and professional ethics
Executive Vice President	FANG, CHIH- HUNG	2020/12/16	2020/12/16	Securities and Futures Institute	3	Case study of the fraudulent financial statements in the regard of corporate governance
		2020/12/18	2020/12/18	Securities and Futures Institute	3	Warning and type analysis of enterprise financial crisis in the regard of corporate governance
Executive Vice President	TAN, TE- CHENG	2020/02/19	2020/02/19	Taiwan Securities Association	3	Analysis of Financial Information and Decision Making for Businesses

Title	Name	Course start time	Course end time	Organizer	Hours	Course Name
		2020/03/11	2020/03/11	Taiwan Securities Association	3	How to apply big data analysis to the operation and management
			2020/03/27	Taiwan Academy of Banking and Finance	6	Trust Supervisors On-the-job Training
		2020/06/23	2020/06/23	Taiwan Securities Association	3	Legal responsibilities of directors, supervisors, and finance and accounting officers of enterprises and case study.
		2020/07/01	2020/07/01	Taiwan Securities Association	3	Opportunities and challenges of Security Token Offering (STO)
		2020/06/10	2020/06/10	Taiwan Securities Association	3	Preparation, key reviewing points, interpretation and analysis of financial statements
Oneina Vian	11011.15	2020/07/01	2020/07/01	Taiwan Securities Association	3	Opportunities and challenges of Security Token Offering (STO)
Senior Vice President	HOU, LE- PING	2020/07/08	2020/07/08	Taiwan Securities Association	3	Corporate Governance and Financial Information Transparency
		2020/09/09	2020/09/09	Taiwan Securities Association	3	The Enterprise's Countermeasures and Countermeasures in the Face of Exchange Rate Fluctuations
		2020/04/16	2020/04/16	Securities and Futures Institute	3	Warning and type analysis of enterprise financial crisis in the regard of corporate governance
		2020/08/28	2020/08/28	Capital Securities Corporation	2	Narrative structure with effective expression
Executive Vice President	ZHANG, JIA- WEN	2020/11/25	2020/11/25	Capital Securities Corporation	3	Introduction of private equity practice Case sharing of PE services
		2020/12/18	2020/12/18	Capital Securities Corporation	2	Corporate fraud risks and challenges
		2020/09/03	2020/09/03	Chen & Lin Attorneys-At-Law	3	Corporate governance amid the operation rights dispute
0 : 15		2020/08/28	2020/08/28	Capital Securities Corporation	2	Narrative structure with effective expression
		2020/11/25	2020/11/25	Capital Securities Corporation	3	Introduction of private equity practice Case sharing of PE services
Senior Vice President	YE, YI-LING	2020/12/18	2020/12/18	Capital Securities Corporation	2	Corporate fraud risks and challenges
		2020/12/02	2020/12/02	Taiwan Securities Association	6	On-the-job Training for Personnel and Managers Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2020/12/14	2020/12/14	Taiwan Securities Association	6	On-the-job Training for Personnel and Managers Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
Executive Vice President	LIN, YAN- FEN	2020/11/12	2020/11/12	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
Senior Vice	CHEN, PEI-QI	2020/10/07	2020/10/07	Taiwan Securities Association	7.5	On-job Training of Securities Specialists
President	OFFICIAL TELEGRAPH	2020/11/12	2020/11/12	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
Executive Vice	WANG IIIAN-	2020/09/28	2020/09/28	Taiwan Securities Association	6	On-job Training of Foreign Currency Derivatives
President	HUI	2020/12/28	2020/12/29	Securities and Futures Institute	12	On-the-job Training for Personnel and Managers Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2020/03/16	2020/03/17	Taiwan Securities Association	6	Wealth Management Business onthe-job training
		2020/07/03	2020/07/03	Trust Association of R.O.C	3	Seminar of AML/CFT
Senior Vice President	ZHENG, SHU- FEN	2020/10/08	2020/10/08	Taiwan Securities Association	3	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
		2020/11/04	2020/11/04	Trust Association of R.O.C	4	Manager Class of Dedicated Trust Department
		2020/12/02	2020/12/02	Taiwan Securities Association	6	On-the-job Training for Personnel Dedicated to Preventing Money Laundering and Countering the Financing of Terrorism
Executive Vice President	MA, JIA- HUAN	2020/11/05	2020/11/06	Taiwan Securities Association	6	Wealth Management Business onthe-job training
		2020/02/20	2020/02/21	Taiwan Securities Association	6	Wealth Management Business onthe-job training
Senior Vice	ZHENG, YU-	2020/03/04	2020/03/05	Chinese National Futures Association	6	On-job Training of Futures Specialists
President	LING	2020/06/22	2020/06/23	Taiwan Academy of Banking and Finance	12	On-the-job Training for Trust Administrators
		2020/10/07	2020/10/07	Taiwan Securities Association	7.5	On-job Training of Securities Specialists

2. Directors and supervisors:

2. Directors and supervisors:									
Title	Name	Date	Organizer	Course Name	Training hours				
		2020/08/24	Corporate Operation Association of the Republic of China	Serial courses of "2020 M&A and Corporate Governance Pratical Operation"	3				
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	2020/09/21	TWSE, TPEx	Summit forum agenda of "corporate governance 3.0- sustainable development blueprint" for the listing companies	3				
		2020/12/24	Securities and Futures Institute	Principles and application of blockchain	3				
Discretes	Yin Feng Enterprise Co., Ltd.	2020/10/08	Taiwan Securities Association	Exploring Financial Reports' window dressing and fraud from Problem Enterprises	3				
Director	Representative: LIU, CHING-TSUN	2020/11/11	Taiwan Securities Association	How enterprises construct the financial investment risk and reward management platform	3				
Director	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	2020/10/29	Taiwan Corporate Governance Association	How directors and supervisors conduct the enterprise risk management, crisis handling, AML/CFT well	3				
	Hung Lung Enterprise Co., Ltd.	2020/08/07	Taiwan Institute of Directors (TWIoD)	2020 Annual Convention of Taiwan Institute of Directors: The strategic turning points for Taiwanese enterprise amid the critical pandemic.	3				
Director	Representative: CHIA, CHUNG-TAO	2020/09/01	Taiwan Corporate Governance Association	(CGP-Advanced) Legal responsibility of insider trading and case study	3				
		2020/12/17	Securities and Futures Institute	Analysis and case study of non-normal transaction for directors and supervisors	3				
		2020/10/23	Taiwan Corporate Governance Association	Challenges and countermeasures of information security	3				
Director	Hung Lung Enterprise Co., Ltd. Representative:	2020/10/27	Taiwan Corporate Governance Association	ESG development trend and social responsible investment (SRI)	3				
Birector	KUO, YUH-CHYI	2020/12/17	Securities and Futures Institute	Analysis and case study of non-normal transaction for directors and supervisors	3				
	Hung Lung Enterprise Co., Ltd. Representative:	2020/11/23	Securities and Futures Institute	Impact on the rights of directors and supervisors from the latest amendments to the Securities Investor and Futures Trader Protection Act	3				
	TSAI, I-CHING	2020/12/09	Securities and Futures Institute	Case study of M&A: centered at the hostile M&A	3				
Director	Tai He Real Estate Management Co., Ltd.	2020/10/29	Taiwan Corporate Governance Association	How directors and supervisors conduct the enterprise risk management, crisis handling, AML/CFT well	3				
Birector	Representative: HUNG, TSUNG-YEN	2020/12/17	Securities and Futures Institute	Analysis and case study of non-normal transaction for directors and supervisors	3				
		2020/03/09	Taiwan Securities Association	Management of financial crimes and fraud risk	3				
Independent	CHEA HA DONO	2020/03/30	Taiwan Insurance Institute	Discussion of the the duties and obligations of directors and supervisors, and the liability insurance for key staff.	3				
Director	SHEA, JIA-DONG	2020/10/20	Taiwan Academy of Banking and Finance	Corporate governance lecture: Fintech serious (1st term)	3				
		2020/12/01	Taiwan Academy of Banking and Finance	Seminar of the Financial Consumer Protection Act and the principle of fair treatments to clients (8th term)	3				
Independent	LEE QUEVA	2020/08/07	Taiwan Corporate Governance Association	The responses and application of corporate governance appraisal by the board of directors.	3				
Director	LEE, SHEN-YI	2020/08/21	Dharma Drum Mountain Humanities and Social Improvement Foundation	"Innovative Development Trend in Taiwanese Society" of the Corporate Social Responsibility.	3				
		2020/08/31	CPA Association of R.O.C. (Taiwan)	Latest regulations of securities for companies and practice analysis	3				
		2020/09/23	CPA Association of R.O.C. (Taiwan)	Risk-oriented audit	3				
		2020/10/12	CPA Association of R.O.C. (Taiwan)	Trend and outlooks in the post APG era (AML)	3				
Independent Director	SU, PING-CHANG	2020/11/13	Taiwan Stock Exchange Corporation	2020 dissemination of corporate governance and enterprise ethics for directors and supervisors	3				
		2020/11/18	CPA Association of R.O.C. (Taiwan)	Update regulations of the profit-seeking enterprise income tax and notes for filing and auditing.	3				
		2020/12/08	CPA Association of R.O.C. (Taiwan)	Practice and case analysis of the Company Act- centered at the common disputes and 2018 amendments to the the Company Act	7				

(15) Qualification of personnel associated with financial transparency

Name of certification	Audit Office (27 persons)	Finance Department (41 persons)	Risk Management Department (6 persons)
Securities specialist	9	10	1
Senior securities specialist	25	15	5
Margin trading and short sale	13	2	1
Securities lending	2		
Futures specialist	22	4	3
Securities investment trust and consulting professional	12	9	
Securities investment trust and consulting laws (including self-governance rules)	1	2	
Bill finance specialist	3	2	
Life insurance representative	11	5	1
Investment-linked insurance representative	7	2	
Non-life insurance representative	8	2	
Qualification for non-investment foreign currency insurance products	7	3	
Wealth management specialist	16	2	
Stock affair specialist	1		
Bonds specialist	1		
Trust specialist	13	7	1
Trust manager	1		1
Trust laws		1	
Structured instrument specialist	1		1
Passed the CPA examination	1	1	
Bookkeeper		3	
First-time internal auditor seminar	11		
Bank internal control and internal audit		2	
Advanced securities capital adequacy ratio calculation and reporting personnel	9	16	6
Chartered Financial Analyst (CFA)			1
Financial Risk Manager (FRM)			4
Derivative sales personnel	1		
Foreign currency derivative course	5	5	1
Conducting Courses for 12-Hour Training of Foreign Exchange Spot Transactions		23	1
Proficiency test for junior foreign exchange specialist		1	
Certified Anti-Money Laundering Specialist (CAMS)	1		
AML and CTF Specialist Exam	2		
AML and CTF 12-hour courses	3		
AML and CTF 24-hour courses	4		
Total	190	117	27

5. Disclosure of CPAs' remuneration

(1) Audit remuneration brackets table

Name of accounting firm	Name (of CPA	Audit period	Remarks	
KPMG	Lee, Feng Hui	Chung, Tan Tan	January 2016 ~ December 2020	The CPAs changed because of the internal personnel	
	Wu, Cheng Yen	Chung, Tan Tan	January 2021 till now	adjustment in the accounting firm.	

Amount Unit: NTD thousands

Amo	Fee category unt range	Audit remuneration	Non-audit remuneration	Total
1	Below NT\$ 2,000,000		V	
2	NT\$2,000,000 (included) ~ NT\$4,000,000			
3	NT\$4,000,000 (included) ~ NT\$6,000,000	V		V
4	NT\$6,000,000 (included) ~ NT\$8,000,000			
5	NT\$8,000,000 (included) ~ NT\$10,000,000			
6	NT\$10,000,000 (included) or more			

Note: In 2020, the Company paid NT\$30,000 as non-audit professional fees to the CPAs, the firms of the CPAs and the companies affiliated thereto. (Professional fees for re-audit of the salary information checklists for full-time employees not serving in managerial positions)

- (2) The amount of non-audit professional fees paid to the CPAs, the firms of the CPAs and the companies affiliated thereto is at least 25% of that of audit professional fees: None.
- (3) The accounting firm has been changed, and the amount of audit professional fees paid during the year when the change occurs is lower than that paid during the previous year: None.
- (4) The amount of audit professional fees is reduced by at least 10% in comparison with the previous year: None.

6. Change of CPA

(1) Regarding the former certified public accountant

Date of replacement	March 25,	March 25, 2021				
Reason and explanation of replacement	To cope w	To cope with the internal personnel adjustment of the firm				
	Situation	СРА	СРА	The Company		
CPA voluntarily ended the engagement or declined further engagement or the company that terminated	Voluntarily the engage		V			
or discontinued the engagement	Declined (discontinue) further engagement					
Issuance of an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	None					
			Accounting principles or practices			
			Financial report disclosure			
	Yes		Auditing scope or procedure			
			Other			
Disagreement from the issuer						
	None	None V				
	Description					
Supplementary disclosure (disclosures specified in Article 10.6.1.4~7 of the Standards)	None					

(2) Regarding the successor certified public accountant

Name of the successor accounting firm	KPMG
Name of CPA	Wu, Cheng Yen / Chung, Tan Tan
date of engagement.	March 25, 2021
Prior to the formal engagement of the successor certified public accountant, the company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report	None
Written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant, and shall make disclosure thereof.	None

- (3) Response of the former certified public accountants to Article 10.6.1 and 10.6.2-3 of the Standards: None.
- 7. Disclosure of any of the Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the auditor's firm: None.

8. Changes in the shares held by directors, supervisors, managers and major shareholders

		2020		As of April 24 of	the current year
Title	Name	Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	0	0	0	0
Director	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	0	0	0	0
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO	0	0	0	0
Director	Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	0	0	0	0
Director	Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN	0	0	0	0
Independent Director	SHEA, JIA-DONG	0	0	0	0
Independent Director	LEE, SHEN-YI	0	0	0	0
Independent Director	SU, PING-CHANG	0	0	0	0
Chairman	WANG, JIUNN-CHIH	(55,750)	0	0	0
President	CHIA, CHUNG-TAO	0	0	0	0
Executive Vice President	MA, JIA-HUAN	10,000	0	0	0
Executive Vice President	YANG, JIE-BIN	0	0	0	0
Executive Vice President	TAN, TE-CHENG	(81,000)	0	0	0
Executive Vice President	HUANG, CHI-MING	(75,000)	0	(9,000)	0
Executive Vice President	ZHANG, PEI-WEN	0	0	0	0
Executive Vice President	LIN, YAN-FEN	0	0	0	0
Executive Vice President	LAI, JUN-FU	0	0	0	0
Executive Vice President	ZHANG, JIA-WEN	(85,000)	0	0	0
Executive Vice President	FANG, CHIH-HUNG	0	0	0	0
Executive Vice President	CHEN, MING-SHING	0	0	0	0
Executive Vice President	QIU, JIAN-HUA	0	0	0	0
Executive Vice President	WANG, JUAN-HUI	0	0	0	0
Senior Vice President	ZHENG, YU-LING	0	0	0	0
Senior Vice President	ZHANG, DUN-FU	0	0	0	0
Senior Vice President	WENG, HE-MING	0	0	0	0
Senior Vice President	CHEN, PEI-QI	0	0	0	0
Senior Vice President	WANG, YA-FANG	0	0	0	0
Senior Vice President	HOU, LE-PING	0	0	0	0
Senior Vice President	PAN, HUI-MEI	(25,000)	0	0	0

		20	20	As of April 24 of	the current year
Title	Name	Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Senior Vice President	LI, MU-XIAN	0	0	0	0
Senior Vice President	LIN, JING-HUA	0	0	0	0
Senior Vice President	ZHENG, SHU-FEN	0	0	0	0
Senior Vice President	XIE, XIU-YING	0	0	0	0
Senior Vice President	LIN, SHU-CHUAN	(6,000)	0	(1,361)	0
Senior Vice President	ZHAO, FENG-RONG	0	0	0	0
Senior Vice President	LIN, BO-WEI	0	0	0	0
Senior Vice President	HUANG, ZHI-HUA	10,000	0	0	0
Senior Vice President	WU, YUN-WEN	0	0	0	0
Senior Vice President	LIU, SHU-RU	0	0	(3,996)	0
Senior Vice President	CHEN, YI-REN	0	0	0	0
Senior Vice President	YE, YI-LING	0	0	0	0
Senior Vice President	YAO, MING-QING	0	0	0	0
Senior Vice President	XU, TSUI-YUN	0	0	0	0
Senior Vice President	CHANG, LI-FEN	0	0	0	0
Senior Vice President	CHIU, TSAN-HSI	0	0	0	0
Senior Vice President	ZHANG, JING-YAO	0	0	0	0
Senior Vice President	YE, YU-ZHEN	0	0	0	0
Senior Vice President	TSENG, MEI-LING	0	0	0	0
Senior Vice President	KAN, KAI-CHUNG	0	0	0	0
Senior Vice President	LIN, CHAO-HSU	1,000	0	0	0
Senior Vice President	XIE, HUI-YA	0	0	0	0
Senior Vice President	ZHANG, XUE-HE	0	0	0	0
Senior Vice President	ZHU, DE-REN	0	0	0	0
Senior Vice President	TU, TSUNG-EN	0	0	0	0
Senior Vice President	CHANG, YU-CHING	7,411	0	0	0
Manager	CHEN, LI-ZHUN	0	0	0	0
Manager	TANG, WEN-JI	0	0	0	0
Manager	LIN, JING-WEN	0	0	0	0
Manager	KAI, SHI-HUA	0	0	0	0
Manager	LIN, HUI-JING	0	0	0	0
Manager	YANG, ZHI-KAI	0	0	0	0
Manager	HAI, YAN	0	0	0	0
Manager	PENG, GUI-CONG	0	0	0	0
Manager	HUANG, XIU-YU	0	0	0	0
Manager	YU, XIAO-MEI	0	0	0	0
Manager	XU, LI-FEN	0	0	0	0
Manager	WU, HONG-ZHI	0	0	0	0
Manager	ZHENG, YU-CHANG	0	0	0	0
Manager	ZHANG, TIAN-MU	0	0	0	0
Manager	ZHAO, ZHI-MING	0	0	0	0

			20	As of April 24 of the current year	
Title	Name	Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Manager	LI, XIANG-JUN	0	0	0	0
Manager	CAO, HOU-SHENG	0	0	0	0
Manager	CAI, QING-FEN	0	0	0	0
Manager	CHEN, XUAN-ZHI	0	0	0	0
Manager	YANG, YAN-QIU	0	0	0	0
Manager	ZHANG, REN-FANG	0	0	0	0
Manager	WANG, WAN-QI	0	0	0	0
Manager	CHEN, ZHI-SHAN	0	0	0	0
Manager	CHEN, MEI-RU	0	0	0	0
Manager	CHEN, ZHENG-YANG	0	0	0	0
Manager	LAI, AI-WEN	0	0	0	0
Manager	DENG, XUE-REN	0	0	0	0
Manager	YANG, KUN-LONG	0	0	0	0
Manager	MA, SHAO-HONG	0	0	0	0
Manager	WEI, YU-MEI	0	0	0	0
Manager	HUANG, YI-LIAN	0	0	0	0
Manager	YEN, CHIA-YUEH	0	0	0	0
Manager	WU, CHEN-YI	0	0	0	0
Manager	WU, CHEN-MING	0	0	0	0
Manager	HUANG, MIU-IN	0	0	0	0
Manager	ZHANG, ZHE-MING	0	0	0	0
Manager	Wu, Ching-Yen	0	0	0	0
Manager	HUANG, CHONG-JIE	0	0	0	0
Manager	LIN, AN-TSE	0	0	0	0
Manager	LI, CHIH-CHIANG	0	0	0	0
Manager	HSU, CHIH-HUI	0	0	0	0
Manager	LIU, PIN-CHEN	0	0	0	0
Manager	HUANG, SHIH-CHUNG	0	0	0	0
Manager	CHANG, CHUN-FU	0	0	0	0
Manager	LIN, CHIH-FENG	0	0	0	0
Manager	LI, YI-CHIH	0	0	0	0
Manager	CHIANG, JUNG-HUA	0	0	0	0
Manager	LI, JEN-FENG	0	0	0	0
Manager	KU, PEI-CHING	0	0	0	0
Manager	FU, CHENG-HUI	0	0	0	0
Manager	LIN, CHANG-TZU	0	0	0	0

Note 1: Shareholders who hold more than 10% of the Company's shares shall be indicated as major shareholders and shown separately.

Note 2: Under which case, was the relative person of the transfer or pledge of shares a related person, the table below shall be filled out.

9. Information on the relationships among the shareholders whose shareholding ratios are in the top 10

As of April 30, 2021 Unit: Share

	_							01	iit. Share
Name	SELF SHAREHOLDING		Shares held by spouse and underage children		SHARES HELD IN THE NAMES OF OTHERS		Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders.		Remarks
	No. of shares	% of shares held	No. of shares	% of shares held	No. of shares	% of shares held	Name	Relation	
Fu Ding Investment Co., Ltd. Representative: LIAO, CHIEN-HUNG	76,405,643	3.52%	0	0.00%	0	0.00%	-	-	-
Bao Zuo Investment Co., Ltd. Representative: LIAO, CHIEN-HUNG	75,871,574	3.50%	0	0.00%	0	0.00%	-	-	-
Bao Sheng Investment Co., Ltd. Representative: HSIEH, YU-TING	72,313,817	3.33%	0	0.00%	0	0.00%	-	-	-
Tai Sheng Investment Co., Ltd. Representative: WANG, CHUN-FU	71,454,831	3.29%	0	0.00%	0	0.00%	-	-	-
Hontai Life Insurance Co., Ltd. Representative: LU, HUAN-YI	68,702,749	3.17%	0	0.00%	0	0.00%	-	-	-
Hong Chia Investment Co., Ltd. Representative: HSIEH, YU-TING	64,689,914	2.98%	0	0.00%	0	0.00%	-	-	-
Min Huei Enterprise Co., Ltd. Representative: WANG, HUEI-CHIN	61,245,459	2.82%	0	0.00%	0	0.00%	-	-	-
Bao Qing Investment Co., Ltd. Representative: YANG, SHU-HUEI	60,338,725	2.78%	0	0.00%	0	0.00%	-	-	-
Hung Lung Enterprise Co., Ltd. Representative: LIAO, CHIEN-HUNG	50,871,288	2.34%	0	0.00%	0	0.00%	-	-	-
Tai Lian Investment Co., Ltd. Representative: LIN, HSIN-YI	42,699,377	1.97%	0	0.00%	0	0.00%	-	-	-

Note: (1) All top-10 shareholders have been listed. For corporate shareholders, the name of the corporate entity and the name of the representative are shown separately.

⁽²⁾ The percentages of shares held under own name, spouse's name, underage children's names, or in the names of others are calculated separately.

⁽³⁾ Relations among the abovementioned shareholders (including corporate and natural-person shareholders) have been disclosed in accordance with the relationships defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.

10. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties:

Unit: Share (%) Date: March 31, 2021

Reinvestment business (Note 1)	Held by the Company		Held by I Supervisors, r directly or indir enterp	nanagers, and ectly controlled	Aggregate ownership interest		
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	
Capital Investment Management Corporation	7,000,000	100.00%	-	-	7,000,000	100.00%	
CSC International Holdings Ltd.	45,000,000	100.00%	-	-	45,000,000	100.00%	
Capital Futures Corporation (Note 2)	119,177,014	56.63%	363,696	0.17%	119,540,710	56.80%	
Capital Insurance Advisory Corp.	500,000	100.00%	-	-	500,000	100.00%	
Capital Insurance Agency Corp.	740,000	100.00%	-	-	740,000	100.00%	
CSC Venture Capital Corporation	100,000,000	100.00%	-	-	100,000,000	100.00%	
Taiwan International Securities (B.V.I.) Corporation	300	100.00%	-	-	300	100.00%	
CSC Capital Management Co., Ltd.	33,000,000	100.00%	-	-	33,000,000	100.00%	
Capital Investment Trust Corp.	33,067,507	20.00%	-	-	33,067,507	20.00%	

Note 1: Investment by the Company using the equity method.

Note 2: The shares include the accounts acquired by the Company from underwriting and recognized as sales of securities. The number of shares underwritten was 111,000.

IV. Funding Status

1. Capital and shares

(1) Source of capital and share category:

1. Sources of share capital

Unit: thousand shares / NT\$ thousands

		Authoriz	ed capital	Paid-up	capital	Remarks	S	
Year/ month	Issued price (NTD)	No. of shares	Amount	No. of shares	Amount	Sources of share capital	Paid in properties other than cash	Other
2011.06	10	3,000,000	30,000,000	2,334,062	23,340,621	New shares totaling NT\$283,395,000 were issued for merger	N/A	Note 1
2011.10	10	3,000,000	30,000,000	2,369,073	23,690,730	Capitalization of retained earnings totaling NT\$350,109,000	N/A	Note 2
2015.11	10	3,000,000	30,000,000	2,319,073	23,190,730	Reduced share capital by NT\$500,000,000	N/A	Note 3
2016.02	10	3,000,000	30,000,000	2,269,073	22,690,730	Reduced share capital by NT\$500,000,000	N/A	Note 4
2017.02	10	3,000,000	30,000,000	2,169,073	21,690,730	Reduced share capital by NT\$1,000,000,000	N/A	Note 5
2018.09	10	3,000,000	30,000,000	2,320,908	23,209,081	Capitalization of retained earnings totaling NT\$1,518,351,000	N/A	Note 6
2020.02	10	3,000,000	30,000,000	2,170,908	21,709,081	Capital reduced by NT\$1,500,000,000	N/A	Note 7

Note 1: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Quan-Zi No. 1000009983, dated March 18, 2011.

2. Share category

Unit: thousand shares

Share category		Remarks		
Share category	Outstanding shares (public listed)	Unissued shares	Total	Remarks
Registered common shares	2,170,908	829,092	3,000,000	-

3. Information on general declaration systems: None.

(2) Shareholder Structure

April 30, 2021

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutional Investors	Domestic Natural Persons	Foreign Institutions & Individuals	Total
Number of shareholders	3	7	360	98,373	299	99,042
No. of shares held	8,044,671	86,471,659	947,853,138	725,438,194	403,100,435	2,170,908,097
Shareholding percentage	0.37%	3.98%	43.66%	33.42%	18.57%	100.00%

Note: The first TWSE (TPEx) listed companies and emerging companies shall disclose the percentages of their shares held by Mainland capital. Mainland capital means, according to Article 3 of the Regulations Governing Approval of Investments in Taiwan by Individuals from the Mainland Area, individuals, corporations, organizations or other institutions in the Mainland area or companies in third areas where they have made investments.

Note 2: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Quan-Zi No. 1000031788, dated July 11, 2011.

Note 3: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Jiao-Zi No. 1040045464, dated November 10, 2015.

Note 4: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Jiao-Zi No. 1050001350, dated January 14, 2016.

Note 5: Date of approval by the competent authority and document no.: Jin-Guan-Zheng-Jiao-Zi No. 1060001490, dated January 13, 2017.

Note 6: Filed to the Securities and Futures Bureau, Financial Supervisory Commission and became effective on July 12, 2018, approved by Letter Jing-Shou-Shang-Zi No.

^{10701117580,} dated September 25, 2018, from the Ministry of Economic Affairs.

Note 7: Date of approval by the competent authority and document no.: Approved by Letters Jin-Guan-Zheng-Jiao-Zi No. 10901022470, dated January 9, 2020, and Jing-Shou-Shang-Zi No. 10901022470, dated February 21, 2020, from the Ministry of Economic Affairs.

(3) Shareholding Distribution Status

(Par value per share: NT\$10) April 30, 2021

Class of Shareholding	Number of Shareholders	No. of shares held	Shareholding percentage
1 ~ 999	45,815	8,049,627	0.37%
1,000 ~ 5,000	33,032	75,774,985	3.49%
5,001 ~ 10,000	8,906	68,235,112	3.14%
10,001 ~ 15,000	3,286	40,632,787	1.87%
15,001 ~ 20,000	2,084	38,337,677	1.77%
20,001 ~ 30,000	2,000	50,421,158	2.32%
30,001 ~ 40,000	878	31,121,631	1.43%
40,001 ~ 50,000	671	31,219,465	1.44%
50,001 ~ 100,000	1,190	86,494,780	3.98%
100,001 ~ 200,000	604	86,118,433	3.97%
200,001 ~ 400,000	281	78,820,454	3.63%
400,001 ~ 600,000	87	42,305,059	1.95%
600,001 ~ 800,000	47	32,180,672	1.48%
800,001 ~ 1,000,000	33	29,199,664	1.35%
1,000,001 or over (based on Company's self-classification)	146	1,471,996,593	67.81%
Total	99,042	2,170,908,097	100.00%

Preferred shares

(Par value per share: NT\$) (Month) (Day), (Year)

Class of Shareholding	Number of Shareholders	No. of shares held	Shareholding percentage
Classified based on the actual conditions	-	-	-
Total	-	-	-

(4) List of Major Shareholders

Shares		
	No. of shares held	Shareholding percentage
Name of major shareholder		
Hontai Life Insurance Co., Ltd.	76,405,643	3.52%
Fu Ding Investment Co., Ltd.	75,871,574	3.50%
Bao Zuo Investment Co., Ltd.	72,313,817	3.33%
Bao Sheng Investment Co., Ltd.	71,454,831	3.29%
Tai Sheng Investment Co., Ltd.	68,702,749	3.17%
Hong Chia Investment Co., Ltd.	64,689,914	2.98%
Min Huei Enterprise Co., Ltd.	61,245,459	2.82%
Bao Qing Investment Co., Ltd.	60,338,725	2.78%
Hung Lung Enterprise Co., Ltd.	50,871,288	2.34%
Tai Lian Investment Co., Ltd.	42,699,377	1.97%

(5) The market price, net value, earnings and dividends per share and other relevant information during the most recent two years and as of March 31 of the current year (2021):

Item		Year	2019	2020	As of March 31 of the current year (2021) (Note 8)
Market price	Highest		11.25	14.30	15.60
per-share	Lowest		8.67	7.79	13.20
(Note 1)	Average		9.43	10.69	14.46
Net worth per-	Before distribut	ion	15.64	16.53	
share (Note 2)	After distributio	n	14.84		
Earnings per- Weighted average outstand thousands)		age outstanding shares (in	2,314,284	2,170,916	2,170,908
share	Earnings per sh	nare (Note 3)	1.11	1.64	
	Cash dividend		0.8		
Dividend per-	Ctook dividend	From earnings	0		
share	Stock dividend	From capital surplus	0		
Cumulative undistributed dividends (Note 4)		distributed dividends (Note 4)	0		
	P/E ratio (Note 5)		8.50	6.52	
Investment return analysis	Price to dividend ratio (Note 6)		11.79		
Total i allalysis	Cash dividend yield (Note 7)		8.48%		

^{*} Where earnings or capital reserves have been used to increase capital for distribution of shares, information regarding the market prices and cash dividends adjusted retroactively based on the number of shares distributed shall be disclosed.

(6) Dividend policy and execution

1. Dividend policies stated by the Articles of Incorporation:

According to the Company's articles of incorporation, any profits concluded from year-end closure are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve, a 20% provision for special reserve, and other provisions required by law.

The Board of Directors submits a proposal for distribution of earnings to the shareholders' meeting for a resolution to be adopted for distribution of dividends to shareholders. The amount of the above-mentioned distributable balance minus the retained earnings may not be less than 10% of the distributable balance. Types of dividends: According to the capital budget plan of the Company, stock dividends are distributed to retain the funds required, and the remaining portion will be distributed in cash, with the amount of cash dividends not less than 10%.

2. Dividend distribution proposed at the current shareholders' meeting:

A proposal was made to distribute cash dividends totaling NT\$2,387,998,907 (NT\$1.10 per share) from the Company's 2020 earnings. The amount of cash dividends paid to each shareholder will be truncated to the nearest dollar. Cash dividends baseline date will be determined by the chairman once the resolution is passed during a shareholders' meeting.

(7) The impact of the stock grants proposed at the current shareholders' meeting to the operating performance and EPS of the Company: None.

Note 1: The highest and lowest market prices of common shares for each year shall be indicated, and the average market price of each year shall be calculated based on the annual trading value and volume.

Note 2: Please specify the status of distribution as decided by a resolution of the shareholders' meeting next year based on the number of shares already distributed at the end of the year.

Note 3: Where retroactive adjustment is required due to distribution of bonus shares, the EPS before and after adjustment shall be indicated.

Note 4: Where the conditions for issuance of equity securities stipulate that undistributed dividends in the current year may be accumulated to be distributed in a subsequent year with earnings, the unpaid dividends accumulated until the current year shall be disclosed.

Note 5: PE = Average closing price per share of the current year / EPS

Note 6: PD = Average closing price per share of the current year / Cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share / Average closing price per share of the current year

Note 8: The fields of net value per share and EPS shall indicate the information audited (examined) by the CPAs during the most recent quarter until the date of printing of the annual report. Other fields shall indicate the information of the current year until the date of printing of the annual report.

- (8) Employee/director/supervisor remuneration:
 - 1. Percentage or scope of the remuneration for employees, directors and supervisors, as stated by the Articles of Incorporation:

The Company has adopted a residual dividend policy to support ongoing business expansion and achieve sustainable growth in earnings while maintaining capital adequacy.

Annual profits concluded by the Company are subject to employee remuneration of 0.6% to 2%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries are also entitled to receive remuneration, provided that they meet the criteria specified by the board of directors. Up to 3% of the aforementioned profit may be distributed as directors' remuneration at the discretion of the board of directors. Any proposal for distribution of the remuneration for employees and directors shall be submitted to the shareholders' meeting for reporting.

Where the Company still has any accumulated loss, an amount shall be retained for make-up, and then the remuneration for employees and directors may be appropriated based on the aforesaid percentage.

- 2. The current estimation basis of remuneration for employees, directors and supervisors, calculation basis for number of shares distributed as remuneration for employees, and methods for the accounting of the difference between actually distributed and estimated amounts:
 - (1) The current estimation basis of remuneration for employees, directors and supervisors, calculation basis for number of shares distributed as stock dividends: According to the Articles of Incorporation, where there is any profit in a year, 0.6%~2% of it shall be appropriated as remuneration for employees, and no more than 3% of its shall be appropriated as remuneration for directors. If there is accumulated deficit, specific amount shall be retained to cover. The estimation of the remuneration for employees and directors in 2020 is based on the Company's net value before tax during the period prior to deduction of the remuneration for employees and directors, multiplied by the percentage specified by the Articles of Incorporation for distribution of the remuneration for employees and directors.
 - (2) Calculation basis for number of shares distributed as remuneration for employees: Based on the closing price on the day before the date of resolution of the shareholders' meeting, and taking into account the effect of ex-rights and ex-dividends.
 - (3) Accounting treatment for any difference between the amount actually distributed and the estimated amount: If there is any change after the date of adoption and publication of the financial report in the next year, it will be treated as a change in accounting estimation, and the effect of the change will be recognized as income of the next year.
- 3. Distribution of remuneration, as adopted by the Board of Directors:
 - (1) The remuneration for employees and directors will be distributed in cash or shares. (in cash or in shares) and expenses previously recognized:

On March 25, 2021, the Board of Directors adopted a resolution to distribute NT\$47,228,333 as remuneration for employees and NT\$71,656,781 as remuneration for directors. The difference between the amount of remuneration to employees and directors resolved by the Board of Directors and the estimated amount recognized as expense of the fiscal year is as follows:

Unit: NTD

Item (2020)	Remuneration to employees	Remuneration for directors	
Estimated amount recognized as expense of the year (A)	48,197,900	73,822,100	
Amount to be distributed as per the resolution of the Board of Directors (B)	47,228,333	71,656,781	
Difference (A - B)	969,567	2,165,319	
Treatment of difference	Previous estimates were made based on unaudited profit and loss; the difference will be treated as a change of accounting estimate and adjusted to 2021 profit and loss.		

(2) The percentage the amount of employee remuneration distributed in shares accounts for in the sum of the profit after tax in the current individual financial report and the total employee remuneration: 0% (dividends for the employees of the Company are all distributed in cash).

4. Actual distribution of the remuneration for employees and directors (including the number of shares distributed, amount and share price) in the previous year (2019). Where there is any difference with the recognized remuneration for employees, directors and supervisors, the amount of difference, reasons and treatment shall be described:

Item (2019)	Remuneration to employees	Remuneration for directors
Estimated amount recognized as expense of the year (A)	32,756,250	54,293,750
Actual distribution amount (B)	27,026,717	45,335,138
Difference (A - B)	5,729,533	9,258,612
Treatment of difference	Previous estimates were made based on unaudited profit and loss; the different be treated as a change of accounting estimate and adjusted to 2020 profit and	

- (9) Status of stock repurchase by the Company during the most recent year and until the date of printing of the annual report:
 - (1) Status of stock repurchase by the Company (completed)

As of April 30, 2021

Term of repurchase	11th	
Purpose of repurchase	To maintain the Company's credibility and shareholders' equity.	
Period of repurchase	November 12, 2019 - January 11, 2020	
Price range for repurchase	NT\$8.5~NT\$12	
Type and number of shares repurchased	150,000,000 common shares	
Amount of shares repurchased	NT\$1,604,386,481	
Percentage of shares repurchased in the shares expected to be repurchased (%)	100%	
No. of shares written off and assigned	150,000,000 shares	
Accumulated number of the Company's shares held	0 share	
Percentage of the accumulated number of the Company's shares held in the total number of shares issued (%)	0%	

- (2) Status of stock repurchase by the Company (under implementation): None.
- 2. Status of corporate bonds: None.
- 3. Status of preferred stock: None.
- 4. Status of overseas depositary receipts: None.
- 5. Status of employee stock option certificates: None.
- 6. Status of employee restricted stock: None.
- 7. Status of new share issuance in connection with mergers and acquisitions: None.
- 8. Status of financing plans and implementation: None.

1. Business activities

(1) Scope of business

- (1) Primary operating activities
 - 1. Underwriting of securities.
 - 2. Trading securities in the centralized exchange market on its own.
 - 3. Trading securities in the centralized exchange market on an engaged basis.
 - 4. Trading securities at its business offices on its own.
 - 5. Trading securities at its business offices on an engaged basis.
 - 6. Financing and short selling for securities trade.
 - Agency of stock affairs in relation to securities.
 - 8. Trading foreign securities on an engaged basis.
 - 9. Providing services for short-term bills.
 - 10. Providing supporting services for futures trade.
 - 11. Lending against securities.
 - 12. Management of customers' securities settlement proceeds.
 - 13. Securities lending(except for book-entry central government securities).
 - 14. Trust services.
 - 15. International securities services.
 - 16. Other securities-related services approved by the competent authority.
- (2) Percentages of operating revenues during the most recent 3 years

Unit: NTD thousands

Year	20	18	2019		2020	
Product category	Amount	%	Amount	%	Amount	%
Brokerage	3,828,016	78	3,331,720	57	4,665,261	63
Proprietary trading	810,967	16	2,184,733	37	2,240,809	31
Underwriting	283,678	6	369,509	6	461,664	6
Total	4,922,661	100	5,885,962	100	7,367,734	100

(3) The current products (commodities) or services of the Company and their important usage or functions

Service categories	Main purpose or function
Brokerage Department	Consigned trading of domestic and foreign securities, futures and options approved by the authority, settlement, and offering of margin trading, short-selling and securities borrowing/lending services. Providing brokerage services, selling wealth management services and operating and managing branches.
Wealth Management Department	Planning for wealth management services, asset allocation, management, use and disposal of trust property, and planning, implementation and receipt of trust services.
Investment Banking Department	Provides guidance to businesses on fundraising solutions such as public offering, TWSE/TPEx listing, cash issue, corporate bond issue, TDR issue and securities underwriting, and comprehensive investment banking services including corporate M&A, business sale, equity investment, valuation, privatization, finance planning and services as an offshore securities unit (OSU).
Proprietary Trading Department	Trading securities in own capacity in the centralized exchange market and over-the-counter market, regulating market supplies and demands as a proprietary trader, and playing the role of a market generator in coordination with the underwriters. Trading and operating domestic and foreign futures and options. Using the Company's own funds for, if permitted by law, investment in commodities in overseas spot and futures markets depending on the international economic conditions and changes in the stock and foreign exchange markets.
Fixed Income Department	Managing domestic and foreign bonds, short-term financing of bond derivatives, conditional trading of bonds, and providing quick and concrete consulting services to customers regarding information on bond investment.
Derivatives Department	Issuance and trading of derivatives, and offering of investment and advisory services on derivatives.
Registrar Agency Department	Agency of stock affairs for TWSE/TPEx-listed, public and non-public companies.

(4) Planning for development of new products (services)

- 1. Expedite optimization of existing smart orders, one account pass-through platform and digital service platform and improve service quality to solidify the market share and profit of the brokerage business.
- 2. Begin the fixed-term fixed-amount business in response to intra-day odd lot trading to attract young customers.
- 3. Continue to promote the one account pass-through business and expand the number of accounts opened and the deposit balance for one household pass-through to improve interest income and wealth management business load.
- 4. Maximize the scale of sub-brokerage business and improve sub-brokerage service for corporations in order to grow sub-brokerage financing.
- 5. Keep track of business opportunities to manage the wealth of customers with lots of assets and continue to develop new services and products available for these customers in order to differentiate wealth management applying robust and diversified strategies and to continue increase the wealth management AUM.
- 6. Steadily expand foreign currency debt positions while at the same time developing products and distribution channels in order to secure the opportunities to sell fixed-income products and issue corporate bonds.
- Create a complete depository system with the commissioning of foreign exchange securities firms to facilitate the development of the settlement business, to further grasp the fund flows of customers.

(2) Industry overview:

1. Current status and development of the industry:

The overviewing of the securities market in 2020 is detailed in the table below. The trade volume of stocks and stock warrants increased over the previous year. Market-wise, trade volume had increased by 69.26% in TWSE and slightly decreased by 0.04 % in the OTC. Overall, trade volume of equity and debt instruments had increased by 24.41% compared to the previous year.

Securities Market Trade Volume in the Last 3 Years

Unit: NTD billions

Year	2018	2019	2020	Increase/Decrease in 2020
TWSE-listed				
Shares	29,608.87	26,464.63	45,654.29	19,189.66
ETF	1,834.05	2,080.52	2,838.64	758.12
Beneficiary securities	4.22	10.02	11.55	1.53
Stock warrants	712.55	497.09	509.19	12.10
TDR + ETN	2.68	4.39	168.85	164.46
Subtotal	32,162.37	29,056.65	49,182.52	20,125.87
TPEx-listed				
Shares	8,145.51	7,607.48	12,087.07	4,479.59
Stock warrants	211.71	145.44	154.60	9.16
ETF	316.77	854.03	415.35	-438.68
Bond	48,217.50	44,677.10	40,604.20	-4,072.90
Subtotal	56,891.49	53,284.05	53,261.22	-22.83
Total	89,053.86	82,340.70	102,443.74	20,103.04
Excluding bonds	40,836.36	37,663.60	61,839.54	24,175.94

Source: TWSE. TPEx.

Ongoing deregulation of the financial market has given rise to new instruments, whereas new financial technologies provide investors with broader means and products to invest. The competent authority has actively adopted more open policies for continuous trading and new wealth management to help and encourage the financial industry to move toward internationalization and enhance its product innovation capability. The competent authority has also required the financial industry to strengthen corporate governance and risk control, pay more attention to the protection, rights and interests of consumers, and adopt the idea of "innovative and solid" to enhance the structures of financial institutions and improve the competitiveness of the securities industry. The securities industry has used its own advantages in business management or niches in regional development to effectively exercise its capabilities in asset allocation and risk control to create differentiated competitive advantages and transform into an operating model that generates profit.

2. The relationship between the upstream, midstream and downstream in the industry:



3. Development trends and competition of products:

Licensed business activities of a securities firm mainly include: brokerage, underwriting, proprietary trading, bonds, derivatives, and wealth management. Trends and competition of brokerage, underwriting, derivatives and wealth management services are described below:

(1) Brokerage:

Increasing popularity and speed of Internet connection in the digital era have made electronic trading an important emphasis to securities brokerage firms. In addition to multiple types of commodities including spot trades, futures and overseas investments, convenient trading platforms have been launched as a response to the system of continuous trading to provide effective investment strategy APIs for customers. The aim is to satisfy customer demands with more diverse and preferential securities services. Furthermore, social media has been used to enhance interaction with customers and develop new business channels.

(2) Underwriting:

In 2020, we acted as underwriter for the IPOs of Pan German Universal Motors Ltd., and Galaxy Software Services Corporation and completed fund-raising for the SPOs of Team Group (CB1), Promate (CB3), LemTech KY (CB3), Century Iron and Steel (CB4), and capital increase in cash of Soonest Express on the secondary market. Our underwriting team is experienced and has been commissioned to complete domestic and foreign cases of different scales and types.

In 2020, the total number of TWSE/TPEx-listed companies grew to 1,730 from 1,717 in 2019, up 13 from the previous year. The market value of TWSE/TPEx-listed companies increased to NT\$49.23 trillion from NT\$39.85 trillion, up NT\$9.38 trillion from the previous year. In 2020, there were 180 cases of public offering by TWSE/TPEx-listed companies, an increase of 36 cases from 144 cases in 2019.

The stock market is the window of economy. In order to expand the size of the capital market and encourage foreign businesses to become TWSE/TPEx-listed in Taiwan, in particular to motivate outstanding Taiwanese businesses to return and become listed, the government has provided a number of preferential measures to strengthen the foundation for future economic development in Taiwan. The underwriting segment will continue to play its role as the facilitator of direct finance.

(3) Derivatives:

In 2020, total 32,259 batches of warrants were issued, and likely to be a record high. The first ETN of the Company was listed in April 2019. In the future, new products will be developed based on market demands to keep the leading position of the Company in the derivatives market.

(4) Wealth management:

The Company has envisioned Capital Securities becoming the number one wealth management brand among local securities firms, and hopes to develop full service capacity by combining human and digital channels.

The Company will deepen its brand identity and build its professional image in wealth management for high-end customers. The Company has strengthened KYC to gain deeper understanding of customers and provided services for customer differentiation through the analysis and management of big data. The Company has also categorized commodities into different types corresponding to different customer bases under hierarchical management for selection and allocation and planning for commodity suitability. In 2020, the Company has launched products linked to NT dollar funds with a participation rate of 300% and without capital guarantee. The Company will also enhance digital, online, mobile and facilitated financial management services to provide the value-added services of data mining and personalized classification with financial and technological innovations to deepen investment in customers. The goal of the Company is to continuously bring quality wealth management products and services to the market, and establish itself as the all-round broker with wealth management at its center of business.

(3) Technological research and development overview

1. R&D expenses during the most recent 3 years

Year	Amount (\$ 1000)
2018	60,788
2019	60,360
2020	63,505
2021 (estimated)	81,565

2. R&D results during the most recent year, and the direction of future development

New financial product development

With respect to call (put) warrants in 2020, the amount of premium for warrant listing was NT\$46.905 billion, and the number of warrants issued was 4,835, with the amount and number of issue ranked 3rd in the market. The annual amount of structured products issued was NT\$14.103 billion. In 2020, the Company has to launched products linked to NT dollar funds with a participation rate of 300% and without capital guarantee. In the future, with the easing of legal restrictions and demands in the market, the Company will be committed to the R&D of trading strategies and valuation models in order to design more diverse and customized new financial commodities for investors, and to provide an excellent and stable environment of market making for warrants to enhance the quality of market making.

Financial Innovation Trends and Innovative Marketing Technology

Committed to the mission of "public interest", the Company has made contributions to the capital market and put efforts into the development of smart finance. Following the idea of "innovation first, customer first", the Company has worked hard to protect the wealth of every customer and create bigger values. The Company will be incorporating a new concept called Customer Experience Management (CXM) to create a social network marketing platform where sales representatives may engage customers for digital marketing and financial services.

To accommodate the international market, in March 2019, Capital Securities launched a simulation platform in March 2019 that interfaces with TWSE's simulation platform for trade order simulation by Capital customers, so that customers may adapt to deal-by-deal matching early and accumulate experience that would increase their chances of profit while reducing losses. In the meantime, Capital Securities is investing pro-actively into equipment upgrades, service enhancements and hiring of trading program developers to accommodate the new system as well

as provide investors with faster and better investment service and experience. On March 23, 2020, the continuous trading system of TWSE was adopted.

Price information is more transparent under the continuous trading system. However, if general investors do not have effective tools, it is difficult to cope with rapid price changes. Therefore, Capital Securities has strengthened the "Smart Order" and "API and customization services," while providing online learning for how to use smart orders. Other than the basic specific price trading, the users may also "observe A and order B," to gain profit from the positive and inverse correlation among financial products, or even set the long-term brokerage order for one month. This is a feature of automatic matching without monitoring market.

It also launched the "Digital Investment Adviser;" as long as a client becomes a member for the investment advisory services, the client may improve the financial knowledge through online course selection, online class and other online learning modes, so that investors may exploit the learning courses systematically created by professional teams, and fully establish investment ideas.

In order to assist the petite bourgeoisie in the younger generations to participate in the capital market with the inclusive finance, Capital Securities has also prepared an intraday fractional share trading platform in advance. In October 2020, it coped with the new system of the stock exchange to successfully launch it, and reduced the minimum fee for each transaction from NT\$20 to NT\$1. Other than serving the petite bourgeoisie group, new groups are introduced into the capital market. Capital Securities and Soochow University jointly launched the course of capital market practice and operation, integrating financial theory and practice via the industry-academic partnership, and assisting the rookie investors to have the opportunity to learn effectively in the real trading market.

Apart from business development, the Company is also exploring financial technologies for other uses such as customer risk management and compliance. By incorporating scientific methods, the Company is able to reduce manual costs while enhance the efficiency and effectiveness of risk management efforts, and prevent and reduce chances of risk event. Occurrence of information security incidents in the financial industry is increasingly frequent, which is why it is necessary to develop FinTech based on the latest information security standards. In addition to obtaining external certification for ISO27001 - Information Security Management, ISO 22301 - Business Continuity Management, ISO 20000 - IT Service Management, and BS 10012 - Personal Information Management, Capital Securities will continue enhancing information security protection for customers' best interest.

(4) Long-term and short-term business plans:

- 1. Short-term business development plan:
 - (1) Optimize existing smart orders, one-account platform and digital service platform to maintain market share/profitability of the brokerage business.
 - (2) Begin the fixed-term/fixed-amount business related to intra-day odd lot trading to attract young customers.
 - (3) Continue to promote the one-account business, expand the number of accounts and increase deposit balance in order to improve interest income and wealth management business.
 - (4) Expand the scale of sub-brokerage business, improve sub-brokerage services for institutional investor, and develop sub-brokerage financing business.
 - (5) Tap into business opportunities related to wealth management for high-asset customers and develop new services/products for these customers in order to differentiate wealth management business through robust/diversified strategies and increase AUM.
 - (6) Maintain leading position in the warrant market and strengthen the issuance of diversified derivatives (ELN/PGN/OTC option) to boost business and profitability.
 - (7) Strengthen business cooperation with Capital Futures, Capital Investment Trust, CSC Venture Capital, Capital Investment Management and Capital Insurance Agency/Advisory to achieve operation synergy.
 - (8) Closely monitor the pandemic/vaccination and take into consideration research institutes' analyses on trends and fundamentals of individual stocks to select outperforming stocks and improve trading gains.

- (9) Include ESG as part of the Company's investment, various business and corporate governance.
- (10) Create a complete depository system with the commissioning of FX broker to facilitate development in the settlement business.
- 2. Long-term business development plan:
 - (1) Become the best investment bank and wealth management institution in Asia.
 - (2) Able to offer new products and services and become the most innovative/professional financial institution.
 - (3) Actively assess the possibility of establishing overseas subsidiaries based on the economic development in overseas regions.

2. Market and sales overview

(1) Market analysis

TAIEX closed at 14,732 points and the index was up 2,735 points or 22.8% in 2020. At the end of 2020, market capitalization of the centralized market was NTD44.9 trillion, an increase of NTD8.43 trillion from the end of 2019. TPEx Index, on the other hand, closed at 184.1 points, and the annual index was up 35 points or 23.26%.

The performance of the stock market in Taiwan could be divided into three stages in 2020. During stage one, the COVID-19 pandemic broke out in the first quarter and stock markets around the world plummeted. TAIEX fell to 8,523 points at its lowest. During stage two, the Fed cut interest rates and began to contain the pandemic and offer bailouts. Mid-to-long-term capitals entered the market in a crisis and global stock markets rallied against headwinds. The pandemic generated huge demand for technology stocks, which greatly catalyzed Taiwanese tech stocks. During stage three, the US-China trade war became the focus of the US presidential election. The US actively sanctioned the technology sector of China. Taiwan's semiconductor and technology sectors benefited from the order transfer effect. As a result, TAIEX continued to reach new highs after topping 12,682 points.

In 2020, the main features of the economy in Taiwan are as follows:

1. Sequential Growth in Quarterly Exports:

In 2020, Taiwan's annual export orders reached a record high of US\$533.66 billion, an annual growth of 10.1%. Due to remote business opportunities and demand for emerging technologies, the value of orders related to ICT and electronic products reached a new high.

With the COVID-19 pandemic and strict pandemic prevention measures imposed in various countries, order momentum declined in the first quarter of 2020, but business opportunities and emerging-technology applications (such as 5G and high-performance computing) drove sequential quarterly growth in orders. Orders of technology products have grown against headwinds in 2020.

2. Technology Sector in Taiwan Became More Valuable

In 2020, global technology stocks were catalyzed by the pandemic. Taiwanese tech companies experienced sales growth instead of decline. The tech sectors of Taiwan and the US continued to collaborate in OEM, particularly in semiconductors. Morris Chang, founder of TSMC (Taiwan Semi-conductor Manufacturing Co., Ltd.), forecasts that "TSMC may become the battleground for geostrategists", which fully demonstrates the value of Taiwan's tech sector in the global supply chain. Taiwan's tech sectors demonstrated its strength in quick response and flexibility. For example, Trump's sanctions on Huawei have created huge business opportunities in terms of transferred orders for Taiwanese tech companies.

3. Economic Policy Primarily Features "Invest in Taiwan to Keep Growth Going"

After the presidential election in early 2020, the government's economic policies have been reflected in sustainable energy policy and prioritizing investment in Taiwan. The correct economic policies include tapping into important technologies, fostering tech talents, maintaining partnerships with major international companies and enhancing

Taiwan's economic competitiveness. These policies replace regional integration or diversification in the past.

4. Overseas Taiwanese businesses/capital returning to Taiwan

Since investments in China were opened in the 1990s, there have been significant outflows of capital/talents from Taiwan. However, as the pandemic and the US-China trade war in 2020 hindered China's economic developments, China no longer attracts hot money. As such, the willingness of Taiwanese businessmen to invest directly in China has been affected. Taiwanese businessmen that ventured west over the past two decades are returning to Taiwan. Their investments in Taiwan have also grown significantly.

Five features/trends in Taiwan's stock market:

- 1. TAIEX experienced fierce volatility in 2020. The gap between the highest and the lowest was 6,236.43 points. Catalyzed by liquidity-driven rally and favorable economic condition, and backed by government policies, the total market cap of TWSE-listed and TPEx-listed companies reached a record high of NTD49.24 trillion in late 2020.
- 2. TSMC's share price hit a new high of NTD530 in late 2020, rising by 64% YoY. At the end of 2020, TSMC had a 30.8% weighting in TAIEX, which is a significant increase from 23.6% in late 2019 and 20.0% in late 2018. TSMC's share price directly impacts the performance of TAIEX. In particular, TSMC's foreign shareholding has not increased, showing higher willingness of domestic investment in Taiwan's stock market.
- 3. As of late 2020, FINI reduced exposure to Taiwanese equities by NTD539.5 billion, while SIT net-bought NTD42.655 billion. FINI net-sold due to systemic risk triggered by the pandemic. FINI significantly reduced exposure to technology stocks, financial stocks and petrochemical stocks in the first quarter, and bought back mostly large-cap tech stocks afterwards. This caused the phenomenon of FINI's net-selling with rallies in tech stocks and TAIEX.
- 4. The margin debt, which represents retail investor's investment willingness, was NTD187.3 billion in late 2020, increasing by NTD41.9 billion from NTD145.4 billion in late 2019 and reflecting the gradual return of investors to Taiwan's stock market. However, as the pandemic triggered worldwide stock market crash in March, the margin debt of Taiwan's stock market was only NTD90 billion on 03/26/2020. After suffering heavy losses, investors became relatively conservative towards the stock market's rebound in the second quarter.
- 5. The dominant position of electronics stocks: technology sector is one of Taiwan's competitive advantages, making tech stocks a dominant feature in Taiwan stock market. The market cap of tech stocks accounted for ~63.4% of TAIEX, of which semiconductors accounted for 40.5%. The total market cap of listed financial stocks in Taiwan was only 1/3 of the market cap of TSMC.

Key changes in the Taiwan stock in 2021 include:

1. Export Momentum May Remain Strong

The demand for emerging-technology applications continues to increase, such as remote business opportunities, mobile phones, 5G communications and high-performance computing, hence a promising future for exports of ICT and electronic products. The first quarter is typically the low season in electronics industry, and variables such as the pandemic and the US-China trade war may cap order growth momentum. Nevertheless, most tech companies remain positive about their outlooks in 2021 due to the following: (a) long-term growth in demand for 5G, high-performance computing and automotive electronics; (b) global raw material prices have gradually rebounded; (c) the global economy may stabilize after vaccination becomes commonplace. Export orders may maintain growth momentum in 2021.

2. Persistent High Growths of Technology Sector

Taiwanese technology companies have continued to occupy the top three positions in the world in various fields. TSMC and MediaTek have grown steadily. Hon Hai, Quanta, Asus, Yageo, etc. are also world-class technology companies. As their corporate governance becomes increasingly mature, the internationalization of these enterprises' share prices has driven their market caps to rise further. In January 2021, TSMC announced that its capital expenditure throughout the year will reach US\$25 to 28 billion.

Not only the semiconductor giant INTEL needs TSMC's OEM capacity to compete with AMD but the Taiwanese chip maker's advanced processes are too competitive that put it in an excellent position to grasp the business opportunities with ARM-structured CPUs, 5G, and automobile applications for the coming years.

3. Biden administration demonstrates the governing features of The Democracy

In January 2021, Biden launched a bailout program, pandemic containment and vaccination policies right after taking office as the US President. The president from the Democratic Party and the US Congress dominated led by Democrats are expected to launch a larger-scale fiscal stimulus plan and infrastructure spending bills. The "blue wave" is mainly reflected in two aspects. One is new infrastructure, such as clean energies, the Internet, advanced communications, electric buses, charging piles, among other things. Biden announced that the US may return to the Paris Agreement to promote alternative energy sources. The other aspect is printing money profusely and expanding the deficit. The Democratic Party stresses using increasing fiscal deficit and taxes on the wealthy and companies to solve the government's fiscal problems. Therefore, the Federal Reserve may continue to maintain its accommodative policies.

4. Changes in US-China Relations

Biden administration's conflict with China may ease, but the bilateral relations may not improve significantly in the short term. Both the U.S. and China believe that they are competitors rather than partners. In terms of economy, trade and technology, Biden insists on consolidating the core competitiveness of the US technology industry and urging China to make structural reforms. During Biden's office, the two countries may partly cooperate on issues such as environmental protection, climate change, and pandemic containment.

However, on national security and human rights protection, the two countries have totally opposite positions. China's policies on Xinjiang and Hong Kong and other policies considered detrimental to human rights provide the grounds for continued sanctions imposed by the U.S.

5. Performance of US stocks

The U.S. equity market continued to hit new highs in January 2021. There were two main reasons for this. One is that the market generally expects that the pandemic may be effectively controlled from the second half of 2021 due to the penetration of vaccines. The equity market reflects in advance the market expectation of a strong recovery of the US economy. The other reason is that the continued inflow of investment funds into the financial market and ongoing easing policies mean that rise of inflation may be limited. In 2021, tax increase may be a main uncertainty facing U.S. stock market. The government may discuss wealth tax in the first stage. As for increasing corporate income tax, since the impact may be too severe, the U.S. government has reiterated time and again that it will only consider this policy measure when the economy has fully recovered. Furthermore, in the past decade, the monopoly power of US tech giants has trumped the government and may trigger a spinoff of the businesses making up US FAANG stocks in the midst of the antitrust wave.

6. Trend of New Taiwan dollar

With the growth of Taiwan's exports and the return of capital to Taiwan, NTD continued to appreciate in 2020. In January 2021, new U.S. Treasury Secretary Yellen made a high-profile announcement that the US does not seek weaker dollar. The market interpreted it as while the currency will return to market mechanism, the US govnerment may not allow the dollar to fall without some sort of intervention. After that, Yellen remarked that the US may get tough on "exchange rate manipulators" posing challenges to major export-oriented countries in Asia.

The sharp appreciation of NTD against USD is detrimental to exporters' FX gains. The technology industry may also suffer enormous FX losses. The export industries with a lower margin may sustain severe pressure of FX losses. On the other hand, the sharp depreciation of NTD may trigger capital outflows, and foreign institutional investors' increased selling may also cause volatility in the financial market. Each round of TAIEX rally is closely correlated to NTD appreciation, reflecting the effect of international hot money and market expectations.

7. Changes of financial market assessments

The ultra-low interest rates around the world result in excessive investment funds. Although global capital, foreign exchange, gold and real estate markets have all benefited from the trend of excessive capital, the equity market shows the greatest growth potential. This trend of excessive capital has caused share valuation methods such as price-to-earnings ratio and price-to-book ratio to become ineffective.

The world's largest cryptocurrency, Bitcoin, soared in 2020 with polarizing comments: Many investors view Bitcoin positively, agreeing that Bitcoin equals to digital gold as central banks around the world maintain ultra-low interest rates. However, more investors actually hold opposite views. For instance, Warren Buffett believes that just like shells, Bitcoin is only useful for trading/transactions but has no actual value.

Bitcoin has risen by up to 800% at its highest level from its low when the pandemic broke out in March 2020. According to various professional investigations, Bitcoin has been repeatedly considered to be in an extreme state of bubble. In addition, US technology stocks are also considered market bubbles with electric vehicle manufacturer Tesla as a leading benchmark. If financial bubbles burst, it will cause systemic risks that various investment valuation models may not predict and curb.

1. Scope of products and services & sales regions

The Company's scope of services include stock brokerage, online trading services, proprietary trading, securities underwriting, share registrar agency, bonds, margin trading, and warrants. The Company has service locations throughout Taiwan; its target customers include local and foreign institutional investors and retail investors.

2. Market share

Market share of the primary business in 2020:

Donking	Brokerag	e volume	Margin trading balance (2020)	
Ranking	Securities firm	Market share	Securities firm	Market share
1	Yuanta	13.06%	Yuanta	15.27%
2	KGI	8.96%	KGI	7.53%
3	Fubon	5.64%	Sinopac	6.59%
4	Sinopac	4.73%	Capital	5.81%
5	Merrill Lynch	4.33%	Fubon	5.80%
6	Capital	4.04%	Mega	5.30%
7	Masterlink	3.70%	Masterlink	5.01%
8	JihSun	3.61%	JihSun	4.95%
9	JPMorgan Chase	3.55%	IBF	4.95%
10	Mega	3.33%	President	4.79%

Source: TWSE, TPEx and financial figures from the final accounts of securities firms

3. Market supply and demand in the future

(1) Demand

The outlook for Taiwan's equity market in 2021 is optimistic. Investors' willingness to invest has increased. Short-term trading, band trading, or holding for mid- to long term have all caused the trading volume at TAIEX to set record highs. In 2020, the implementation of the continuous trading system enabled TAIEX to keep in step with major international markets. The equity market is volatile and the demands for trading and investment services continue to increase.

(2) Supply

At the emergence of e-finance, the Company has turned our digital capabilities including e-marketing and social websites into our core competitiveness. We are committing to utilizing new technologies and innovative business models to provide comprehensive investment and financial services to our customers.

4. Our advantages & disadvantages for the future

Advantages:

- (1) Balanced development of brokerage, corporate financing, new financial products and financing services.
- (2) Utilization of strategies on e-finance and financial specialists to minimize our dependence on securities brokerage services.
- (3) Comprehensive and high-quality research services and investment recommendations.

Disadvantages:

- (1) Heavy pressure for the training of professional talents in securities investment and the related human resources.
- (2) Fierce competition over the prices of brokerage services.
- (3) Expanded degree of market fluctuations and reduced profitability of investment have inhibited the willingness to make investment.

Strategies in response:

All departments will develop on a balanced and stable basis. Additionally, the Company will use financial technologies and artificial intelligence (AI) to help develop new business opportunities in the future. The Company will also integrate the resources in the securities service systems and implement the plans and management policies and objectives for growth, with the expectation to enhance profitability.

The Company will continue to diversify and globalize its operations/businesses, and shall actively collaborate with foreign institutional investors or other large-size financial institutions. Meanwhile, the Company will search for merger and acquisition opportunities as a means to grow and improve competitiveness and profitability.

- (2) Important uses and manufacturing processes of the main products: None.
- (3) Status of supply of the main raw materials: None.
- (4) List of customers for sales and purchases during the most recent two years: None.
- (5) Production value of the most recent two years: None.
- (6) Sales value of the most recent two years: None.

3. Employee information

Employee information in the last 2 years up till the publication date of this annual report

March 31, 2021

	Year	2019	2020	As of March 31, 2021 (Note)
E	mployee count	1,839	1,930	1,931
Average age		45.05	44.83	44.98
Average years of service		12.83	12.62	12.84
	Doctoral Degree	0.11%	0.05%	0.05%
	Masters Degree	10.17%	11.20%	11.03%
Academic Qualification	Bachelor Degree	70.47%	71.19%	71.47%
Qualification	Senior high school	19.20%	17.51%	17.35%
	Below senior high school	0.05%	0.05%	0.10%

Note: Provide information up until the publication date of this annual report.

4. Contribution to environmental protection:

The Company is a securities service provider and is not prone to pollution risk.

5. Labor-management relations:

(1) Availability and execution of employee welfare, education, training and retirement policies, agreement between employer and employees, and protection of employees' rights:

Employee welfare:

In 1990, the Company registered the establishment of Employee Welfare Committee with the authority in order to provide benefits such as wedding/funeral subsidies, club activity subsidies, and group trips. Overall, the Employee Welfare Committee operates with adequate budget and has been able to carry out its plans.

Employee education and training:

In an attempt to build a strong talent base and improve management performance, the Company has been organizing a broad variety of training including: orientation, specialization training, management reserve training, management growth training, and seminars hosted by renowned experts and scholars on the topic of finance. Capital Financial College was founded in 2007 for training the Company's top management talents.

Employee training expenses amounted to NT\$6,841,000 in 2020. A total of 3,591 enrollments were registered with external training courses, which represented 186% of total employees. The Company held 59 internal training courses during the year, and trained its sales force intensively using nation-wide video conferencing and broadcast to help them develop professional qualities and skills. Many e-learning courses have also been designed to enhance outcome of the learning process. By utilizing digital means, employees are able to learn and grow anytime, anywhere.

Pension system:

The Company established its Employee Pension Fund Supervisory Committee in November 1994; the committee's responsibilities are to implement pension guidelines for the security of employees' lifestyle after retirement, and thereby maintain a sustainable and harmonic relationship between employees and the employer. Since the enactment of Labor Standards Act in April 1998, the Company has been making pension fund contributions into a dedicated account held with Bank of Taiwan under the committee's name. All employees who meet the criteria specified in the pension policy are eligible to participate. Following the enactment of Labor Pension Act in July 2005, employees are given the choice to opt for the new pension system or stay with the old plan. For those who opted for the new system, the Company has been contributing an amount equal to 6% of employees' monthly salaries into their personal pension fund accounts.

Employee insurance:

Apart from mandatory insurance coverage such as Labor Insurance and National Health Insurance, the Company also provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. Employees are invited to include their family members into group insurance at discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members.

The Company has been maintaining harmonic interactions with its employees. Apart from complying with labor regulations, the Company strives to resolve labor-management affairs to the benefit of both parties.

Protection of employees' rights: In addition to protecting employees' legal rights, any affair that concerns employees' interests is openly announced on the intranet, while matters that pertain to the interests of individual employees are advised through active means.

(2) Losses arising as a result of employment disputes in the last year up till the publication date of this annual report. Please quantify the estimated losses and state any response actions, and state the reasons if losses can not be reasonably estimated:

The labor relations in the Company are harmonious. There wasn't any violation of the Labor Standards Act in 2020.

6. Major contracts: None.

7. The Company's workplace environment and employee safety measures:

The Company values employees' safety and health, and is committed to providing a good working environment. Below are some of the protection and welfare measures offered in this regard:

Implemented measures	Item	Description
Employees Health	Insurance and welfare	 Measures mandated by law Labor and health insurance. The "Regulations on Complaints and Punishments for Measures to Prevent Sexual Harassment at Workplace" has been established. "Employee lactation rooms" have been set up. Regular health examinations have been organized for employees. Doctors have been engaged to provide regular consultation services, including health education, health promotion and health guidance for employees, at the Company's Head Office. Measures provided above legal requirements The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. Employees are invited to include their family members into group insurance at discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members. Free massage services have been provided to the employees of the Head Office. Holding a special lecture on "My Plate Manual" to promote the concept of healthy diet to colleagues. The "Regulations for Management of the Establishment of Recreational and Charitable Clubs and Their Funding" has been established to encourage the employees to get into the habit of participating in sports and charitable activities.
	Environmental and health	 The Company has established the "Measures for Prevention of Smoking Hazards". The Company acquired "Badge of Accredited Healthy Workplace" from Health Promotion Administration, Ministry of Health and Welfare

Implemented measures	Item	Description
	Safety certification	The Company has received the ISO22301 certification for business continuity management. The primary purpose of the certification is to ensure that the Company will be able to minimize damage in any sudden event of emergency to maintain personnel safety, compliance, customers' rights and interests, the Company's goodwill and security of the Company's assets, and to make sure the important business activities of the Group can gradually resume within the target recovery time to maintain operations.
	Certification for personal information	The Company is the first financial institution to obtain international certification for personal information management with respect to securities, futures, and insurance brokerage/agency services. It shows that the Personal Information Management System (PIMS) adopted by the Company offers effective protection and management of personal information, and complies with all requirements of the Personal Data Protection Act to protect the rights of information owners, while at the same time minimize possible impacts from event of attack. It represents the Company's commitment to continually manage and improve its personal information management system.
Safety of work environment	Workers' safety	The Company has complied with the "Occupational Safety and Health Act" by appointing an OSH Officer, a team of first aid officers, and organizing training according to the Occupational Safety and Health Education and Training Rules. The Company has established and implemented an "Ergonomic Hazard Prevention Program" to prevent musculoskeletal injuries or illnesses caused by work activities. In addition, it has formulated and promoted the "Abnormal Workload Induced Disease Prevention Plan" to plan and take the necessary safety and health measures for the prevention of diseases caused by abnormal workloads such as shifts, night work, and long working hours.
	Fire safety	 Fire drills have been held on a regular basis. In accordance with the Fire Services Act and its Enforcement Rules, a fire safety manager has been appointed. The manager has regularly attended seminars and recurrent training sessions.
	Safety assurance	All of the Company's business premises and branches are covered by the following insurance 1. Commercial fire insurance; 2. Electronic equipment insurance; 3. Public accident liability insurance.

8. Employees' behaviors and moral principles:

The Company requires all employees to sign a commitment to "Capital Financial Group Employee Behavior Policy" and integrity principles when carrying out business activities. Below are the key points of this policy:

- 1. We provide high value-added products and services and build and maintain long-term relationships with the customers to help them achieve their objectives.
- 2. Our interaction and transactions with the customers are in accordance with the highest ethical and safety standards. Our retention of the customers' data is subject to strict restrictions to ensure the use of such data is in compliance with the law. We provide rigorous protection for customers' information, and make sure that information is used only to the extent permitted by law. All customers explored during our employment are owned by the Company, and shall not be referred to another Company during or after employment.
- 3. We will never allow conflicts between personal interests and the interests of the Company or customers, or any likelihood of such conflicts.
- 4. We may not disclose any information or data which we have become aware of in the course of duties to others, or hold securities or engage in transactions of securities in the name of any individual or on behalf of others.
- 5. During our service at the Company or after we have left our jobs, we will: (1) never disclose business secrets (including but not limited to technologies, program systems, customer data, trading strategies, operating information, personnel or organizational information, information in financial and accounting books, strategic plans and other information) which we are in charge of or aware of to be used by ourselves or others, and never illegally use any information yet to be made public (also referred to as "insider information"); (2) attempt to gain unlawful benefits for ourselves or others by taking advantage of our business.
- 6. We integrate risk management and the laws and regulations into the business process control system and are in strict compliance with it.
- 7. We submit reports regarding the status and facts of business on a timely and accurate basis, and we do our best to ensure maximum benefits for the Company.
- 8. We understand that we are handling and using the shareholders' assets, and that we shall treat the property of the Company as our own property and carefully handle and use it.
- 9. We will not misuse the Company's network and e-mails for non-business purposes, such as viewing, disseminating and saving erotic literature and images and other defaming articles. Neither shall the Company's network system be used for political discussions or propaganda, personal entertainment or any non-business related purpose.
- 10. We will strictly comply with the applicable laws and regulations by not using e-mails, electronic bulletin boards or the Internet system (including but not limited to personal blogs or web forums) to engage in activities of improper business marketing, improper competition not involving service fees, determination or suggestions for the future transaction prices of individual contracts, or provision of suggestions for trading strategies.
- 11. We shall maintain the accuracy and integrity of the information, reports, records and data owned, used and managed by the Capital Group, and we may not engage in any improper removal or transmission of them.
 - To comply with the "Personal Data Protection Act", we shall refrain from inquiring internal information and data that we do not have access to. All documents of the Company are to be used solely for internal management, and cannot be reproduced or used outside the scope mentioned above. We shall be solely responsible for any civil and criminal liabilities that arise as a result of our violation.
- 12. We will not unilaterally make any external statements. Only the spokespersons appointed by the Company may give comments to the media on behalf of the Company.
- 13. We will never permit or allow our relatives to accept gifts, services, loans or special treatment from any persons (including customers, suppliers or other persons) for the purpose of exchanging for current or future relationship with the Company.
- 14. When we become aware of actions that are in violation of legal requirements or the Company's work rules, we will promptly report such alleged violations to the appropriate personnel including the direct supervisors, human resources units or auditing units.

VI. Financial Summary

1. Summary balance sheet and income statement for the last 5 years

(1) Summary balance sheet (consolidated and standalone)

Unit: NTD thousands

	Year		Financial information for the latest 5 years (Note 1)											
				Consolidated					Standalone					
Item		2020	2019	2018	2017	2016	2020	2019	2018	2017	2016			
Current a	ssets	146,258,737	116,002,501	101,969,620	128,220,873	94,506,013	98,672,749	73,984,497	61,469,761	93,599,832	65,616,894			
Property, equipmer	plant and nt	3,111,323	3,025,605	5,340,960	4,966,752	5,129,823	2,417,207	2,339,571	4,577,214	4,231,972	4,389,956			
Intangible	assets	3,619,563	3,609,740	3,621,070	3,628,174	3,612,248	3,538,857	3,527,506	3,543,038	3,544,235	3,532,620			
Other ass	sets	10,073,011	10,532,567	6,458,257	4,670,519	4,796,129	16,308,559	15,567,056	11,838,403	9,767,364	9,467,444			
Total assets		163,062,634	133,170,413	117,389,907	141,486,318	108,044,213	120,937,372	95,418,630	81,428,416	111,143,403	83,006,914			
Current	Before dividend	121,864,300	94,684,661	80,738,838	106,463,149	75,399,960	82,594,785	59,239,075	47,025,844	78,368,174	51,991,187			
liabilities	After dividend	(Note 2)	96,421,387	81,667,201	106,896,964	76,202,518	(Note 2)	60,975,801	47,954,207	78,801,989	52,793,745			
Non-curre	ent liabilities	2,523,604	2,269,623	1,446,333	1,545,169	1,799,975	2,456,518	2,186,915	1,430,580	1,353,599	1,495,179			
Total	Before dividend	124,387,904	96,954,284	82,185,171	108,008,318	77,199,935	85,051,303	61,425,990	48,456,424	79,721,773	53,486,366			
liabilities	After dividend	(Note 2)	98,691,010	83,113,534	108,442,133	78,002,493	(Note 2)	63,162,716	49,384,787	80,155,588	54,288,924			
Equity att parent co sharehold		35,886,069	33,992,640	32,971,992	31,421,630	29,520,548	-	-	-	-	-			
Share cap	oital	21,709,081	23,209,081	23,209,081	21,690,730	22,690,730	21,709,081	23,209,081	23,209,081	21,690,730	22,690,730			
Capital re	serves	2,743,430	2,852,299	2,852,299	2,852,299	2,750,972	2,743,430	2,852,299	2,852,299	2,852,299	2,750,972			
Retained	Before dividend	9,639,333	7,927,126	6,209,696	6,790,451	4,763,521	9,639,333	7,927,126	6,209,696	6,790,451	4,763,521			
earnings	After dividend	(Note 2)	6,190,400	5,281,333	4,838,285	3,960,963	(Note 2)	6,190,400	5,281,333	4,838,285	3,960,963			
Other equ	uity items	1,794,225	1,578,134	700,916	88,150	150,373	1,794,225	1,578,134	700,916	88,150	150,373			
Treasury stocks		-	(1,574,000)	-	-	(835,048)	-	(1,574,000)	-	-	(835,048)			
Non-cont	rolling interests	2,788,661	2,223,489	2,232,744	2,056,370	1,323,730	-	-	-	-	-			
Total	Before dividend	38,674,730	36,216,129	35,204,736	33,478,000	30,844,278	35,886,069	33,992,640	32,971,992	31,421,630	29,520,548			
equity	After dividend	(Note 2)	34,479,403	34,276,373	33,044,185	30,041,720	(Note 2)	32,255,914	32,043,629	30,987,815	28,717,990			

Note 1: all financial information in the last 5 years has been audited.

Note 2: appropriation of 2020 earnings had yet to be resolved in a shareholder meeting.

(2) Summary income statement (consolidated and standalone)

Unit: NTD thousands

Year	Financial information for the last 5 years (Note)													
			Consolidated			Standalone								
Item	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016				
Operating revenues	9,724,095	7,796,951	7,638,645	9,244,897	6,437,645	7,367,734	5,885,962	4,922,660	6,621,232	4,241,538				
Gross profit	8,126,530	6,227,871	5,695,441	7,237,386	5,091,449	6,709,143	5,094,599	4,003,138	5,807,603	3,829,131				
Operating profit	3,252,195	1,993,246	1,173,168	2,751,541	1,110,568	2,846,280	1,780,192	619,169	2,264,634	702,923				
Non-operating revenues and expenses	1,130,505	1,234,851	1,153,362	752,096	561,665	1,103,108	1,038,556	1,219,276	818,720	665,171				
Pre-tax profit	4,382,700	3,228,097	2,326,530	3,503,637	1,672,233	3,949,388	2,818,748	1,838,445	3,083,354	1,368,094				
Net income from continuing operations	3,840,679	2,829,234	1,777,510	3,215,395	1,406,497	3,569,529	2,566,823	1,408,865	2,893,600	1,196,756				
Loss from discontinued operations	0	0	0	0	0	0	0	0	0	0				
Net income	3,840,679	2,829,234	1,777,510	3,215,395	1,406,497	3,569,529	2,566,823	1,408,865	2,893,600	1,196,756				
Other comprehensive income/loss for the current period (net, aftertax)	75,975	947,213	(442,188)	(139,233)	4,196	95,495	956,188	(451,114)	(65,893)	2,765				
Total comprehensive income (loss) in current period	3,916,654	3,776,447	1,335,322	3,076,162	1,410,693	3,665,024	3,523,011	957,751	2,827,707	1,199,521				
Net income attributable to parent company shareholders	3,569,529	2,566,823	1,408,865	2,893,600	1,196,756	-	-	-	-	-				
Net income attributable to non-controlling shareholders	271,150	262,411	368,645	321,795	209,741	-	-	-	-	-				
Comprehensive income attributable to parent company shareholders	3,665,024	3,523,011	957,751	2,827,707	1,199,521	-	-	-	-	-				
Comprehensive income attributable to non-controlling shareholders	251,630	253,436	377,571	248,455	211,172	-	-	-	-	-				
Earnings per share (\$)	1.64	1.11	0.61	1.25	0.49	1.64	1.11	0.61	1.25	0.49				

Note: all financial information for the last 5 years has been audited.

(3) Names of financial statement auditors in the last 5 years and audit opinions

Year	Name of CPAs	Audit opinion
2016	Feng Hui Li, Tan Tan Chung	Unqualified opinion
2017	Feng Hui Li, Tan Tan Chung	Unqualified opinion
2018	Feng Hui Li, Tan Tan Chung	Unqualified opinion
2019	Feng Hui Li, Tan Tan Chung	Unqualified opinion
2020	Feng Hui Li, Tan Tan Chung	Unqualified opinion

2. Financial analysis for the previous years

(1) Financial analysis (consolidated and standalone)

(1)	Financial analysis (consolidated and standalone)													
		Year				Financial a	nalysis for th	ne latest 5 yea	ars (Note 1)					
Ì					Consolidated			Standalone						
Analysis			2020	2019	2018	2017	2016	2020	2019	2018	2017	2016		
Financial	Debt to asse	ets ratio	76.28	72.80	70.01	76.34	71.45	70.33	64.38	59.51	71.73	64.44		
structure (%)	Long-term ca property, pla equipment		1,324.14	1,272.00	686.23	705.15	636.36	1,586.24	1,546.42	751.61	774.47	706.52		
Solvency	Current ratio		120.02	122.51	126.30	120.44	125.34	119.47	124.89	130.71	119.44	126.21		
(%)	Quick ratio		119.99	122.48	126.25	120.40	125.27	119.43	124.85	130.68	119.41	126.16		
	Return on assets (%)		2.59	2.26	1.37	2.58	1.40	3.30	2.90	1.46	2.98	1.51		
	Return on equity (%)		10.26	7.92	5.18	10.00	4.51	10.22	7.67	4.38	9.50	4.00		
Profitability	As a percentage of paid up capital (%)	Operating profit	14.98	8.59	5.05	12.69	4.89	13.11	7.67	2.67	10.44	3.10		
		Pre-tax profit	20.19	13.91	10.02	16.15	7.37	18.19	12.15	7.92	14.22	6.03		
	Net profit margin (%)		39.50	36.29	23.27	34.78	21.85	48.45	43.61	28.62	43.70	28.22		
	Earnings per (NT\$)	r share	1.64	1.11	0.61	1.25	0.49	1.64	1.11	0.61	1.25	0.49		
	Cash flow ra	itio	2.20	1.04	12.93		0.76	3.18	0.45	20.44	-	-		
Cash flow (%)	Cash flow ac ratio	dequacy	184.51	233.88	228.37	111.99	134.18	132.40	198.78	190.52	91.81	118.20		
	Cash flow re ratio	investment	1.84	-	25.97	-	-	2.28	-	26.02	-	-		
	Total liabilitie worth	es to net	321.63	267.71	233.45	322.62	250.29	237.00	180.70	146.96	253.72	181.18		
Special	Fixed assets assets	to total	2.57	3.00	5.50	4.25	5.66	2.66	3.21	6.70	4.57	6.26		
Purpose Ratio	Underwritter to quick asse		1.00	0.76	1.43	1.19	0.59	1.52	1.09	2.10	1.71	0.83		
(%)	Margin tradir to net worth		38.83	33.60	28.40	44.47	38.66	40.52	35.12	29.60	45.81	39.17		
	Short-sell ba net worth rat		14.62	14.21	13.98	14.12	11.90	15.75	15.14	14.92	15.04	12.43		

(2) Variations exceeding 20% in the last 2 years:

1. The increase of return on total assets, return on equity, operating income to paid-in capital ratio, pre-tax income to paid-in capital ratio, and earnings per share was mainly due to the increase in brokerage fee revenue, resulting in increase of operating income, pre-tax income and net income.

2. Cash flow analysis:

- Substantial increase in net income, caused increased cash inflow from operating activities.
 As a result, cash flow adequacy ratio and cash reinvestment ratio increased compared to the previous year.
- 2) Increase in capital expenditure this period has caused the cash flow adequacy ratio to decrease compared to the previous year.
- 3. The increase of debt to net worth ratio was mainly due to increase of commercial paper payables, bonds sold under repurchase agreements, customer equity of separate account ledger in settlement account, and account payables.
- 4. The increase of underwriting securities to quick assets ratio was due to the increase of underwriting securities.

Note 1: All financial statement figures were audited.

Note 2: Below are the formulas used in various financial analyses:

- 1. Financial structure
 - (1) Debt to asset ratio = total liabilities/ total assets.
- (2) Long-term capital to property, plants and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
- 2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Liquid ratio = (current assets inventory prepayments) / current liabilities.
 - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
- 3. Profitability

 - (1) Return on assets = net income / average asset balance.
 (2) Return on equity = net income / average shareholders' equity.
 (3) Operating profit to paid-up capital ratio = operating profit / paid-up capital.
 - (4) Pre-tax profit to paid-up capital ratio = pre-tax profit / paid-up capital.
 - (5) Net profit margin = net income / net sales.
 - (6) Earnings per share = (net income attributable to parent company shareholders preferred share dividends) / weighted average outstanding shares.
- 4. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).
- 5. Special purpose ratios:
 - (1) Debt to equity ratio = total liabilities/ shareholders' equity.

 - (2) Fixed assets to total assets ratio = net fixed assets / total assets.
 (3) Underwritten securities to quick asset ratio = total amount of underwritten securities / (current assets current liabilities).
 - (4) Margin trading balance to net worth ratio = total margin trading balance / shareholders' equity (5) Short-sell balance to net worth ratio = total short-sell balance / shareholders' equity
- 3. Audit Committee's review of the latest financial reports: See page 94
- 4. Consolidated financial statements for the most recent years: See page 95
- 5. Standalone financial statements for the most recent years: See page 206
- 6. Financial insolvency incidents encountered by the Company and affiliates for the most recent years, up till the publication date of this annual report: None.

Capital Securities Corporation Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements (including Consolidated Financial Statements) and Earnings Distribution Proposal. The Financial Statements have been audited by KPMG, which has been issued an unqualified opinion.

The aforementioned Business Report, Financial Statements (including Consolidated Financial Statements), and Earnings Distribution Proposal have been reviewed and determined to be fairly presented as stated by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Submitted by

2021 General Shareholders' Meeting of Capital Securities Corporation

Capital Securities Corporation
Convener of the Audit Committee
Shea, Jia-Dong

March 25, 2021

Representation Letter

The entities that are required to be included in the combined financial statements of Capital Securities Corporation as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included the consolidated financial in statements. Consequently, Capital Securities Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Capital Securities Corporation

Chairman: Jiunn-Chih Wang

Date: March 25, 2021



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台北市11049信義路5段7號68樓(台北101大樓) 68F., TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

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 December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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 December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") 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 Attestation 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 of 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 year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:



1. Valuation of financial instruments

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

Risk and descriptions of the key audit matter:

The Group's valuation of financial instruments is one of audit processes refer to important judgements. Financial products on balance sheets mainly belong to first or secondary level in fair value hierarchy, and can being 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.

2. Goodwill impairment

Please refer to Note 4(q) for the related accounting policy regarding the impairment of non-financial assets, Note 5 for accounting assumptions and estimation uncertainty of the goodwill impairment, Note 6(i)(i). for details about measurement of goodwill impairment.

Risk and descriptions of the key audit matter:

Assessment of the Group's goodwill impairment is one of our significant audit processes, because it mainly depends on the prediction of future operation and there is a high uncertainty on assessing recoverable amounts by discounted future cash flows. Therefore, the measurement of goodwill impairment is one of our key audit matters.

Procedures performed:

Our key audit procedures included evaluating tests of goodwill impairment implemented by management and related procedures of control, certifying the assumptions of management by related available external information, making professional evaluation on main parameters of predictable growth rate, discount rate, etc. adopted by management, and assessing the appropriateness of prediction by management, involve of analysing sensitivity on the assumptions related to evaluating impairment.

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 0.82% and 0.98% of consolidated total assets as of December 31, 2020 and 2019, respectively, and the recognized share of profits under using equity method constituted 3.48% and 4.12% of consolidated net income before income tax for the years ended December 31, 2020 and 2019, respectively.



The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, 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 with the IFRSs, IASs, IFRC, SIC 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) March 25, 2021

Notes to Readers

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

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.

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

			December 31, 2020		December 31, 201	9
	Assets		Amount	%	Amount	%
110000	Current assets:					
111100	Cash and cash equivalents (note 6(a))	\$	8,497,082	5	8,323,636	6
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)		35,198,904	22	31,003,268	24
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))		18,663,479	11	15,982,702	12
114030	Receivable for securities provided as collateral		15,000,045	9	12,166,194	9
114040	Refinancing margin		97,714	-	91,153	-
114050	Refinancing collateral receivable		85,261	-	137,339	-
114060	Receivable of securities business money lending		2,310,230	1	1,996,204	2
114070	Customers'margin account (note 6(d))		38,349,832	24	34,803,719	26
114080	Receivable - futures margin		-	-	2	-
114090	Collateral for securities borrowed		796,262	1	344,523	-
114100	Security borrowing margin		760,815	1	315,958	-
114110	Notes receivable		22,779	-	22,401	-
114130	Accounts receivable (note 6(c))		11,039,256	7	6,488,246	5
114150	Prepayments		37,313	-	33,609	-
114170	Other receivables		145,404	-	178,684	-
114300	Leverage contract trading - customers' margin account		352,962	-	308,543	-
114600	Current income tax assets		23,599	-	27,957	-
119095	Amounts held for each customer in the account (note $6(n)$)		13,063,932	8	3,025,153	2
119990	Other current assets-others		1,813,868	1	753,210	1
			146,258,737	90	116,002,501	87
120000	Non-current assets:					
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)		180,929	-	180,467	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))		2,287,085	1	2,464,932	2
124100	Investments accounted for under equity method (note 6(e))		1,481,286	1	1,471,573	1
125000	Property and equipment (notes 6(f) and 8)		3,111,323	2	3,025,605	2
125800	Right-of-use assets (notes 6(g))		850,210	1	955,250	1
126000	Investment property (notes 6(h) and 8)		3,611,107	2	3,796,990	3
127000	Intangible assets (note 6(i))		3,619,563	2	3,609,740	3
128000	Deferred income tax assets (note 6(r))		78,124	-	107,846	-
129000	Other non-current assets		1,584,270	1	1,555,509	1
			16,803,897	10	17,167,912	13
	Total assets	<u> </u>	163,062,634	100	133,170,413	100

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

			December 31, 2020)	December 31, 201	9
	Liabilities and Equity		Amount	%	Amount	%
210000	Current liabilities:					
211100	Short-term borrowings (note 6(j))	\$	3,671,111	2	6,631,002	5
211200	Commercial paper payable (note 6(k))		2,299,692	1	-	-
212000	Financial liabilities at fair value through profit or loss - current (note 6(l))		3,630,866	2	1,459,094	1
214010	Bonds sold under repurchase agreements (note 6(m))		35,265,582	22	31,847,531	24
214040	Guarantee deposited for short sales		2,631,763	2	2,390,464	2
214050	Proceeds payable from short sales		3,021,249	2	2,755,405	2
214070	Securities lending refundable deposits		1,033,425	1	336,713	-
214080	Futures traders'equity (note 6(d))		38,316,621	23	34,747,531	26
214090	Equity for each customer in the account (note 6(n))		13,063,932	8	3,025,153	2
214100	Leverage contract trading - customers' equity		352,056	-	308,590	-
214110	Notes payable		152	-	-	-
214130	Accounts payable (note 6(o))		10,746,724	7	6,236,058	5
214150	Advance receipts		35,477	-	60,867	-
214160	Receipts under custody		1,636,517	1	114,442	-
214170	Other payables		1,100,126	1	662,217	1
214200	Other financial liabilities - current (note 6(w))		4,235,829	3	3,579,951	3
214600	Current income tax liabilities		579,999	-	269,795	-
215100	Provisions - current (note $6(q)$)		50,169	-	52,566	-
216000	Current lease liabilities (note 6(p))		173,381	-	193,565	-
219000	Other current liabilities		19,629	_	13,717	_
			121,864,300	75	94,684,661	71
220000	Non-Current liabilities:					
224200	Other financial liabilities - non-current (note 6(w))		515,261	-	349,518	-
226000	Non-current lease liabilities (note 6(p))		736,969	_	819,040	1
228000	Deferred income tax liabilities (note $6(r)$)		427,566	-	463,963	-
229000	Other non-current liabilities(note 6(q))		843,808	1	637,102	1
			2,523,604	1	2,269,623	2
	Total liabilities		124,387,904	76	96,954,284	73
	Equity attributable to shareholders of the parent:					
301010	Common stock (note 6(s))		21,709,081	13	23,209,081	17
302000	Capital surplus (note 6(s))		2,743,430	2	2,852,299	2
304000	Retained earnings:					
304010	Legal reserve		1,922,939	1	1,658,360	1
304020	Special reserve		4,116,356	3	3,587,197	3
304040	Unappropriated earnings (note 6(s))		3,600,038	2	2,681,569	2
305120	Exchange differences on translation of foreign operations		(293,175)	_	(118,543)	_
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income		2,087,400	1	1,696,677	1
305500	Treasury shares (note 6(s))		-	_	(1,574,000)	(1)
	Total equity attributable to the parent company		35,886,069	22	33,992,640	25
306000	Non-controlling interests		2,788,661	2	2,223,489	2
	Total equity		38,674,730	24	36,216,129	27
	Total liabilities and equity	<u> </u>	163,062,634	100	133,170,413	100
			100,002,001		100,1.0,110	

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

Peach Peac			202	Λ		2019	
Section Sec					% -		%
Second Process Proce		Income:					
Second profession search search 19.00 2 19.00 3 19.00 19					56		49
Section Process							- 3
Commissions on wealth management bosiness 1,000,000 1,000,00		•					
Part							
1915 1915	410000		1,432,8	340	15	1,017,956	13
19.00 19.							
			,				
					-		
		Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	435,0	82	4		
			(2		-		-
1450 10			210.2	_	-		-
44400 Negation (assers) and environ trian transcription (sp.) 450, 10, 100, 100, 100, 100, 100, 100, 10			,				- 3
4300 (a) Mean (sale sind sind sind sind sind sind sind sind						,	
Section 1,965 1				-		, , ,	
Section Personal Properties Personal P		Management fee revenues			-	476	-
degree of the presence		,			-		-
Page				,	-		-
Personal P	428000	Other operating revenues					
50000 Relenge and clearing fees - proprietary trading 661,854 7 45,09 6 50000 Claring and exchange fees - refinancing 3,096 2 2,00 2 50000 Claring and exchange fees - redinaving 6,20 2 1,00 2 50000 Issue cand ranagement fees on exchange traded notes (note (e)() 6,20 2 1,00 2 52140 Issue cand ranagement fees on exchange traded notes (note (e)() 1,00 3 30,107 3 52140 Issue commissions expense (note (e)() 1,00 3 30,107 3 4 2,00 3 2 1,00 2 4 2,00 3 2 4,00 2 1,00 2 4 2 2 1,00 2 4 2 2 1,00 2 4 2 2 1,00 2 4 2 2 1,00 2 4 2 1,00 2 4 2 1,00 2 4 2 1,00 2 </td <td></td> <td>Expenses:</td> <td></td> <td></td> <td>100</td> <td>7,770,731</td> <td>100</td>		Expenses:			100	7,770,731	100
5000000000000000000000000000000000000	501000		661,8	345	7	452,539	6
Section Sec					-		-
500 miles same amagement fecto exchange traded note (note (note)) 4 months 6 7 1 4 40.00 8 7 1 4 60.00 8 7 1 4 60.00 8 7 1 4 60.00 8 7 1 1 2 1 9 1 2 1 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 2 1 2 2 2 1 2 2 2 2 1 2 2 2 1 2 2 2 1 2 2 2 1 2 <th< td=""><td></td><td></td><td></td><td></td><td>-</td><td></td><td>-</td></th<>					-		-
Section Sect					-		-
45/16 List from scuritist formwing transactions 1,818 2 1,913 2 25/40 Claning and self-tempt response (not 6(0)) 2,814,00 1,813 2 1,910 2 25/20 Claning and self-tempt response (not 6(0)) 1,813 2 1,910 2 25/20 Depocal for spearing expense (note 6(0)) 2,913 3 2,461,10 3 25/20 Depocal for spearing expenses (note 6(0)) 2,522,20 1 2,461,00 3 25/20 Depocal for spearing expenses (note 6(0)) 2,622,00 3 2,401,00 3 25/20 Depocal for spearing expenses (note 6(0)) 2,622,00 3 2,802,00 2 25/20 Depocal for spearing expenses (note 6(0)) 2,802,00 3 2,802,00 2 25/20 Depocal for spearing expenses (note 6(0)) 2,802,00 3 2,802,00 2 25/20 Policy again and osser, (note 6(0)) 2,802,00 4 3,802,00 3 25/20 Policy again and osser, (note 6(0)) 2,802,00					4		- 8
Section Sec							-
Methor operating expenditure 1,450 2,464,150 3,255,250 2,501,250					3	301,737	4
Simployee herefits expenses (note 6(u))		· ·			2	,	2
Same precision and amornization expense (note 6(u)) 1					-		-
Sample S							
Page							
The fine one (expenses) 18,00 18,00 19,00 19,00 18,00 10,00 19,00 1	333000	outer operating expenses (note o(u))					
6000000000000000000000000000000000000		Other income (expenses):					
9000000000000000000000000000000000000	602000	Other gains and losses (note 6(u))					
	902001	Net income before income toy					
Neticongression Salaton Salato							_
Society Page Page			•			-	
80510d Gains (losses) on remeasurements of defined benefit plans (217,219) (2) 53,757 1 805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income 2,494 c 6,164 c 805595 Share of other comprehensive income of associates and joint ventures accounted for using equity method 2,494 c 6,164 c 805595 Less: Income tax related to components of other comprehensive income -<		•					
Note 1					(2)		
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method 2,494 - 6,164 - 805599 Less: Income tax related to components of the romprehensive income 21,251 - 602,944 8 805600 Components that may be reclassified to profit or loss in subsequent periods: 2(10,366) (2) (93,621) (1) 805615 Exchange differences on translation of foreign operations (210,366) (2) (93,621) (1) 805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income 249,289 3 430,568 5 805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income 215,801 - 7,322 - 805610 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income 215,801 - 7,322 - 805000 Other comprehensive income, net 5,342 1 344,269 4 913100 Shareholders of the parent \$3,569,529 3 2,566,823 3		· · ·		,			1 7
					_		-
805600 Components that may be reclassified to profit or loss in subsequent periods: 21,251 c 602,944 8 805610 Exchange differences on translation of foreign operations (210,366) (2) (93,62) 1 805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income 249,289 3 430,568 5 80569 Less: Income tax related to components of other comprehensive income (note 6(r)) (15,801) - (7,322) - 805000 Other comprehensive income, net 3,916,654 40 3,776,447 48 805000 Total comprehensive income, net 3,916,654 40 3,776,447 48 913100 Shareholders of the parent 3,356,529 36 2,566,823 33 913200 Non-controlling interests 271,150 3 262,411 3 91420 Shareholders of the parent 3,366,502 3 3,523,011 45 91420 Shareholders of the parent 3,366,502 3 3,523,011 45 91420 Non-controlling interests 3,366,502 3 3,233,46 3 3,233,46 3			-, .		-	-	_
805610 Exchange differences on translation of foreign operations (210,366) (2) (93,621) (1) 805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income 249,289 3 430,568 5 805699 Less: Income tax related to components of other comprehensive income (note 6(r)) (15,801) - (7,322) - 805000 Other comprehensive income, net 54,724 1 344,269 4 805000 Total comprehensive income, net 75,975 1 947,641 48 902006 Total comprehensive income \$3,916,654 40 3,776,447 48 913100 Shareholders of the parent \$3,569,529 36 2,566,823 33 913200 Non-controlling interests 271,150 3 262,411 3 914100 Shareholders of the parent \$3,665,024 38 3,523,011 45 914200 Non-controlling interests 251,630 2 253,436 3 914200 Non-controlling interests			21,2	251		602,944	8
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income 249,289 3 430,568 5 805699 Less: Income tax related to components of other comprehensive income (note 6(r)) (15,801) - (7,322) - Subtotal of items that may be subsequently reclassified into profit or loss 54,724 1 344,269 4 805000 Other comprehensive income, net 75,975 1 947,213 12 902006 Total comprehensive income 3,3916,654 40 3,776,447 48 913100 Shareholders of the parent 3,569,529 36 2,566,823 33 913200 Non-controlling interests 3,3840,679 39 2,282,234 36 Total comprehensive income attributable to: 914100 Shareholders of the parent \$3,665,024 38 3,523,011 45 914200 Non-controlling interests \$3,916,654 40 3,776,447 48 975000 Basic earnings per share (note 6(t)) 3,776,447 48							
			, ,	,			
Subtotal of items that may be subsequently reclassified into profit or loss 54,724 1 344,269 4 805000 Other comprehensive income, net 75,975 1 947,213 12 902006 Total comprehensive income \$ 3,916,654 40 3,776,447 48 Post income attributable to: 913100 Shareholders of the parent \$ 3,569,529 36 2,566,823 33 913200 Non-controlling interests 271,150 3 262,411 3 914100 Shareholders of the parent \$ 3,665,024 38 3,523,011 45 914200 Non-controlling interests \$ 3,665,024 38 3,523,011 45 914200 Non-controlling interests \$ 3,916,654 40 3,776,447 48 975000 Basic earnings per share (note 6(t)) \$ 3,916,654 40 3,776,447 48							5
805000 Other comprehensive income, net 75,975 1 947,213 12 902006 Total comprehensive income \$ 3,916,654 40 3,776,447 48 Net income attributable to: 913100 Shareholders of the parent \$ 3,569,529 36 2,566,823 33 913200 Non-controlling interests 271,150 3 262,411 3 Total comprehensive income attributable to: 914100 Shareholders of the parent \$ 3,665,024 38 3,523,011 45 914200 Non-controlling interests \$ 3,916,654 40 3,776,447 48 975000 Basic earnings per share (note 6(t)) \$ 3,916,654 40 3,776,447 48	803099						
Net income attributable to: 913100 Shareholders of the parent \$ 3,569,529 36 2,566,823 33 913200 Non-controlling interests 271,150 3 262,411 3 Total comprehensive income attributable to: 914100 Shareholders of the parent \$ 3,665,024 38 3,523,011 45 914200 Non-controlling interests 251,630 2 253,436 3 975000 Basic earnings per share (note 6(t)) \$ 3,916,654 40 3,776,447 48 1.11 1.11 1.11 1.11 1.11	805000				1		12
913100 Shareholders of the parent \$ 3,569,529 36 2,566,823 33 913200 Non-controlling interests 271,150 3 262,411 3 Total comprehensive income attributable to: 914100 Shareholders of the parent \$ 3,665,024 38 3,523,011 45 914200 Non-controlling interests 251,630 2 253,436 3 975000 Basic earnings per share (note 6(t)) \$ 3,916,654 40 3,776,447 48 975000 Basic earnings per share (note 6(t)) \$ 1.64 1.11	902006				40		
913200 Non-controlling interests 271,150 3 262,411 3 Total comprehensive income attributable to: 914100 Shareholders of the parent \$ 3,665,024 38 3,523,011 45 914200 Non-controlling interests 251,630 2 253,436 3 975000 Basic earnings per share (note 6(t)) \$ 3,916,654 40 3,776,447 48 975000 Basic earnings per share (note 6(t)) \$ 1.64 1.11	0.1.		Φ -				
Total comprehensive income attributable to: 3,840,679 39 2,829,234 36					36		_
Total comprehensive income attributable to: 914100 Shareholders of the parent \$ 3,665,024 38 3,523,011 45 914200 Non-controlling interests 251,630 2 253,436 3 975000 Basic earnings per share (note 6(t)) \$ 1.64	913200	Non-controlling interests	•		30		
914100 Shareholders of the parent \$ 3,665,024 38 3,523,011 45 914200 Non-controlling interests 251,630 2 253,436 3 975000 Basic earnings per share (note 6(t)) \$ 3,916,654 40 3,776,447 48 975000 T.64 1.64 1.11		Total comprehensive income attributable to:	φ <u> 3,040,0</u>	,,, <u>,,</u>	39	2,027,234	
914200 Non-controlling interests 251,630 2 253,436 3	914100		\$ 3,665,0	24	38	3,523,011	45
975000 Basic earnings per share (note 6(t)) \$ 1.64 1.11	914200		251,6	530	2	253,436	3
	0====		\$ 3,916,6			3,776,447	
300000 Diffued cariffings per share (note o(t))			\$				
	202000	Druced carmings per snare (note o(t))	Φ		1.04		1,11

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

				Equity attri	outable to the pare	ent company					
					-	Total other e	quity interest			•	
	Stock			Retained earning	8		Unrealized gains				
		•		-			(losses) from				
							financial assets				
						Exchange	measured at fair				
						differences on	value through		Total equity		
						translation of	other		attributable to		
					Unappropriated	foreign	comprehensive		the parent	Non-controlling	
	Common stocks (Capital surplus	Legal reserve	Special reserve	earnings	operations	income	Treasury shares	company	interests	Total Equity
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		35,204,736
Net income for the year ended December 31, 2019	-	-	-	-	2,566,823	-	-	-	2,566,823	262,411	2,829,234
Other comprehensive income					54,190	(77,475)			956,188	(8,975)	947,213
Total comprehensive income		-			2,621,013	(77,475)	979,473		3,523,011	253,436	3,776,447
Appropriation and distribution of retained earnings: (note 6(s))											
Legal reserve	-	-	138,725	-	(138,725)	-	-	-	-	-	-
Special reserve	-	-	-	284,386	(284,386)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(928,363)	-	-	-	(928,363) -	(928, 363)
Purchase of treasury stocks	-	-	-	-	-	-	-	(1,574,000)	(1,574,000	-	(1,574,000)
Disposal of investments in equity instruments designated at fair value through other	-	-	-	-	24,780	-	(24,780)) -	-	-	-
comprehensive income											
Changes in non-controlling interests										(262,691)	(262,691)
Balance at December 31, 2019	23,209,081	2,852,299	1,658,360	3,587,197	2,681,569	(118,543)	1,696,677	(1,574,000)	33,992,640		36,216,129
Net income for the year ended December 31, 2020	-	-	-	-	3,569,529	-	-	-	3,569,529		3,840,679
Other comprehensive income		-			(216,868)				95,495		75,975
Total comprehensive income					3,352,661	(174,632)	486,995		3,665,024	251,630	3,916,654
Appropriation and distribution of retained earnings: (note 6(s))											
Legal reserve	-	-	264,579	-	(264,579)		-	-	-	-	-
Special reserve	-	-	-	529,159			-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(1,736,726)	-	-	-	(1,736,726		(1,736,726)
Purchase of treasury shares	-	-	-	-	-	-	-	(30,387)	(30,387) -	(30,387)
Retirement of treasury shares	(1,500,000)	(104,387)	-	-	-	-	-	1,604,387	-	-	-
Disposal of investments in equity instruments designated at fair value through other	-	-	-	-	96,272	-	(96,272)) -	-	-	-
comprehensive income											
Capital surplus changes in ownership interests in subsidiaries	-	(4,482)	-	-	-	-	-	-	(4,482		(4,482)
Changes in non-controlling interests		-								313,542	313,542
Balance at December 31, 2020	\$ 21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400		35,886,069	2,788,661	38,674,730

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (Expressed in Thousands of New Taiwan Dollars)

		2020	2019
Cash flows from operating activities:	ф	4 202 700	2 229 007
Net income before tax	\$	4,382,700	3,228,097
Adjustments:			
Income and expenses items:		411,796	290 552
Depreciation expense Amortization expense		35,507	389,552 34,410
Impairment loss(reversal gains)		33,677	(3,790)
Net gains on financial assets or liabilities at fair value through profit or loss		(181,347)	(878,891)
Financial cost		374,311	642,796
Interest revenue (including financial revenue)		(1,816,908)	(2,127,648)
Dividend revenue		(267,845)	(304,957)
Cash dividend received from investments under equity method		172,822	159,431
Share of profit of associates and joint ventures accounted for using equity method		(180,924)	(192,631)
Gains on disposal and retirement of property and equipment		(130,924) $(11,317)$	(13,801)
Net gains on non-operating financial instruments at fair value through profit or loss		(4,504)	(28,906)
Gains on lease modifications		(4,304) (24)	(28,900)
Impairment loss		1,204	(2)
Subtotal of income of non-cash activities		(1,433,552)	(2,324,437)
Changes in operating assets and liabilities:		(1,433,332)	(2,324,437)
Decrease (increase) in financial assets at fair value through profit or loss		(4,011,311)	971,176
Increase in financial assets at fair value through other comprehensive income		(2,177,680)	(4,583,290)
Increase in receivable for securities provided as collateral		(2,833,425)	(2,168,255)
Increase in refinancing margin		(2,833,423) $(6,561)$	(2,108,233) $(51,539)$
Decrease (increase) in receivable on refinancing collateral		52,078	(102,920)
Increase in receivable of securities business money lending		(314,026)	(47,099)
Increase in customers' margin account		(3,546,113)	(1,528,089)
Decrease (increase) in margin receivable of futures trading		(411)	2,388
Decrease (increase) in collateral for securities borrowed		(451,739)	109,677
Decrease (increase) in security borrowing margin		(444,857)	96,190
Increase in notes receivable		(378)	(5,220)
Increase in accounts receivable		(4,645,365)	(1,898,351)
Decrease (increase) in prepayments		(3,704)	4,097
Increase in other receivables		(10,623)	(87,148)
Increase in leverage contract trading - customers' margin account		(44,419)	(79,979)
Decrease (increase) in other current assets		(1,056,337)	96,262
Increase in guarantee deposited for business operations		(507)	(57,303)
Decrease (increase) in settlement fund		(17,257)	9,287
Decrease in refundable deposits		15,196	6,090
Increase in other non-current assets		(26,711)	(74,400)
Increase in financial liabilities at fair value through profit or loss		2,172,881	255,771
Increase in bonds sold under repurchase agreements		3,418,051	3,815,007
Increase in guarantee deposited for short sales		241,299	73,720
Increase in proceeds payable from short sales		265,844	152,090
Increase (decrease) in securities lending refundable deposits		696,712	(308,130)
Increase in futures traders' equity		3,569,090	1,588,705
Increase in leverage contract trading - customers' equity		43,466	82,691
Increase (decrease) in notes payable		152	(481)
Increase in accounts payable		4,539,546	2,359,985
Increase (decrease) in advance receipts		(25,390)	23,778
Increase (decrease) in receipts under custody		1,522,075	(5,883)
Increase (decrease) in other payable		440,026	(111,016)
Increase in other financial liabilities - current		655,878	222,064
Increase (decrease) in provision - current		(2,397)	7,092
Increase in other current liabilities		5,912	2,065
Increase in other financial liabilities - non-current		165,743	39,486
Increase (decrease) in other non-current liabilities		(10,533)	29,568
Total changes in assets and liabilities from operating activities		(1,825,795)	(1,161,914)
Total cash generated from operation		(3,259,347)	(3,486,351)

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020	2019
Cash generated from operating activities	\$	1,123,353	(258,254)
Interest received		1,923,310	2,152,518
Dividends received		268,363	302,510
Interest paid		(405,951)	(626,356)
Income taxes paid		(222,647)	(581,801)
Net Cash flows provided by operating activities		2,686,428	988,617
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(97,880)	(134,384)
Proceeds from disposal of financial assets at fair value through other comprehensive income		48,822	12,632
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		207,270	6,800
Increase in deferred debits		(45)	(728)
Acquisition of property and equipment		(116,387)	(299,752)
Proceeds from disposal of property and equipment		20,287	14,608
Acquisition of intangible assets		(46,035)	(19,812)
Net cash flows provided by (used in) investing activities		16,032	(420,636)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		(2,959,891)	2,757,496
Increase in commercial papers payable		2,299,692	-
Payment of lease liabilities		(204,206)	(138,908)
Cash dividends paid		(1,910,332)	(1,191,054)
Issuance of common stock for cash		482,278	-
Purchase of treasury shares		(30,387)	(1,574,000)
Change in non-controlling interests		(10)	-
Disgorgement		398	-
Net cash flows used in financing activities		(2,322,458)	(146,466)
Effect of exchange rate changes on cash and cash equivalents		(206,556)	(91,298)
Increase in cash and cash equivalents		173,446	330,217
Cash and cash equivalents, beginning of period		8,323,636	7,993,419
Cash and cash equivalents, end of period	\$ <u></u>	8,497,082	8,323,636

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Overview:

Capital Securities Corporation (the "Company") was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company's registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2020, the composition of the consolidated financial statements includes the Company and the subsidiaries (the "Group"). As of December 31, 2020, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

Notes to the Consolidated Financial Statements

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

The consolidated financial statements were authorized for issue by the board of directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"
- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform— Phase 2"

Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
	The amendments address an acknowledged	Effective date to be
	f inconsistency between the requirements in	
Assets Between an Investor and	I IFRS 10 and those in IAS 28 (2011) in	·
Its Associate or Joint Venture"	dealing with the sale or contribution of assets	
	between an investor and its associate or joint	
	venture. The main consequence of the	
	amendments is that a full gain or loss is	
	recognized when a transaction involves a	
	business (whether it is housed in a subsidiary	
	or not). A partial gain or loss is recognized when a transaction involves assets that do	
	not constitute a business, even if these assets	
	are housed in a subsidiary.	
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	
	The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	

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

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

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

(Continued)

Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(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" (hereinafter referred to as "the Regulations"), and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

The functional currency of each Group entity's financial statement item is determined based on the primary economic environment in which the entity operates. The consolidated financial statements' functional currency is New Taiwan dollars. 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.

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 Equit December 31, 2020	Ownership December 31, 2019	Note
The Company		Engaged in providing advice on securities investment and securities investment consultancy.	100.00 %		The corporation established in February, 1990. As of December 31, 2020, the paid-in capitals amounted to \$70,000.
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	The corporation established in March, 1996. As of December 31, 2020, the paid-in capitals amounted to US\$45,000 thousands.
n	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.21 %	The corporation established in February, 1997 and conducted a cash capital increase on March, 2020. The Company's ratio of equity ownership increased from 56.21% to 56.58%. As of December 31, 2020, the paid-in capitals amounted to \$2,104,376.
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	The corporation established in December, 1996. As of December 31, 2020, the paid-in capitals amounted to US\$9,516 thousands.
n	Taiwan International Securities Investment Consulting Corp.	Investment consultancy	- %	99.92 %	Completion of liquidation.
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	The corporation established in January, 2016. As of December 31, 2020, the paid-in capitals amounted to \$1,000,000.
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	- %	The corporation was established in December 2020. As of December 31, 2020, the paid-in capitals amounted to \$330,000.
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	97.27 %	97.27 %	The corporation established in December, 1998. As of December 31, 2020, the paid-in capitals amounted to HK\$220,000 thousands.
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	The corporation established in December, 2014. As of December 31, 2020, 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 %	The corporation established in August 20, 2008. Acquired 51% of the equity on February 9, 2015 and held controlling interest. As of December 31, 2020, the paid-in capitals amounted to CNY\$1,000 thousands.
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	The corporation established in October, 2016. As of December 31, 2020, 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 %	The corporation established in May, 1994.
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	The corporation established in April, 1995.
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	Liquidation in progress.
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	Liquidation in progress.

Notes to the Consolidated Financial Statements

(iii) Subsidiaries not listed in the consolidated financial statements

			Ratio of Equit	y Ownership	
Name of the investor	Subsidiaries	Business type	December 31, 2020	December 31, 2019	Note
The Company	Capital Insurance Agency Corp.	Manages personal insurance agent business.	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$7,400. As of December 31, 2020 and 2019, the total assets constituted 0.03% and 0.04% of the Group's total assets. For the years ended December 31, 2020 and 2019, the operation revenue were merely 0.51% and 1.15% 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 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of December 31, 2020 and 2019, the total assets constituted 0.05% and 0.09% of the Group's total assets. For the years ended December 31, 2020 and 2019, the operation revenue were merely 1.12% and 2.34% of the consolidated revenue which were so immaterial, thus they were excluded from the financial consolidated statement.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the presentation currency at average rate. Foreign currency differences are recognized in other comprehensive income.

Notes to the Consolidated Financial Statements

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) Assets held for the trading purposes;
- (iii) Assets that are expected to be realized within twelve months after the reporting period;
- (iv) Cash and cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) Liabilities arising from operating activities that are expected to be settled in the normal operating cycle;
- (ii) Liabilities incurred for the trading purposes;
- (iii) Liabilities that are to be settled within twelve months after the reporting period;
- (iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(g) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing

Notes to the Consolidated Financial Statements

component is initially measured at the transaction price.

(i) Financial assets

All regular transactions of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following criteria and is not designated as at FVTPL:

- · it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- · its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Notes to the Consolidated Financial Statements

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI if it meets both of the following criteria and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividends derived from equity investments are recognized as revenue when the right to receive payment is established, which is normally the ex-dividend date.

3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including accounts receivable), debt instrument investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

debt securities that are determined to have low credit risk at the reporting date; and

Notes to the Consolidated Financial Statements

• other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying amount of the assets. For debt instrument investments at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital suplus is not sufficient to be written down).

Notes to the Consolidated Financial Statements

When the treasury stock is retired, the capital surplus premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are recorded through memo entries and are returned when the loans are repaid.

Notes to the Consolidated Financial Statements

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Group and are recorded under the proceeds payable from securities lent. These securities lent to customers for short sales are recorded through memo entries. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Group operates margin loan business, if capital is insufficient, the Group can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Group operates short sale business, if securities are insufficient, the Group can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(i) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under "bonds sold under repurchase agreements" at the settlement date. The difference between the selling price and repurchase price is recognized as financial costs. When bonds are resold, they are reflected under "bonds purchased under resell agreements" at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

(j) Customers' margin accounts and futures customers' equity

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customers' margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet. Margin deposits received from customers for futures transactions and futures traders' equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures traders' equity cannot be offset unless these accounts pertain to the same customers. When futures customers' equity is in debit of balance, they are reflected under "receivable-futures margin".

(k) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

Notes to the Consolidated Financial Statements

(1) Investment in associates

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

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

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

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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

If the investments in associates become the investment in joint ventures, or vice versa, the Group is accounted for using the equity method consistently and does no remeasure the retained equity.

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

Notes to the Consolidated Financial Statements

(m) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

1) Buildings 3~55 years

2) Transportation equipment 5 years

3) Office equipment and computer facilities 3~5 years

4) Miscellaneous equipment 5~10 years

5) Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(n) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property and equipment.

Notes to the Consolidated Financial Statements

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(o) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset less its residual value, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- 1) Customer relationships: 5 years
- 2) Computer software cost and dial-up service charges: 3 years

Amortization method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(p) Leases

(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

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 customer has the right to direct the use of the asset throughout the period of use only if either:
 - 1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - 2) the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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;

Notes to the Consolidated Financial Statements

- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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 in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a 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 listed right-of-use assets and leasing liabilities that are not categorized as investment properties as individual items in the balance sheet.

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.

(iii) Lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Notes to the Consolidated Financial Statements

(q) Non-financial assets impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-generating Units(CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Notes to the Consolidated Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Revenue recognition

The recognition of the Company's major revenue:

- (i) Brokerage commissions, gains or loss on securities sold and related handling fees is recognized on the settlement date.
- (ii) Underwriting commissions

Underwriting brokerage revenue is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

- (iii) Interest revenue and expense arising from margin loan, short sale and bonds with repurchase agreements is recognized on an accrual basis during trading.
- (iv) Futures commission revenue arising from accessory services of futures trading, collecting commission from appointed futrues dealer, the revenue is recognized on an accrual basis in accordance with related agreement.

Notes to the Consolidated Financial Statements

- (v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.
- (vi) Dividend revenue is recognized as the right of receiving payment confirmed.
- (vii) Gains on futures and options transactions: Futures margins is recognized at cost and measured at fair value each day. The income arising from futures margins daily evaluation, reverse trading and execution of the futures and options is recognized as net gains or losses.

(t) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(u) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year measured using tax rates enacted or substantively enacted and any adjustment to the tax payable or receivable in respect of previous years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction:
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

Notes to the Consolidated Financial Statements

- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) The same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Income tax of overseas subsidiaries is estimated in accordance with local regulation. Income tax of the Group is the sum of the income tax of subsidiaries in the consolidated financial statements.

(v) Business combinations

The Group only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation.

(w) Earnings per share (EPS)

The Group presents its basic and dilutive earnings per share attributable to the Company's ordinary equity holders. The basic earnings per share of the Group is calculated by dividing profit or loss attributable to the Company's ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Group include the estimation of employee remuneration.

(x) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's CEO who allocates resources and assesses segment performance. Each operating segment consists of standalone financial information.

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 the IFRSs endorsed by the FSC 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.

The preparation of the consolidated financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

(a) The fair value of financial instrument:

The fair value of non-active market or non-quoted financial instruments is determined by evaluation method. In this case, fair value is assessed from observable data or patterns of similar financial instruments. If there are no market observables, the fair value of financial instruments is assessed using appropriate assumptions. When using the evaluation model to determine fair value, all models must be calibrated to ensure that the output reflects actual data and market prices. The model uses only observable data as much as possible; however, for the part of credit risk (risk of itself and the counterparty), the Company must estimate the fluctuation and correlation for the fair value of financial assets. For sensitivity analysis of financial instruments, please refer to note 6(w).

(b) The impairment evaluation of goodwill:

The Group performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Group chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	\$2,723	2,781
Bank deposits		
Checking accounts	34,481	38,143
Demand deposits	643,966	581,921
Foreign currency deposits	1,117,880	1,219,527
Subtotal	1,796,327	1,839,591
Cash equivalents		
Time deposits	5,238,883	5,286,174
Futures margin - excess margin	1,365,163	1,184,098
Commercial papers	93,986	10,992
Subtotal	6,698,032	6,481,264
Total	\$ 8,497,082	8,323,636

(b) Financial assets

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

	Dec	cember 31, 2020	December 31, 2019	
Open-ended funds and money-market instruments				
Open-ended funds and money-market instruments	\$	187,563	251,541	
Valuation adjustment		14,275	15,091	
Subtotal		201,838	266,632	
Securities invested by securities broker				
Securities invested by securities broker		48,166	146,849	
Valuation adjustment		934	(1,589)	
Subtotal		49,100	145,260	

Notes to the Consolidated Financial Statements

	December 31, 2020	December 31, 2019
Trading securities - proprietary trading		
Listed stocks	\$ 907,307	1,810,032
Listed funds	666,617	796,400
OTC stocks	252,856	387,666
OTC funds	149,083	200,580
Emerging market stocks	617,219	532,189
Convertible bonds	921,050	889,088
Government bonds	3,328,813	3,317,485
Corporate bonds	8,266,818	7,641,557
International bonds	5,149,292	4,536,910
Financial debentures	957,778	200,000
Foreign stocks	159,732	519,279
Foreign bonds	191,652	233,297
Others	7,500	300
	21,575,717	21,064,783
Valuation adjustment	211,927	165,577
Subtotal	21,787,644	21,230,360
Trading securities - underwriting:		
Listed stocks	203,906	37,424
OTC stocks	700	38,716
Convertible bonds	39,845	85,097
	244,451	161,237
Valuation adjustment	4,393	26,053
Subtotal	248,844	187,290
Trading securities - hedging		
Listed stocks	2,371,659	2,816,447
OTC stocks	751,136	773,913
Convertible bonds	6,864,305	4,948,227
Others	1,826,385	
	11,813,485	8,538,587
Valuation adjustment	468,042	279,305
Subtotal	12,281,527	8,817,892

Notes to the Consolidated Financial Statements

	ember 31, 2020	December 31, 2019	
Derivatives	 		
Call options	\$ 40,215	3,482	
Futures margin - proprietary fund	348,012	233,624	
IRS asset swaps	13,100	16,053	
Asset swap options - long position	157,459	37,684	
Leverage derivatives - non-hedging	63,380	39,066	
Structured notes	 7,785	25,925	
Subtotal	 629,951	355,834	
Total	\$ 35,198,904	31,003,268	

As of December 31, 2020 and 2019, trading securities and financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

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

	December 31, 2020		December 31, 2019	
Debt instruments at fair value through other comprehensive income		_		
Government bonds	\$	2,220,744	2,225,249	
International bonds		797,101	1,198,147	
Foreign bonds		14,607,024	12,054,824	
		17,624,869	15,478,220	
Valuation adjustment		593,315	366,972	
Subtotal		18,218,184	15,845,192	
Equity instrument at fair value through other comprehensive income				
Listed stocks		272,065	118,428	
OTC stocks		48,478	10,756	
Emerging market stocks		59,622	24,130	
		380,165	153,314	
Valuation adjustment		65,130	(15,804)	
Subtotal		445,295	137,510	
Total	\$	18,663,479	15,982,702	

Notes to the Consolidated Financial Statements

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

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

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

For the years ended December 31, 2020 and 2019, 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 \$18,855 and \$11,651, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold shares of stocks for a fair value \$447,158 and \$691,488, respectively, cumulative dispose gains for the years ended December 31, 2020 and 2019, amounted to \$69,951 and \$22,648, respectively, were transferred from other equity items to retained earnings.

- 3) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(v).
- 4) For the years ended December 31, 2020 and 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(v).
- (iii) Financial assets at fair value through profit or loss non-current:

	December 31, 2020		December 31, 2019	
Mandatorily measured at fair value through profit or loss:		_		
Government bonds	\$	180,329	180,329	
Valuation adjustment		600	138	
Total	\$	180,929	180,467	

As of December 31, 2020 and 2019, the Group took advantage of government bonds as margins of bills, interest rate swaps, structured notes transaction, settlement fund guarantee deposits, and compensation reserve of trust business (for details please refer to note 8).

Notes to the Consolidated Financial Statements

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

	De	cember 31, 2020	December 31, 2019	
Equity instruments at fair value through other comprehensive		_		
income				
Non-listed or non-over-the-counter stocks	\$	945,135	1,181,752	
Valuation adjustment		1,341,950	1,283,180	
Total	\$	2,287,085	2,464,932	

For the years ended December 31, 2020 and 2019, 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 \$82,756 and \$68,384, respectively.

For the years ended December 31, 2020 and 2019, 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 \$27,422 and \$12,632, generated cumulative dispose gains \$4,921 and \$2,132, and the gains were transferred from other equity items to retained earnings. Furthermore, the Group acquired proceeds from capital reduction amounted to \$207,270, and the distribution of residual property from liquidation amounted to \$21,400 for the year ended December 31, 2020.

(v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the years ended December 31, 2020 and 2019 VaR (99%, per 10-day) of equity stocks are as follows:

			For the years ended December 31,					
				2020			2019	
	December	December						
Type of market risk	31, 2020	31, 2019	Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,351,429	1,364,147	1,237,326	1,378,457	1,066,520	1,122,594	1,364,147	932,006

(c) Accounts Receivable

	December 31, 2020	December 31, 2019
Receivable on securities purchased by customers	\$ 40,983	21,368
Settlement	1,426,058	-
Interests receivable	434,085	527,952
Receivables on securities sold	9,066,249	5,859,407
Others	72,122	81,225
Subtotal	11,039,497	6,489,952
Less: allowance for doubtful accounts	(241)	(1,706)
Total	\$ <u>11,039,256</u>	6,488,246

(Continued)

Notes to the Consolidated Financial Statements

- (i) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(v).
- (ii) For the years ended December 31, 2020 and 2019, impairment test have been applied by the Group, the variation of loss allowance in receivables, please refer to note 6(v).
- (d) Customers' margin account / Futures traders' equity

As of December 31, 2020 and 2019, a reconciliation of the customers' margin account and the futures traders' equity was as follows:

	December 31, 2020		December 31, 2019	
Customers' margin account				
Cash in banks	\$	28,320,264	26,292,763	
Customers' margin account - futures clearing house		6,038,034	4,874,988	
Customers' margin account - other futures commission merchants		3,990,936	3,635,783	
Marketable securities		598	185	
Total customers' remaining balance		38,349,832	34,803,719	
Add:				
Commission expense		2,352	1,248	
Other		26	(66)	
Less:				
Commission revenue		(11,746)	(7,426)	
Futures transaction tax		(2,289)	(1,342)	
Interest revenues		(789)	(5,699)	
Temporary receipts		(3,034)	(1,817)	
Remittance amount of the customers after the market closed		(11,879)	(9,235)	
Other receivables		(5,848)	-	
Other		(4)	(31,851)	
Futures traders' equity	\$	38,316,621	34,747,531	

Notes to the Consolidated Financial Statements

(e) Investments under equity method

As of December 31, 2020 and 2019, investments under equity method consisted of the following:

	December 31, 2020	December 31, 2019	
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 51,986	78,906	
Capital Insurance Agency Corp.	39,190	43,447	
Subtotal	91,176	122,353	
Associates			
True Partner Advisor Hong Kong Ltd.	49,281	47,860	
Capital Investment Trust Corp.	1,340,829	1,301,360	
Subtotal	1,390,110	1,349,220	
Total	\$ 1,481,286	1,471,573	

(i) Subsidiaries:

For the years ended December 31, 2020 and 2019, the Group's share of gains or losses of the subsidiaries were as follows:

	For the years ended December 31,			
	2020	2019		
The Group's share of gains based on the subsidiaries' financial statements	\$ 25,908	57,093		
	December 31, 2020	December 31, 2019		
Total assets	\$ <u>120,492</u>	167,994		
Total liabilities	\$ <u>29,316</u>	45,641		
	For the years ende	ed December 31,		
	2020	2019		
Revenue	\$ 158,956	271,953		
Net income	\$ <u>25,908</u>	57,093		

Notes to the Consolidated Financial Statements

(ii) Associates

		Primary business area	Proportion of and Votin	
Name of associate	Nature between the Company	and registered country	December 31, 2020	December 31, 2019
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 %
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %

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

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

	December 31, 2020	December 31, 2019
Total carrying amount of the associates that were not individually material		1,349,220

	For the years ended December 31			
	2020		2019	
The Group's share of gains based on the associates' financial statements:				
Net gains from continuing operations	\$	155,016	135,538	
Other comprehensive income (losses)		1,789	5,902	
Total comprehensive income (losses)	\$	156,805	141,440	

(iii) Collateral

As of December 31, 2020 and 2019, none of the investment accounted for under equity method of the Group were pledged for collateral.

Notes to the Consolidated Financial Statements

(f) Property and equipment

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

		Land	Buildings	Equipment	Leasehold improvements	Total
Cost or deemed cost						
Balance at January 1, 2020	\$	1,881,232	1,182,520	667,875	265,792	3,997,419
Additions		-	-	93,880	22,507	116,387
Transferred from investment property		449,616	294,230	-	-	743,846
Reclassified to investment property		(339,995)	(155,423)	-	-	(495,418)
Disposals and retirements		-	(255)	(149,614)	(19,369)	(169,238)
Effect of exchange rate changes		-	(5,268)	(4,432)	(620)	(10,320)
Balance at December 31, 2020	\$	1,990,853	1,315,804	607,709	268,310	4,182,676
Balance at January 1, 2019	\$	3,929,272	1,790,730	574,812	157,462	6,452,276
Additions		-	-	181,955	117,797	299,752
Transferred from investment property		29,358	8,314	-	-	37,672
Reclassified to investment property		(2,077,398)	(613,943)	-	-	(2,691,341)
Disposals and retirements		-	-	(86,942)	(9,200)	(96,142)
Effect of exchange rate changes	_	-	(2,581)	(1,950)	(267)	(4,798)
Balance at December 31, 2019	\$	1,881,232	1,182,520	667,875	265,792	3,997,419
Depreciation and impairment loss						
Balance at January 1, 2020	\$	-	460,046	394,091	117,677	971,814
Depreciation		-	26,695	104,244	51,100	182,039
Transferred from investment property		-	129,155	-	-	129,155
Reclassified to investment property		-	(35,618)	-	-	(35,618)
Disposals and retirements		-	(255)	(149,614)	(19,369)	(169,238)
Effect of exchange rate changes	_	-	(2,396)	(3,855)	(548)	(6,799)
Balance at December 31, 2020	\$	-	577,627	344,866	148,860	1,071,353
Balance at January 1, 2019	\$	-	642,432	386,219	82,665	1,111,316
Depreciation		-	28,990	96,544	44,101	169,635
Transferred from investment property		-	3,595	-	-	3,595
Reclassified to investment property		-	(213,848)	-	-	(213,848)
Disposals and retirements		-	-	(86,942)	(8,858)	(95,800)
Effect of exchange rate changes	_	-	(1,123)	(1,730)	(231)	(3,084)
Balance at December 31, 2019	\$		460,046	394,091	117,677	971,814
Carrying amount:						
December 31, 2020	\$	1,990,853	738,177	262,843	119,450	3,111,323
December 31, 2019	\$	1,881,232	722,474	273,784	148,115	3,025,605

As of December 31, 2020 and 2019, the property and equipment which are provided as collateral or pledge, please refer to note 8 for details.

Notes to the Consolidated Financial Statements

(g) Right-of-use assets

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

		Buildings	Equipment	Total
Cost:				
Balance at January 1, 2020	\$	1,116,803	22,336	1,139,139
Additions		101,925	4,944	106,869
Reductions		(50,667)	(3,714)	(54,381)
Effect of changes in foreign exchange rates		(2,426)	<u>-</u>	(2,426)
Balance at December 31, 2020	\$	1,165,635	23,566	1,189,201
Balance at January 1, 2019	\$	-	-	-
Effects of retrospective application		1,062,820	8,049	1,070,869
Additions		79,188	14,287	93,475
Reductions		(24,017)	-	(24,017)
Effect of changes in foreign exchange rates		(1,188)		(1,188)
Balance at December 31, 2019	\$	1,116,803	22,336	1,139,139
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	\$	176,718	7,171	183,889
Depreciation		199,483	8,252	207,735
Reductions		(47,745)	(3,566)	(51,311)
Effect of changes in foreign exchange rates		(1,322)	<u>-</u>	(1,322)
Balance at December 31, 2020	\$	327,134	11,857	338,991
Balance at January 1, 2019	\$	-	-	-
Depreciation		192,771	7,171	199,942
Reductions		(15,857)	-	(15,857)
Effect of changes in foreign exchange rates		(196)	-	(196)
Balance at December 31, 2019	\$	176,718	7,171	183,889
Carrying amount:				
December 31, 2020	\$	838,501	11,709	850,210
December 31, 2019	\$	940,085	15,165	955,250
	-			-

Notes to the Consolidated Financial Statements

(h) Investment property

Movements in investment property of the Group are as follows:

		Land	Buildings	Total
Cost or deemed cost				_
Balance at January 1, 2020	\$	3,083,445	1,238,683	4,322,128
Transferred from property and equipment		339,995	155,423	495,418
Reclassified to Property and equipment		(449,616)	(294,230)	(743,846)
Disposals and retirements	_	(8,970)	(263)	(9,233)
Balance at December 31, 2020	\$	2,964,854	1,099,613	4,064,467
Balance at January 1, 2019	\$	1,035,870	633,054	1,668,924
Transferred from property and equipment		2,077,398	613,943	2,691,341
Reclassified to property and equipment		(29,358)	(8,314)	(37,672)
Disposals and retirements	_	(465)	<u> </u>	(465)
Balance at December 31, 2019	\$	3,083,445	1,238,683	4,322,128
Depreciation and impairment loss				
Balance at January 1, 2020	\$	-	525,138	525,138
Depreciation		-	22,022	22,022
Transferred from property and equipment		-	35,618	35,618
Reclassified to property and equipment		-	(129,155)	(129,155)
Disposals and retirements			(263)	(263)
Balance at December 31, 2020	\$		453,360	453,360
Balance at January 1, 2019	\$	-	294,910	294,910
Depreciation		-	19,975	19,975
Transferred from property and equipment		-	213,848	213,848
Disposals and retirements			(3,595)	(3,595)
Balance at December 31, 2019	\$		525,138	525,138
Carrying Amount:				
December 31, 2020	\$	2,964,854	646,253	3,611,107
December 31, 2019	\$	3,083,445	713,545	3,796,990
Fair Value:				
December 31, 2020			_	7,295,403
December 31, 2019			=	7,577,872
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(Continued)

Notes to the Consolidated Financial Statements

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.

As of December 31, 2020 and 2019, the investment properties were provided as collateral or pledged, for details please refer to note 8.

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

Lessor

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

	De	December 31, 2020	
Within 1 year	\$	141,942	140,696
1-5 years		452,023	462,794
Over 5 years		301,791	402,354
	\$	895,756	1,005,844

The rental revenue from investment property for the years ended December 31, 2020 and 2019 amounted to \$159,425 and \$121,073 respectively.

(i) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized as goodwill. As of December 31, 2020 and 2019, the book value was all \$3,126,698.

Goodwill is allocated to the operating segments as follows:

	De	December 31, 2020		
Brokerage segment	\$	1,304,458	1,304,458	
Underwriting segment		265,144	265,144	
Proprietary trading segment		1,557,096	1,557,096	
Total	\$	3,126,698	3,126,698	

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

Notes to the Consolidated Financial Statements

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 2.77% and 5.24% in year 2020 and 2019 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2020 and 2019 exceeded the carrying amount, no impairment occurred for both years.

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 December 31, 2020 and 2019, the book value of goodwill were \$20,884 and \$22,088 respectively. Furthermore, the Group recognized an impairment loss of \$1,204 in the year of 2020, according to discount rate of 4.65% on the basis of the future recoverable amount of Capital True Partner Technology Co.

(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 December 31, 2020 and 2019, 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 December 31, 2020 and 2019, the book values of intangible assets were \$46,146 and \$46,235, 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 December 31, 2020 and 2019, the amortized book value were \$35,836 and \$24,720, respectively.

(j) Short-term borrowings

Nature of borrowings	December 31, 2020		December 31, 2019	
Collateralized loan	\$	1,449,632	709,780	
Credit loans		2,221,479	5,921,222	
Total	\$	3,671,111	6,631,002	
Interest rate range	0.4	44%~1.45%	0.95%~3.37%	

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, the Group had provided the land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(k) Commercial paper payable

	December 31, 2020	December 31, 2019
Commercial paper payable	\$ 2,300,000	-
Less: Unamortized discount	(308)	
Net amount	\$ <u>2,299,692</u>	
Interest rate range	0.358%~0.418%	
(l) Financial liabilities at fair value through profit or loss		
	December 31, 2020	December 31, 2019
Liabilities on sale of borrowed securities	\$ 947,588	386,818
Valuation adjustment	(17,227)	(50,296)
Subtotal	930,361	336,522
Exchange Traded Notes	868	699
Valuation adjustment	260	30
Subtotal	1,128	729
Stock warrants issued	9,668,055	14,997,622
Stock warrants repurchased	(8,941,544)	(14,444,316)
Subtotal	726,511	553,306
Put options	59,577	11,902
IRS asset swaps	10,968	2,436
Asset swap options - short position	1,267,802	529,328
Structured notes	619,483	11,583
Leverage derivatives - non-hedging	1,772	7,574
Currency swaps	12,759	4,745
Interest rate swaps	505	969
Subtotal	1,972,866	568,537
Total	\$3,630,866	1,459,094

Notes to the Consolidated Financial Statements

(m) Bonds sold under repurchase agreements

	December 31, 2020	December 31, 2019
Bonds sold under repurchase agreements	\$ <u>35,265,582</u>	31,847,531
Agreed-upon repurchase amounts	35,315,617	32,022,184
Interest rates	0.10%~2.60%	0.20%~3.20%
Date of repurchase	2021.1.4~2021.12.16	2020.1.2~2020.12.30

(n) Equity for each customer in the account

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

	December 31,	December 31,
	2020	2019
Equity for each customer in the account	\$ 13,063,932	3,025,153

(o) Accounts payable

	December 31, 2020		December 31, 2019
Payable of securities sold by customers	\$	65,929	11,136
Settlement		-	248,937
Payable of settlements		10,333,791	5,072,389
Others		347,004	903,596
Total	\$	10,746,724	6,236,058

(p) Lease liabilities

The Group's lease liabilities are as follow:

	December 31, 2020	December 31, 2019
Current	\$ <u>173,381</u>	193,565
Non-current	\$ <u>736,969</u>	819,040

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

Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,		
		2020	2019
Interest on lease liabilities	\$	13,052	14,274
Expenses relating to short-term leases	\$	6,293	18,353
Expenses relating to leases of low-value assets, excluding short-term	\$	19,011	24,223

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

	For the years ended December 31,		
		2020	2019
Total cash outflow for leases	<u>\$</u>	242,562	195,758

(q) Employee benefit

(i) Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

	De	ecember 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$	(1,046,957)	(877,621)
Fair value of plan assets		303,061	343,634
Recognized liabilities for defined benefit obligations	\$ <u></u>	<u>(743,896</u>)	(533,987)

The Group's employee benefits liabilities are as follows:

	December 31,	December 31,	
	2020	2019	
Compensated absences	\$ <u>50,169</u>	52,566	

Under the defined benefit plan, the Group deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

1) Composition of plan assets

The Group set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Bureau of labor funds, ministry of labor. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

Notes to the Consolidated Financial Statements

The balance of the Group's labor pension preparatory special account in Bank of Taiwan amounted to \$307,229 and \$300,402 as of December 31, 2020 and 2019, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$1,782 and \$48,848 as of December 31, 2020 and 2019, respectively.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2020 and 2019 were as follows:

	For the years ended December 31,			
		2020	2019	
Defined benefit obligation on January 1	\$	877,621	972,838	
Current service costs and interest		10,079	14,918	
Remeasurement of net defined liabilities				
-Actuarial loss (gain) arising from changes in financial assumptions		30,369	13,720	
-Experience adjustments		196,531	(58,162)	
Benefits paid by the plan		(67,643)	(65,693)	
Defined benefit obligation on December 31	\$	1,046,957	877,621	

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2020 and 2019 were as follows:

For the years ended December		
	2020	2019
\$	343,634	383,030
	2,300	3,562
	9,681	9,315
	15,089	11,558
	(67,643)	(63,831)
\$	303,061	343,634
		2020 \$ 343,634 2,300 9,681 15,089 (67,643)

Notes to the Consolidated Financial Statements

4) Expense recognized in profit or loss

The expenses recognized by the Group in 2020 and 2019 were as follows:

	For the years ended December 31,			
		2020	2019	
Current service cost	\$	4,245	5,938	
Net interest of net defined benefit liabilities (assets)		3,534	5,418	
Current pension cost	\$	7,779	11,356	

5) Re-measurement of net defined benefit plan recognized in other comprehensive income

For the years ended December 31, 2020 and 2019, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	For the years ended December 31,		
		2019	
Balance at January 1	\$	(114,769)	(168,526)
Recognized amount during the period		(217,219)	53,757
Balance at December 31	\$	(331,988)	(114,769)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.41%~0.42%	0.67%
Future salary growth rate	2.50%~3.00%	2.00%~2.50%

The expected contribution to the defined benefit plan for the next year is \$11,988. The weighted average duration of the defined benefit obligation is 1 year.

7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2020 and 2019, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	Effects to Defined Bo	Effects to Defined Benefit Obligations		
	Increase 0.5%	Decrease 0.5%		
December 31, 2020				
Discount rate	(26,117)	22,763		
Future salary growth rate	21,334	(20,752)		

(Continued)

Notes to the Consolidated Financial Statements

	Effects to Defined Bo	Effects to Defined Benefit Obligations		
	Increase 0.5%	Decrease 0.5%		
December 31, 2019				
Discount rate	(22,314)	23,258		
Future salary growth rate	18,483	(17,962)		

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability.

The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

(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 \$89,431 and \$81,864 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2020 and 2019, respectively.

(iii) For the years ended December 31, 2020 and 2019, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$3,259 and \$4,732, respectively.

(r) Income tax

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

The Company and its subsidiaries including Capital Investment Management Corp., Capital Futures Corp., Taiwan International Securities Investment Consulting Corp., CSC Venture Capital Corp., and CSC Capital Management Corp. are founded in Taiwan. The corporate income tax rate are both 20% for the years ended December 31, 2020 and 2019.

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, 2020 and 2019.

The tax rate of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the years ended December 31, 2020 and 2019.

The tax rate of reinvestment business of subsidiaries which founded in Mainland are all 25% for the years ended December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements

(ii) Income tax expense (benefit)

The amount of income tax expense (benefit) were as follows:

	For the years ended December 31		
		2020	2019
Current tax expense			_
Current year	\$	543,968	328,215
Adjustment to the prior years' income tax		(11,073)	61,057
		532,895	389,272
Deferred tax expense			
Unrealized gains (losses) on derivative financial instruments		19,827	(64,320)
Unrealized gains (losses) on foreign investments under Equity Method		703	1,372
Amortization on operation franchise		(42,881)	-
Decrease in tax loss carried forward		-	108,204
Adjustments of deferred income tax assets and liabilities		31,477	(35,665)
		9,126	9,591
Income tax expense from continuing operations	\$	542,021	398,863

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

	For the years ended December 31,		
	2	020	2019
Foreign exchange difference from translating financial statements	\$	(15,801)	(7,322)
of foreign operations			

Reconciliation of income tax expense (benefit) and income before tax were as follows:

	For the years ended December 31,			
		2020	2019	
Net income before tax	\$	4,382,700	3,228,097	
Income tax using the Company's domestic tax rate	\$	941,886	711,044	
Tax exempt income		(434,764)	(345,072)	
Alternative minimum tax		31,833	3,585	
Unrecognized deferred tax assets for current-year losses		3,533	863	
Unrecognized temporary differences for current years		2,607	(220)	
Additional surtax on undistributed retained earnings		5,815	382	
Amortization of operation franchise		(42,881)	-	
Adjustments to prior years' income tax		(3,780)	61,057	
Unrecognized temporary differences for prior years		31,477	(35,665)	
Others		6,295	2,889	
Total	\$	542,021	398,863	

Notes to the Consolidated Financial Statements

(iii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	Dec	ember 31, 2020	December 31, 2019	
Tax loss carried forward	\$	-	31,476	
Unrealized losses on foreign investments under Equity Method		5,421	5,663	
Foreign exchange difference from translating financial statements of foreign operations		18,426	2,626	
Unrecognized loss in derivative financial instruments		54,277	68,081	
Total	\$	78,124	107,846	

2) Unrecognized deferred tax assets

	ember 31, 2020	December 31, 2019	
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 620	275	
Tax loss carried forward	 5,851	2,591	
Total	\$ 6,471	2,866	

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

As of December 31, 2020, the Group's estimated tax losses recognized under deferred income tax asset were as follows:

Year or loss	A	mount	Expiry date
2016 (Declared)	\$	1,431	2026
2017 (Declared)		3,621	2027
2018 (Declared)		1,564	2028
2019 (Reported/Declared)		4,667	2029
2020 (Estimated)		17,973	2030
Total	\$	29,256	

Notes to the Consolidated Financial Statements

3) Recognized deferred income tax liabilities

	December 31, 2020	December 31, 2019
Unrealized gains on derivative financial instruments	12,321	6,298
Unrealized gains on foreign investments under Equity Method	2,930	2,469
Losses on intercompany transactions	1,928	1,928
Amortization of operation franchise	-	42,881
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Deferred income tax liabilities	\$ 427,566	463,963

4) Unrecognized deferred tax liabilities

As of December 31, 2020 and 2019, the Group's temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2020		December 31, 2019	
Aggregate amount of temporary differences related to		3,605	14,845	
investments in subsidiaries	-			

The dividend policies of Capital Futures Corp.' s subsidiaries, CSC Futures (HK) Ltd. and Capital True Partner Co., Ltd, were prescribed not to appropriate the retain earning until December 31, 2020. Also, the Group does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2018 were assessed by the Tax Authority.
- 2) Subsidiary Capital Investment Management Corp.'s income tax returns through 2018 were assessed by the Tax Authority.
- 3) Subsidiary Capital Futures Corp.'s income tax returns through 2018 were assessed by the Tax Authority.
- 4) Subsidiary Taiwan International Securities Investment Consulting Corp.'s income tax returns for the liquidation date as of June 30, 2012 and July 1, 2012 to September 16, 2019 were assessed by the Tax Authority. And on June 15, 2020, the entity was been admitted the completion of liquidation by the court.
- 5) Subsidiary Capital International Technology Corp.'s income tax returns through 2019 were assessed by the Tax Authority.

Notes to the Consolidated Financial Statements

- 6) Subsidiary CSC Venture Capital Corp.'s income tax returns through 2018 were assessed by the Tax Authority.
- 7) Subsidiary CSC Capital Management Corp. was established on December 3, 2020, and have not had a case of profit-seeking enterprise income tax.

(v) Income tax administrative relief

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

(s) Capital and other equity

(i) Capital stock

As of December 31, 2020 and 2019, the Company had authorized capital of \$30,000,000 and issued common stock of 2,170,908 thousand shares and 2,320,908 thousand shares, respectively, with a par value of \$10 per share.

(ii) Capital surplus

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

The followings are the capital surplus of the Company:

	De	2020 2020	December 31, 2019
Premium from stock issuance	\$	1,661,604	1,776,413
Treasury stock transactions		486,556	437,096
Paid-in capital from merger		563,715	602,665
Difference between consideration and carrying amount of subsidiaries acquired and disposed		1,251	1,338
Changes in ownership interests in subsidiaries		30,304	34,787
	\$	2,743,430	2,852,299

Notes to the Consolidated Financial Statements

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

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

3) Undistributed earnings

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

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

Notes to the Consolidated Financial Statements

The Company's 2019 and 2018 earnings distribution resolved by the shareholders' meeting on June 22, 2020 and June 24, 2019, respectively, were as follows:

	2019		2018	3
	·	Dividends		Dividends
	Amount	per share	Amount	per share
Cash dividends	\$ 1,736,726	0.8	928,363	0.4

On March 25, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	2020	
		Dividends
	Amount	per share
Cash dividends	\$ <u>2,387,999</u>	1.1

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

(iv) Treasury stocks

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

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

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

Notes to the Consolidated Financial Statements

(t) Earnings per share

The basic earnings per share and dilutive earnings per share were calculated as follows:

	For the years ended December 3		
		2020	2019
Net income attributable to common shareholders of the Company	\$	3,569,529	2,566,823
Weighted-average number of common stock shares outstanding (thousands of shares)	=	2,170,916	2,314,284
Basic earnings per share (dollar)	\$ <u></u>	1.64	<u> </u>
Effect of potentially dilutive common stock			
- Employee remuneration (thousands of shares) (Note)	=	3,363	2,912
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	=	2,174,279	2,317,196
Dilutive earnings per share (dollar)	\$	1.64	1.11

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

(u) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the years ended December 31,			
		2020	2019	
Brokerage commission from TSE market	\$	2,523,123	1,539,188	
Brokerage commission from OTC market		847,544	567,295	
Handling fee from security financing		34,006	23,878	
Futures commission income - brokerage		1,891,408	1,567,795	
Overseas subsidiaries		50,199	46,031	
Others		109,030	75,006	
	\$	5,455,310	3,819,193	

(ii) Underwriting commissions

	For the years ended December 31		December 31,
		2020	2019
Revenue from underwriting securities on a firm commitment basis	\$	86,283	52,495
Handling fee revenues from underwriting securities on best efforts basis		531	4,942
Processing fee revenues from underwriting operations		117,575	18,444
Revenue from underwriting consultation		8,290	5,260
Others		1,611	1,740
	\$	214,290	82,881

Notes to the Consolidated Financial Statements

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

	For the years ended December 31,		
		2020	2019
Gains (losses) on securities sold - proprietary trading	\$	696,182	452,383
Gains (losses) on securities sold - underwriting		78,546	60,428
Gains (losses) on securities sold - hedging		658,112	505,145
Total	\$	1,432,840	1,017,956

(iv) Interest revenue

	For the years ended December 31		
	2020	2019	
Interest revenue - margin loans	\$ 613,935	592,790	
Interest revenue - bonds	646,278	836,503	
Overseas subsidiaries	51,658	51,727	
Others	121,319	77,261	
	\$	1,558,281	

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

	For the years ended December 31		
		2020	2019
Trading securities - proprietary	\$	47,338	423,243
Trading securities - underwriting		(21,660)	34,364
Trading securities - hedging		188,737	510,815
	\$	214,415	968,422

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

For the years ended December 31,		
	2020	2019
\$	10,507,461	21,714,001
	42,355,800	21,160,960
	(52,489,556)	(42,699,393)
	43,514	15,602
	(197,941)	(154,084)
\$	219,278	37,086
	\$	2020 \$ 10,507,461 42,355,800 (52,489,556) 43,514 (197,941)

(vii) Futures commission revenues

	For the years ended December 31,		
		2020	2019
Futures commission revenues - CSC Futures (HK) Ltd.	\$	322,130	209,879

Notes to the Consolidated Financial Statements

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 years ended December 31,		
		2020	2019
Future trading - reconsignment	\$	266,087	246,008
Future trading - introducing brokers		1,530	697
Commission expenses - CSC Futures (HK) Ltd.		74,243	55,032
	\$	341,860	301,737

(ix) Employee benefits, depreciation, and amortization expenses

	For the years ended December 3		
		2020	2019
Employee benefit expenses		_	_
Salary expense	\$	2,571,187	2,150,037
Health and labor insurance expense		167,792	158,368
Pension expense		100,469	97,952
Others		62,302	57,802
Depreciation expense		411,796	389,552
Amortization expense		35,507	34,410
	\$	3,349,053	2,888,121

(x) Other operating expenses

	For	For the years ended December 3	
		2020	2019
Rental expense	\$	25,278	42,555
Taxes		421,345	344,570
Information technology expense		235,734	214,041
Postage expense		212,178	180,430
Professional service fee		24,462	21,028
Other expenses		606,285	543,880
	\$	1,525,282	1,346,504

Notes to the Consolidated Financial Statements

(xi) Other gains and losses

	For the years ended December 3		December 31,
		2020	2019
Financial revenue	\$	383,718	569,367
Currency exchange gains (losses)		(5,751)	(8,259)
Net gains (losses) on disposal of investment		73,800	7,431
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss		4,504	28,906
Revenue from bank's allocation fee		173,071	139,968
Net gains (losses) on disposal of property and equipment		11,317	13,801
Dividend revenue		82,756	65,448
Gains on reversal of prior year's liabilities		21,856	52,211
Rental income		159,425	121,073
Others		44,885	52,274
	\$	949,581	1,042,220

(xii) Remuneration to employees and directors

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

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

For the years ended December 31, 2020 and 2019, the estimated amounts of remuneration to employees were \$45,574 and \$32,756, and to directors were \$76,446 and \$54,594, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018, the estimated amounts of remuneration to employees were \$32,756 and \$20,971, and to directors were \$54,594 and \$34,951 by the Company. The difference between actual employee remuneration of \$27,027 and \$14,587 and actual remuneration to directors of \$45,335 and \$24,248 were \$14,988 and \$17,087 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2020 and 2019. The information about the appropriations is available at the website of the Market Observation Post System.

For the years ended December 31, 2020 and 2019, the estimated amounts of remuneration to employees were \$9,071 and \$8,714 and to directors were \$9,071 and \$8,714 by the domestic subsidiaries of the Group, respectively.

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2020 and 2019, the maximum credit exposure amounted to \$127,764,174 and \$100,461,622, 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 (77.40%); secondly, is in Asia (12.35%, exclusion of Taiwan); then, is in America (6.57%). 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	December 31, 2020	December 31, 2019	
Taiwan	\$ 98,356,189	74,762,540	
Asia (Taiwan is excluded)	15,697,768	13,582,675	
Europe	3,761,769	4,010,808	
America	8,348,552	7,523,511	
Other	903,821	77,525	
Total	\$ <u>127,068,099</u>	99,957,059	

Notes to the Consolidated Financial Statements

2) Impairment loss

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

	December 31, 2020		December	31, 2019
	Total amount	Allowance	Total amount	Allowance
Not past due	\$ 28,531,443	36,508	20,845,564	9,373
Past due 0~30 days	182	182	275	275
Past due 31~120 days	399	399	127	127
Past due 121~360 days	841	841	8	8
Past due more than 360 days	276,004	276,004	305,771	305,771
	\$ <u>28,808,869</u>	313,934	21,151,745	315,554

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2020 and 2019, the impairment losses of accrued receivables were recognized \$313,934 and \$315,554, 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).

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 years ended December 31, 2020 and 2019 was as follows:

	12-mon	th ECL	Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		
	crued ivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Total
Balance on January 1, 2020	\$ -	7,567	-	-	315,554	-	323,121
Provision of Impairment loss	-	1,824	-	-	31,853	-	33,677
Amounts written off	-	-	-	-	(30,415)	-	(30,415)
Effect of exchange rate	-				(3,058)		(3,058)
Balance on December 31, 2020	\$ 	9,391			313,934		323,325

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, 2019	-	5,861	-	-	338,517	-	344,378
Provision or reversal of Impairment loss	-	1,706	-	-	(5,496)	-	(3,790)
Amounts written off	-	-	-	-	(20,803)	-	(20,803)
Effect of exchange rate					3,336		3,336
Balance on December 31, 2019	\$ <u> </u>	7,567			315,554		323,121

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

Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2019							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 336,522	336,522	336,522	-	-	-	-
Stock warrants issued	553,306	553,306	465,459	87,847	-	-	-
Put options - futures	11,902	11,902	11,902	-	-	-	-
Exchange traded notes	729	729	-	-	-	729	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	8,150	8,150	4,592	822	(711)	3,447	-
Put options	529,328	529,328	41,762	67,521	208,340	211,705	-
Leverage derivatives - non- hedging	7,574	7,574	7,574	-	-	-	-
Short-term borrowings	6,631,002	6,631,002	6,631,002	-	-	-	-
Bonds sold under repurchase agreements	31,847,531	32,022,184	32,022,184	-	-	-	-
Guarantee deposited for short sales	2,390,464	2,390,464	2,390,464	-	-	-	-
Proceeds payable from short sales	2,755,405	2,755,405	2,755,405	-	-	-	-
Securities lending refundable deposits	336,713	336,713	336,713	-	-	-	-
Futures traders' equity	34,747,531	34,747,531	34,747,531	-	-	-	-
Leverage contract trading customers' equity	308,590	308,590	308,590	-	-	-	-
Notes payable and accounts payable	948,074	948,074	948,074	-	-	-	-
Receipts under custody	114,442	114,442	114,442	-	-	-	-
Other payables	662,217	662,217	662,208	9	-	-	-
Structured notes	3,941,052	3,941,052	3,296,957	294,709	241,782	107,604	-
Lease liabilities	1,012,605	1,063,979	109,793	96,531	162,309	335,250	360,096
	\$ <u>87,143,137</u>	87,369,164	85,191,174	547,439	611,720	658,735	360,096

Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

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

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

	December 31, 2019					
		ign Currency housands)	Exchange Rate	Amount		
Financial assets						
Monetary Item						
USD	\$	643,458	29.9800	19,290,871		
AUD		3,907	21.0050	82,067		
CAD		79	22.9900	1,816		
CHF		62	30.9250	1,917		
EUR		8,250	33.5900	277,118		
GBP		3,724	39.3600	146,577		
HKD		121,561	3.8490	467,888		
JPY		791,762	0.2760	218,526		
SGD		262	22.2800	5,837		
CNY		76,826	4.3050	330,736		
ZAR		6	2.1200	13		
KRW		327,087	0.0262	8,570		
NZD		63	20.1900	1,272		
THB		3,514	1.0098	3,548		
MYR		27	7.0330	190		
Non-Monetary Item						
USD		480,419	29.9800	14,402,962		
AUD		143,304	21.0050	3,010,101		
EUR		1,185	33.5900	39,804		
HKD		338	3.8490	1,301		
JPY		3,884	0.2760	1,072		
CNY		256,294	4.3050	1,103,346		
NZD		8	20.1900	162		
Investments under equity method						
HKD		12,434	3.8490	47,860		

Notes to the Consolidated Financial Statements

		December 31, 2019	
	eign Currency thousands)	Exchange Rate	Amount
Financial liabilities			
Monetary Item			
USD	\$ 1,093,707	29.9800	32,789,336
AUD	134,397	21.0050	2,823,009
CHF	62	30.9250	1,917
EUR	9,096	33.5900	305,535
GBP	3,655	39.3600	143,861
HKD	219,471	3.8490	844,744
JPY	846,953	0.2760	233,759
SGD	281	22.2800	6,261
CNY	195,801	4.3050	842,923
KRW	172,660	0.0262	4,524
THB	1,766	1.0098	1,783
MYR	26	7.0330	183
Non-Monetary Item			
USD	175	29.9800	5,247
CNY	539	4.3050	2,320

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the years ended December 31, 2020 and 2019, the realized and unrealized currency exchange gains (losses) amounted to \$89,023 and \$(395), respectively.

Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2020 and 2019, 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 years ende 202	· · · · · · · · · · · · · · · · · · ·	For the years ended December 31, 2019		
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%	
Net income	(575,927)	575,927	(489,190)	489,190	
Other comprehensive income	640,346	(640,346)	546,716	(546,716)	

(iv) Sensitivity analysis of interest rate risk

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

			For the years ended December 31,					
				2020			2019	
	December 31,	December 31,			_			
Market risk type	2020	2019	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1.560.150	1.409.781	1.574.731	1.758.733	1.378.218	1.497.257	1.572.243	1.409.781

Notes to the Consolidated Financial Statements

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of December 31, 2020 and 2019, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	December 31, 2020		December 31, 2019		
	Book value	Fair value	Book value	Fair value	
Financial assets:					
Cash and cash equivalents	\$ 8,497,082	8,497,082	8,323,636	8,323,636	
Accrued receivable	43,345,297	43,345,297	24,793,814	24,793,814	
Customers' margin account	38,349,832	38,349,832	34,803,719	34,803,719	
Leverage contract trading - customers' margin account	352,962	352,962	308,543	308,543	
Restricted assets - current	87,357	87,357	673,926	673,926	
Other non-current assets	1,469,407	1,469,407	1,473,700	1,473,700	
Financial liabilities:					
Short-term borrowings	3,671,111	3,671,111	6,631,002	6,631,002	
Commercial paper payable	2,299,692	2,299,692	-	-	
Bonds sold under repurchase agreements	35,265,582	35,265,582	31,847,531	31,847,531	
Accrued payable	33,813,887	33,813,887	15,790,247	15,790,247	
Futures traders' equity	38,316,621	38,316,621	34,747,531	34,747,531	
Leverage contract trading - customers' equity	352,056	352,056	308,590	308,590	
Other financial liabilities - current	4,235,829	4,235,829	3,579,951	3,579,951	
Other financial liabilities - non-current	515,261	515,261	349,518	349,518	
Other non-current liabilities	99,911	99,911	103,115	103,115	

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

	Level 1	Level 2	Level 3	Total
Investment property				
December 31, 2020	\$ <u> </u>		7,295,403	7,295,403
December 31, 2019	\$ <u> </u>		7,577,872	7,577,872

- 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, 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.

Notes to the Consolidated Financial Statements

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:

	Level 1	Level 2	Level 3	Total
December 31, 2020		<u> </u>		
Financial assets at fair value through profit or loss	\$ 11,862,682	22,887,200	-	34,749,882
Financial assets at fair value through other comprehensive income	2,704,200	15,959,279	2,287,085	20,950,564
Derivative financial assets	388,227	241,724		629,951
	\$ <u>14,955,109</u>	39,088,203	2,287,085	56,330,397
Financial liabilities at fair value through profit or loss	\$ 1,658,000	-	-	1,658,000
Derivative financial liabilities	667,933	1,304,933		1,972,866
	\$ <u>2,325,933</u>	1,304,933		3,630,866
December 31, 2019				
Financial assets at fair value through profit or loss	\$ 12,128,552	18,699,349	-	30,827,901
Financial assets at fair value through other comprehensive income	2,362,801	13,619,901	2,464,932	18,447,634
Derivative financial assets	237,106	118,728		355,834
	\$ <u>14,728,459</u>	32,437,978	2,464,932	49,631,369
Financial liabilities at fair value through profit or loss	\$ 890,557	-	-	890,557
Derivative financial liabilities	11,902	556,635		568,537
	\$ 902,459	556,635		1,459,094

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.

Notes to the Consolidated Financial Statements

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2020 and 2019, 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.

Notes to the Consolidated Financial Statements

6) Movements of financial assets at fair value classified into Level 3

(In Thousands Dollars)

				For the yea	ii ended Decembe	1 31, 2020			
		Gains and loss	es on valuation	Addi	tion		Reduction		
Item Financial assets at fair value through other	Beginning Balance S 2,464,932	Amount recognized in profit or loss	Amount recognized in comprehensive income 103,023	Purchased or issued 97,880	Transferred to Level 3	Sold, disposed or settled 48,822	Capital reduction 207,270	Transferred from Level 3 122,658	Ending Balance 2,287,085
comprehensive income									
				For the yea	ar ended Decembe	er 31, 2019			
		Gains and loss	es on valuation	Addi	tion		Reduction		
Item	Beginning Balance	Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	Ending Balance
Financial assets at fair value through other comprehensive income	\$ 1,911,577	-	438,403	134,384	===	19,432	===	-	2,464,932

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	Market approach	· Price-to-Book Ratio	· The higher the multiple, the higher fair value.
- equity instruments without an active market		· Discount for lack of marketability	• 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

Notes to the Consolidated Financial Statements

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

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

	Change in fair value recognized in o comprehensive income				
	Favorable change		Unfavorable change		
December 31, 2020					
Financial assets fair value through other comprehensive income	\$	22,871	(22,871)		
December 31, 2019					
Financial assets fair value through other comprehensive income	\$	24,649	(24,649)		

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:

		December 31,	2020		
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 37,366,476	35,265,582			-
		December 31,	2019		
Types of financial assets Under repurchase	Book value of the transferred financial assets 33,447,074	Book value of relevant financial liabilities 31,847,531	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
agreements		7- 7			

Notes to the Consolidated Financial Statements

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:

	Finan	cial assets under offsett	December 31	/	tlamant an aimilan na						
	Gross amount of	Gross amount of recognized financial	Net amount of financial assets	Related amount set balance	not offset in the	rins					
	recognized financial assets (a)	liabilities offsetting in the balance sheet (b)	presented in the balance sheets (c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)					
Derivative financial assets	\$ 241,724		241,724		-	241,724					
		111111111111111111111111111111111111111	December 31	,							
	Financi	al liabilities under offse				norms					
		Gross amount of	Net amount of	Related amount							
	Gross amount of	recognized financial	financial liabilities	balance s	sneet (a)	N-4					
	recognized financial liabilities	assets offsetting in the balance sheet	presented in the balance sheets	instruments	Cash received	Net amount					
	(a)	(b)	(c)=(a)-(b)	(Note)	as collaterals	amount (e)=(c)-(d)					
Derivative financial liabilities	\$ 1,913,289	(b)	1,913,289	- (1000)	-	1,913,289					
Under repurchase agreements	35,265,582	-	35,265,582	35,265,582	-	-					
Total	\$ 37,178,871		37,178,871	35,265,582		1,913,289					
		December 31, 2019									
	Finan	cial assets under offsett	0 0			rms					
	Gross amount of	Gross amount of	Net amount of financial assets	Related amount balance							
	recognized	recognized financial liabilities offsetting	presented in the	Financial	sneet (u)	Net					
	financial assets	in the balance sheet	balance sheets	instruments	Cash received	amount					
	(a)	(b)	(c)=(a)-(b)	(Note)	as collaterals	(e)=(c)-(d)					
Derivative financial assets	\$ 118,728	-	118,728	-	-	118,728					

Notes to the Consolidated Financial Statements

		December 31, 2019											
	-	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms											
	Gross amount of		Gross amount of recognized financial	Net amount of financial liabilities	Related amount balance s								
	recognized financial liabilities (a)	assets offsetting in the balance sheet (b)	presented in the balance sheets (c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)							
Derivative financial liabilities	\$	556,635	-	556,635	-	-	556,635						
Under repurchase agreements		31,847,531		31,847,531	31,847,531								
Total	\$	32,404,166		32,404,166	31,847,531		556,635						

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

(w) Financial risk management

(i) Brief

The Group is exposed to the following risks due to the usage of financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The disclosure hereby presents above-mentioned risk information, evaluation, and objectives, policies, and procedures of managing information. Further information regarding quantity disclosure please refers to related disclosures.

(ii) Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Group also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Group set up a risk management information system to assist whole risk management execute effectively.

(iii) Credit risk

- 1) Determining whether credit risk has increased significantly since initial recognition
 - a) The Group measures each financial instrument that applies under IFRS9 if the credit risk of financial asset at the reporting date has increased significantly since initial recognition. The Group considers reasonable and supportable information that is relevant and available, including forward-looking information, since initial recognition for assessment. Main factors taking into consideration include credit risk rating and information of past due condition.

Notes to the Consolidated Financial Statements

b) Low Credit Risk: A financial instrument has low credit risk at the reporting date, assumed to have no significant increase in credit risk since initial recognition. The determination criteria are the financial instrument's external credit rating is 'investment grade' or above.

2) Measurement of Expected Credit Losses (ECL)

a) Methods adopted and assumptions

The Group applies 12-month ECLs to measure the impairment loss of financial instruments, which have not increased significantly since initial recognition. For those financial instruments have increased significantly after initial recognition or with credit loss, the Group adopts lifetime ECLs to measure.

In order to measure ECLs, the Group takes into the future 12 months and lifetime probability of default (PD) on the financial assets, issuer, and counterparty to the possibility of Loss given default (LGD), then multiplies the amount of exposure at default (EAD) with the consideration of time value on currency, to calculate the 12 month and lifetime ECLs respectively.

Probability of PD is the probability of defaults occurring of an issuer or the counterparty. Probability of LGD is the percentage of the amount of loss incurred when issuers or the counterparty default. The probability of PD and LGD used by the Group was referring to the information periodically release from international credit rating institutions such as S&P, Moody's and Fitch. The Group measures EAD by the amortized cost plus interest receivables of financial instruments.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Group also to diversify the financing channels for funding. The Group plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Group has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc. to address the liquidity risk of each holding position. Moreover, the Group operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

(v) Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Group's revenue or the value of its holdings of financial instruments.

Notes to the Consolidated Financial Statements

The Group has set up the trading quotas and upper limit of Value at Risk ("VaR") in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Group uses to measure the market risk are as follows:

- 1) Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- 2) Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 3) Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 4) Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Group can utilizes approved financial hedging instruments (such as Futures, Options, Swap and etc.) to adjust the risk level to improve the risk management system implemented.

(vi) Hedging strategies (financial hedging)

The Group's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Group sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Group also formulates principal to conduct over or under limitations with hedging position.

1) Equity securities:

As equity securities price fluctuate, the Group will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Group not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

2) Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Group will suffer losses when unfavorable variation of market rate is incurred. The Group uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

3) Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors' exercising the stock warrants. The Group will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Group will also adjust the hedged position such as the underlying securities, convertible bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

Notes to the Consolidated Financial Statements

4) Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Group uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Group establishes related hedged position to hedge the stock price and the volatility risk.

5) Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Group manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

(vii) Financial risk information of financial derivatives and other financial instruments as approved by the authority.

As of December 31, 2020 and 2019, the related financial risk and the presentation of the Group's financial derivatives and other financial instruments as approved by the authority were as follows:

Stock warrants

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

		December 31,	2020	December 31, 2019		
	Noti	onal principal	Credit	Notional principal	Credit	
Financial Instruments	/ No	minal amount	Risk	/ Nominal amount	Risk	
For trading purpose:						
Stock warrants issued	\$	14,988,329	-	18,302,776	-	

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.

Notes to the Consolidated Financial Statements

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

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

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

(v) Presentation of financial derivatives

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

1) For the years ended December 31, 2020 and 2019:

a) Gains (losses) on valuation

	For the years ended D		
	 2020	2019	Account
Stock warrants issued	\$ 17,825,096	11,359,166	Gains (losses) on stock warrants issued
Stock warrants repurchased	(17,761,848)	(11,382,768)	Gains (losses) on stock

b) Gains (losses) on sale

	F	or the years ended D			
		2020	2019	Account	
Security borrowing	\$	48,780	55,194	Gains (losses) on covering of borrowed securities and bonds with resale agreements	
Trading securities - hedging		61,457	340,093	Gains (losses) on sale of trading securities	
Futures transaction		(132,451)	(319,856)	Gains (losses) on derivative financial instruments - futures	

c) Gains (losses) on maturity

	 For the years ended D	ecember 31,	
	2020	2019	Account
Stock warrants issued	\$ 35,081,679	31,531,397	Gains (losses) on stock warrants issued
Stock warrants repurchased	(34,727,708)	(31,316,625)	Gains (losses) on stock warrants issued

Notes to the Consolidated Financial Statements

Exchange traded notes

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

	December 31, 2020			December 31,	2019
Financial Instruments		nal principal inal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:	-				
Exchange traded notes issued	\$	1,128	-	729	_

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

(ii) Market risk:

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

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

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

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

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

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

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

			-0-7	110004111
Margin - exchange traded notes	\$	25	25	Other non-current assets
Outstanding liabilities - exchange traded notes		1,128	729	Financial liabilities at fair value through profit or loss - current
	For the years ended December 31,			
		2020	2019	Account
Gains (losses) on exchange traded notes	\$	(296)	(67)	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes		8	6	Management and commissions revenue from exchange traded notes
Issue and management fees on exchange traded notes		(62)	(145)	Issue and management fees on exchange traded notes

December 31,

2020

December 31,

2019

Account

Notes to the Consolidated Financial Statements

Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of December 31, 2020 and 2019.

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.

(iv) Presentation of financial derivatives:

	De	2020	December 31, 2019	Account
Futures margin - proprietary fund	\$	348,012	233,624	Financial assets at fair value through profit or loss - current
Excess futures margin		1,365,163	1,184,098	Cash and cash equivalent
Buy options		40,215	3,482	Financial assets at fair value through profit or loss - current
Sale options		59,577	11,902	Financial liabilities at fair value through profit or loss - current

	For	the years ended		
		2020	2019	Account
Gains (losses) on futures transactions	\$	(71,282)	(661,537)	Gains (losses) on derivatives
				- futures

Notes to the Consolidated Financial Statements

Derivative instruments - OTC

- (i) Interest rate financial derivatives
 - 1) Notional principal (nominal amount) and credit risk:

	December 31, 2020		December 31, 2019	
	Notional principal / Nominal	Credit	Notional principal / Nominal	Credit
Financial Instruments	amount	Risk	amount	Risk
For trading purpose:	· ·			
NT dollar interest swaps	\$ 10,900,000	-	21,300,000	-

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

2) Market risk:

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

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

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

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

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.

(Continued)

Notes to the Consolidated Financial Statements

(ii) Structured notes

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

		December	31, 2020	December 31, 2019		
	1	Notional principal Nominal	Credit	Notional principal / Nominal	Credit	
Financial Instruments	s amount		Risk	amount	Risk	
For trading purpose:						
Equity-linked notes	\$	1,311,000	-	215,789	-	
Principal guaranteed notes		3,264,693	-	2,935,907	-	
Credit-linked notes		783,100	-	669,900	-	
Principal guaranteed notes (in USD thousands)	US	D 100	-	USD 3,690	_	

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

2) Market risk

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

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

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

(iii) Convertible bond asset swaps

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

	December 31, 2020		December 31, 2019			
	Notional principal / Nominal		Credit	Notional principal / Nominal	Credit	
Financial Instruments		amount	Risk	amount	Risk	
For trading purpose:						
Convertible bond asset swaps	\$	1,109,900	-	886,900	-	
Convertible bond options		7,035,300	-	4,452,000	-	

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

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

Notes to the Consolidated Financial Statements

2) Market risk:

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

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

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

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

(iv) Options

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

	 December	31, 2020	December 31, 2019		
	Notional principal/ Nominal		Notional principal/ Nominal		
Financial Instruments	 amount	Credit Risk	amount	Credit Risk	
For trading purpose:					
Equity options	\$ 839	-	200,000	-	

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.

Notes to the Consolidated Financial Statements

(v) Leverage derivatives

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

	December 31, 2020				r 31, 2019	
	Notional principal/ Nominal			Notional principal/ Nominal	Credit Risk	
Financial Instruments		amount	Credit Risk	amount		
For trading purpose:						
Leverage derivatives-long position	\$	1,321,887	-	2,700,301	-	
Leverage derivatives-short position		1,282,847	-	2,448,322	-	

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

2) Market risk:

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

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

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

(vi) Presentation of derivative instruments in financial statement

As of December 31, 2020 and 2019, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps were presented on the balance sheets as follows:

	Dec	ember 31, 2020	December 31, 2019	
Financial assets at fair value through profit or loss - current				
IRS asset swaps	\$	13,100	16,053	
Asset swap options-long position		157,459	37,684	
Leverage derivatives - non-hedging		63,380	39,066	
Structured notes		7,785	25,925	
Total	\$	241,724	118,728	

Notes to the Consolidated Financial Statements

	De	ecember 31, 2020	December 31, 2019
Financial liabilities at fair value through profit or loss - current		_	
IRS asset swaps	\$	10,968	2,436
Asset swap options-short position		1,267,802	529,328
Leverage derivatives - non-hedging		1,772	7,574
Structured notes		619,483	11,583
Currency swaps		12,759	4,745
Interest rate swaps		505	969
Total	\$	1,913,289	556,635
Other financial liabilities - current			
Structured notes principal value	\$	4,235,829	3,579,951
Other financial liabilities - non-current			
Structured notes principal value	\$	515,261	349,518

For the years ended December 31, 2020 and 2019, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps are presented on statements of income as follows:

	F	or the year ended De	cember 31, 2020	For the year ended December 31, 2019			
		is (losses) on we instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)		
Interest rate swaps	\$	(1,065)	(505)	(517)	(969)		
Equity derivatives		(21)	38	(232)	51		
Structured notes		(27,345)	(8,650)	(67,731)	(16,490)		
IRS asset swaps		86	2,131	218	13,617		
Asset swap options		(803,808)	(251,220)	(264,473)	11,817		
Currency swaps		(23,764)	(12,759)	(9,634)	(4,745)		
Leverage derivatives - non-hedging		62,602	30,158	36,424	(6,412)		
Total	\$	(793,315)	(240,807)	(305,945)	(3,131)		

(x) Capital management

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

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

	December 31, 2020	December 31, 2019
Capital adequacy ratio	369 %	390 %

(Continued)

Notes to the Consolidated Financial Statements

(y) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

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

			_	N			
	J	anuary 1, 2020	Cash flows	Other	Foreign exchange movement	Fair value changes	December 31, 2020
Short-term borrowings	\$	6,631,002	(2,959,891)	-	-	-	3,671,111
Commercial papers payable		-	2,299,692	-	-	-	2,299,692
Lease liabilities	_	1,012,605	(217,258)	116,715	(1,712)	-	910,350
Total liabilities from financing activities	\$ _	7,643,607	(877,457)	116,715	(1,712)	-	6,881,153

				N	on-cash changes		
	J	anuary 1, 2019	Cash flows	Other	Foreign exchange movement	Fair value changes	December 31, 2019
Short-term borrowings	\$	3,873,506	2,757,496	-	-	-	6,631,002
Lease liabilities	_	1,070,869	(153,182)	95,265	(347)		1,012,605
Total liabilities from	\$ _	4,944,375	2,604,314	95,265	(347)		7,643,607

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Names of related parties and relationships

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

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

Note: The corporation was discharged on June 24, 2019.

Notes to the Consolidated Financial Statements

(c) Key management personnel transactions

(i) Key management personnel compensation

	For the years ended December 31		
		2020	2019
Short-term employee benefits	\$	256,544	218,948
Post-employment benefits	_	2,760	2,722
Total	\$	259,304	221,670

(ii) Bonds sold under repurchase agreements

	December 31, 2020		December 31, 2019		
			Purchase		Purchase
	Pai	r value	price	Par value	price
Key management personnel	\$	8,262	8,267	22,500	22,670

	For the years ended December 31,			
Total financial expenses	2	020	2019	
Key management personnel	\$	120	182	

(iii) Structured notes transactions

	December 31,	December 31,
	2020	2019
Key management personnel	\$ <u>106,800</u>	71,393

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	December			r 31, 2019
		Purchase		Purchase
	Par value	price	Par value	price
Subsidiaries	\$ 27,000	27,000	-	-
Funds issued by associate	31,178	30,871		
Total	\$ <u>58,178</u>	57,871		

	For the years ended December 31,			
Total financial expenses	2	020	2019	
Subsidiaries	\$	9	-	
Funds issued by associate		135	472	
Juristic-person directors		<u>-</u> _	56	
Total	\$	144	528	

Transaction terms are the same as the general clients.

Notes to the Consolidated Financial Statements

(ii) Futures transactions

Futures traders' equity	Dec	ember 31, 2020	December 31, 2019
Funds issued by associate	\$	335,742	142,376

	For the years ended December 31,			
Total financial expense	20	020	2019	
Funds issued by associate	\$	149	422	

Transaction terms are the same as the general clients.

(iii) Lease agreements

	For the years ended December 31,			
	Lease revenue		2020	2019
Subsidiaries		\$	=	346
Associates			17,247	17,247
Total		\$	17,247	17,593
Gu	arantee deposits received	Dec	cember 31, 2020	December 31, 2019
Associates	•	<u> </u>	3,811	3,811

(iv) Insurance commission revenues

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

		For the years en	ided December 31,
	Commission revenue	2020	2019
Subsidiaries		\$8,158	12,931
	Accounts receivable	December 31, 2020	December 31, 2019
Subsidiaries		\$81	1,877

(v) Brokerage and sub-brokerage

	For t	he years ended	December 31,
Brokerage commissions		2020	2019
Funds issued by associate	\$	45,629	24,886
Other related parties		2,517	1,044
Total	\$	48,146	25,930

Notes to the Consolidated Financial Statements

	For the years end	ded December 31,
Re-consigned handling commissions	2020	2019
Funds issued by associate	\$ 6,703	8,696
Other related parties	559	193
Total	\$ <u>7,262</u>	8,889
(vi) Fund services business		
	For the years en	ded December 31,
Fund services revenue	2020	2019
Associates	\$ <u>2,108</u>	
Channel services revenue		
Associates	\$\$ <u>2,108</u>	<u> </u>
Account receivable	December 31, 2020	December 31, 2019
Associates	\$ <u>870</u>	-
(vii) Wealth management business		
		ded December 31,
Trust account commissions revenue Associates	2020	2019
Associates	\$ <u>5,708</u>	<u> </u>
Trust account management fee revenue		
Associates	\$605	229
(viii) Underwriting business		
	For the years end	ded December 31,
Stock service income	2020	2019
Associates	\$ <u>122</u>	124
Underwriting commissions		
Funds issued by associate	\$ <u> </u>	4,406
Account receivable	December 31, 2020	December 31, 2019
Associates	<u>\$10</u>	10
(ix) Others		
		ded December 31,
Other revenue	2020	2019
Associates	\$3	3

Notes to the Consolidated Financial Statements

(x) Custody account business

	For the years ended December 31,		
Custody account business revenue		2020	2019
Second-level subsidiaries	<u>\$</u>	6,600	

(xi) Accrued receivables

Other receivable	nber 31, 020	December 31, 2019
Second-level subsidiaries	\$ 680	-
Subsidiaries	 114	154
Total	\$ 794	154

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

(8) Pledged assets:

The following assets were pledged as collateral or restricted in use as of December 31, 2020 and 2019:

	D	ecember 31, 2020	December 31, 2019	The collateral use
Restricted assets - current	\$	87,357	673,926	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)		35,557,111	32,506,236	Repurchase agreement
Property and equipment		1,758,898	1,832,513	Bank borrowings
Financial assets at fair value through profit or loss - non - current		180,929	180,467	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property		2,787,973	2,974,772	Bank borrowings
Total	\$	40,372,268	38,167,914	

(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:

	December 31, 2020		December	31, 2019	
	Shares (in			Shares (in	
	thousands)		Par value	thousands)	Par value
Securities procured through margin purchase	595,559	\$	5,955,590	520,214	5,202,140
Collateral for margin purchase	10,578		105,780	8,868	88,680
Lending securities to customers through short sales	67,810		678,100	57,750	577,500
Collateral for short sales	13,284		132,840	6,900	69,000

Notes to the Consolidated Financial Statements

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

	Decembe	December 31, 2020		31, 2019
	Shares (in		Shares (in	
	thousands)	Par value	thousands)	Par value
Securities borrowed from securities finance companies	2,117	\$ 21,170	3,594	35,940
Collateral for refinancing margin	83	830	969	9,690

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

	December 31,	December 31,
	2020	2019
Promissory notes	\$ <u>21,980,000</u>	25,510,000
Promissory notes (in USD thousands)	USD <u>65,000</u>	USD <u>60,000</u>

- (d) As of December 31, 2020 and 2019, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$7,031,255 and \$5,687,926, 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 first instance claimed the case in favor of the Company. Plaintiff appealed against the judgement. The case is under the trial of Taiwan High Count. 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 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) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The case is under the trial of Taiwan Taipei District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.

Notes to the Consolidated Financial Statements

- According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the balance was \$48,034 as of December 31, 2020.
- (i) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.
- (j) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and property list of trust accounts were declared as follows:
 - (i) Balance sheet of trust accounts

Balance Sheet of Trust Accounts

December 31, 2020 and 2019

Trust Assets Bank deposits	December 31, 2020 \$ 1,459,272	December 31, 2019 1,123,650	Trust Liabilities Accounts payable	December 31, 2020 72	December 31, 2019 44
Short-term investment			Trust capital	12,097,468	13,751,705
Funds	9,959,655	12,115,260	Accumulated earnings or deficit	298,641	(103,139)
Stocks	252,364	177,628			
Bonds	57,995	31,715			
Structured notes	610,954	10,013			
Accounts receivable	55,941	190,344			
Total Assets	\$ <u>12,396,181</u>	13,648,610	Total Liabilities	\$_12,396,181	13,648,610

Notes to the Consolidated Financial Statements

(ii) Income statement of trust accounts

Income Statement of Trust Accounts

For the years ended December 31, 2020 and 2019

	For	For the years ended Dec			
		2020	2019		
Trust revenue					
Interest revenue	\$	35,710	5,626		
Cash dividends revenue		405,516	522,595		
Rental revenue		7,319	6,674		
Investment gains - unrealized		102,158	938,923		
Currency exchange gains			94,949		
Subtotal		550,703	1,568,767		
Trust expense					
Management fee		371	679		
Service fee		39,599	60,976		
Investment losses - realized		109,012	46,561		
Currency exchange losses - unrealized		-	1,702,347		
Other fees		31	92		
Subtotal		149,013	1,810,655		
Gain (loss) before income tax		401,690	(241,888)		
Income tax expense		(190)	(319)		
Net gain (loss)	\$	401,500	(242,207)		

Notes to the Consolidated Financial Statements

(iii) Property list of trust accounts

Property list of trust accounts

December 31, 2020 and 2019

Investment items	December 31, 2020	December 31, 2019	
Bank deposits	\$ 1,459,272	1,123,650	
Short-term investment			
Funds	9,959,655	12,115,260	
Stocks	252,364	177,628	
Bonds	57,995	31,715	
Structured notes	610,954	10,013	
Account receivables	55,941	190,344	
Total	\$ 12,396,181	13,648,610	

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

Notes to the Consolidated Financial Statements

(12) Other:

- (a) As of December 31, 2020 and 2019, the open positions of futures and option contracts were as follows:
 - (i) December 31, 2020

		Open	positions	Contract size or paid		
		Long/	Number of	for (received from)		
Item	Trading category	Short	contracts	premium	Fair value	Note
Futures contract:						
	TAIEX Futures	Long	53	\$ 152,446	154,812	
	TAIEX Futures	Short	127	(363,477)	(371,538)	
	Mini-TAIEX Futures	Long	354	254,049	259,165	
	Mini-TAIEX Futures	Short	10	(6,770)	(7,040)	
	Single Stock Futures	Long	1,721	314,059	336,332	
	Single Stock Futures	Short	1,496	(236,471)	(239,651)	
	HSI Futures	Short	9	(44,464)	(44,989)	
	Mini-Nasdaq Futures	Short	1	(7,129)	(7,340)	
	Wheat Futures	Long	3	2,732	2,736	
	Soybean Futures	Long	4	7,499	7,467	
	Soybean Futures	Short	6	(10,636)	(11,201)	
	Gold Futures	Long	10	53,681	53,972	
	Gold Futures	Short	45	(240,756)	(242,876)	
	FTSE China A50 Index Futures	Long	66	32,370	33,293	
	FTSE China A50 Index Futures	Short	546	(267,827)	(275,423)	
	Mini-S&P 500 Futures	Short	10	(52,133)	(53,383)	
	SGX Nikkei 225 Index Futures	Short	5	(18,423)	(18,989)	
	10 Year U.S. Treasury Bond Futures	Short	28	(109,920)	(110,109)	
	Tokyo Stock Price Index Futures	Short	7	(34,977)	(34,901)	
	U.S.dollar Index Futures	Short	15	(38,497)	(38,403)	
	Japanese Yen Futures	Short	1	(3,429)	(3,449)	
	Long-term Euro-BTP Futures	Long	55	292,916	292,786	
	Euro-Bond Futures	Short	10	(62,338)	(62,210)	
	VIX Futures	Long	391	281,920	273,810	
	Brent Crude Oil Futures	Long	3	4,316	4,426	
	Subtotal			(101,259)		
Options contract:						
	TAIEX Options (Call)	Long	858	9,293	27,885	
	TAIEX Options (Put)	Long	1,376	12,285	6,320	
	TAIEX Options (Call)	Short	1,494	(23,968)	(51,486)	
	TAIEX Options (Put)	Short	748	(11,981)	(7,066)	
	Stock Options (Put)	Long	15	62	51	
	TAIEX Weekly Options (Call)	Long	144	1,007	1,836	
	TAIEX Weekly Options (Put)	Long	222	1,085	923	
	TAIEX Weekly Options (Call)	Short	231	(688)	(753)	
	TAIEX Weekly Options (Call) TAIEX Weekly Options (Put)	Short	98	(274)	(195)	
	CSI 300 Index Call Options (Call)		30	2,803	3,194	
		Long				
	CSI 300 Index Put Options (Put)	Long	18	11	6	
	CSI 300 Index Put Options (Put)	Short	18	(122)	(77)	
	Subtotal			(10,487)		
Total				\$ <u>(111,746)</u>		

Notes to the Consolidated Financial Statements

(ii) December 31, 2019

		Open	positions	Contract size or paid		
		Long/	Number of	for (received from)		
Item	Trading category	Short	contracts	premium	Fair value	Note
Futures contract:	, , , , , , , , , , , , , , , , , , ,					
	TAIEX Futures	Long	10	\$ 24,105	23,988	
	TAIEX Futures	Short	206	(495,233)	(494,153)	
	Mini-TAIEX Futures	Long	7	4,198	4,194	
	Mini-TAIEX Futures	Short	10	(5,998)	(5,997)	
	Electronic Sector Index Futures	Short	2	(4,258)	(4,218)	
	Finance Sector Index Futures	Long	100	135,817	135,840	
	Single Stock Futures	Long	400	80,919	85,272	
	Single Stock Futures	Short	5,763	(964,987)	(990,418)	
	HSI Futures	Short	1	(5,379)	(5,441)	
	Mini-HSI Futures	Short	11	(11,921)	(11,969)	
	FTSE China A50 Index Futures	Long	2	862	864	
	FTSE China A50 Index Futures	Short	558	(237,783)	(241,063)	
	VIX Futures	Long	46	21,568	21,308	
	VIX Futures	Short	4	(1,775)	(1,754)	
	SGX Nikkei 225 Index Futures	Short	5	(16,488)	(16,129)	
	10 Year U.S. T-Note Futures	Short	5	(19,421)	(19,250)	
	Ultra U.S. Treasury Bond Futures	Short	3	(16,889)	(16,338)	
	Crude Oil Futures	Short	17	(30,513)	(31,120)	
	Japanese Yen Futures	Long	3	10,326	10,394	
	Japanese Yen Futures	Short	5	(17,355)	(17,324)	
	Long-term Euro-BTP Futures	Long	7	33,538	33,497	
	Euro-Bond Futures	Long	3	17,265	17,180	
	Subtotal	Long		(1,499,402)	17,100	
Options contract:	Subiotal			(1,499,402)		
Options contract .	TAIEV Ontions (Call)	Long	377	454	357	
	TAIEX Options (Call)	Long	160	284	332	
	TAIEX Options (Put)	Long Short	588	· ·		
	TAIEX Options (Call)	Short		(2,298)	(1,728)	
	TAIEX Options (Put)		556	(2,332)	(2,779)	
	Stock Options (Call)	Long	10 14	1	1	
	Stock Options (Put)	Long	14	- I	-	
	Stock Options (Call)	Short	10	(96)	(127)	
	Stock Options (Put)	Short	_	(3)	(1)	
	TAIEX Weekly Options (Call)	Long	2,487	621	221	
	TAIEX Weekly Options (Put)	Long	2,494	1,943	2,548	
	TAIEX Weekly Options (Call)	Short	1,148	(1,109)	(680)	
	TAIEX Weekly Options (Put)	Short	2,714	(3,813)	(6,527)	
	Electronic Sector Index Options (Call)	Long	10	51	22	
	Electronic Sector Index Options (Put)	Short	20	(76)	(33)	
	Finance Sector Index Options (Call)	Short	20	(10)	(3)	
	Gold Option (Put)	Long	2	3	- // 0	
	Gold Option (Call)	Short	10	(20)	(19)	
	Crude Oil Options (Put)	Short	1	(4)	(5)	
T 1	Subtotal			(6,403)		
Total				\$ <u>(1,505,805)</u>		

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":

		Current Po	eriod	Last Per	iod		
Art.	Calculation formula	Calculation	Ratio	Calculation	Ratio	Standard	Enforcement
17	Stockholders' equity (Total liabilities - futures traders' equity)	6,359,664 869,294	7.32	5,012,996	7.68	≧1	Satisfactory to requirement
17	Current Assets Current Liabilities	43,978,617 39,018,015	1.13	38,683,882	1.10	≧1	"
22	Stockholders' equity Minimum paid-in capital	6,359,664	570.37 %	5,012,996	449.60 %	≥60% ≥40%	"
22	Adjusted net capital Total amount of customers' margin required for open positions of futures trader	4,868,930 7,366,955	66.09 %	3,630,546 6,542,582	55.49 %	≥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.

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)

													Coll	ateral		
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	Name	Value	Limit on Loans to a Single Business	Limit on the Amount of Loans
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	US 29,322	US 29,322	US 28,322	- %	2	-	Operations	-		-	US 53,762	US 53,762
2	Taiwan International	TIS Securities (HK)	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		Yes	HK 1,463	HK 1,463	HK 1,463	- %	2	-	Repayment of financing	-		-	HK 1,463	HK 1,463
4	1	Klaw Trading Limited	Account receivables - Customer	No	39,540	39,540	14,121	5 %	2	-	Trading	-		-	181,681	908,403
5	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables - Customer	No	169,456	169,456	41,234	3.23 %	2	-	Trading	-		-	181,681	908,403
6	(HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables - Customer	No	84,728	84,728	-	1.23 % ~ 3.23 %	2	-	Trading	-		-	181,681	908,403
7	(HK) Ltd.	Alpha Rnd Singapore Pte Ltd.	Account receivables - Customer	No	79,080	79,080	-	3.23 %	2	-	Trading	-		-	181,681	908,403
8	(HK) Ltd.	Derivatives China Alpha Fund	Account receivables - Customer	No	79,080	79,080	-	3.23 %	2	-	Trading	-		-	181,681	908,403
9	1	Perfect	Account receivables - Customer	No	84,728	84,728	-	3.23 %	2	-	Trading	-		-	181,681	908,403

Note: Type of Loans

- 1. Business transactions
- 2. Necessaries of short-term financing
- (ii) Providing endorsements and guarantees for other parties: None
- (iii) Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital: None
- (iv) Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital: None
- (v) Handling fee discounts on transactions with related parties exceeding NT\$5 million: None
- (vi) Accounts receivables from related parties exceeding NT\$100 million or 20% of paid-in capital: None
- (vii) Significant transactions between parent company and subsidiaries for the year ended December 31, 2020:

(In Thousands Dollars)

					Intercompa	ny transaction details	
							Percentage of total
Ref No.		Name of transaction	Relationship	General ledger			consolidated revenue or
(Note 1)	Name of counterparty	parties	(Note 2)	account	Amount	Trading terms	total assets
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	2,687		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	14,679		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivable	4,759		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	244,530		0.15 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payables	3,832		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %

(Continued)

Notes to the Consolidated Financial Statements

					Intercompa	ny transaction details	D
Ref No.		Name of transaction	Relationship	General ledger			Percentage of total consolidated revenue or
(Note 1)	Name of counterparty	parties	(Note 2)	account	Amount	Trading terms	total assets
0	Capital Securities Corp.	Capital Futures Corp.	I	Futures commission	183,659	General transaction	1.89
0	0 110 11 0	C : IF (C	1	revenue	17.702	C 1,	0.10
0	Capital Securities Corp. Capital Securities Corp.	Capital Futures Corp. Capital Futures Corp.	1 1	Lease revenue Revenue from		General transaction General transaction	0.18
U	Capital Securities Corp.	Capital Futures Corp.	1	securities	302	General transaction	0.01
				management,			
				distribution, and			
				management fees			
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs		General transaction	-
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating	68	General transaction	-
				revenue			0.10
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission	9,738	General transaction	0.10
				expense			
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	158	General transaction	_
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous		General transaction	0.05
				expense	,		
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating	51,243	General transaction	0.53
				revenue			
0	Capital Securities Corp.	Capital Futures Corp.	1	Information	552	General transaction	0.02
	0 1 1 0 1 1 0	G 1 1 T		technology expense	1.00		
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	169		- '
0	Capital Securities Corp.	Capital Investment	1	Professional	62 000	General transaction	0.65
U	Capital Securities Corp.	Management Corp.	1	service fee	03,000	General transaction	0.03
0	Capital Securities Corp.	Capital Investment	1	Other operating	191	General transaction	
Ü	Cupital Securities corp.	Management Corp.	•	revenue	1,71	Concrui tiumbuotion	
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	55		_ (
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payables	16		_ (
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under	58		- '
				custody			
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating	2,547	General transaction	0.03
0	Capital Securities Corp.	CSC Venture Capital	1	expense Other receivables	69		_ (
U	Capital Securities Corp.	Corp.	1	Other receivables	69		-
0	Capital Securities Corp.	Capital International	1	Guarantee deposits	183		
Ü	Cupital Securities corp.	Technology Corp.	•	received	100		
1	Capital Securities Corp.	Capital International	1	Other operating	561	General transaction	0.01
		Technology Corp.		revenue			
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin	824,368		0.51
				account	0.00		0.51
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders'	824,368		0.51
1	Capital Futures Corp.	Capital True Partner	3	equity Other payables	1,088		_ (
1	Capital Futures Corp.	Technology Co., Ltd.	3	Other payables	1,088		
1	Capital Futures Corp.	Capital True Partner	3	Professional	10.777	General transaction	0.11
•	cupitur ruturus corp.	Technology Co., Ltd.	5	service fees	10,777	Concrui transaction	
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin	737,812		0.45
		` ´		account			
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders'	3,717,106		2.28
	0 5 1 7 7	GGG P		equity			
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payables	7,421	C 1:	- 0.0=
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission	6,893	General transaction	0.07
				expense			
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage	70 227	General transaction	0.72
-	p.i I didies corp.	- 30 1 million (THC) Elui.	5	commissions	, 0,221	_ Jiioi ai aiaibaction	0.72
				revenue		<u> </u>	
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs		General transaction	0.03
1	Capital Futures Corp.	Capital International	3	Repair and	2,304	General transaction	0.02
		Technology Corp.		maintenance			
	CCC E	Comital End	2	expense	2.260.10=		2.00
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	3,268,407		2.00
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders'	289,113		0.18
2	Coc i didico (IIIX) LIU.	Capital Latares Corp.	3	equity	209,113		0.16
2	CSC Futures (HK) Ltd.	Capital True Partner	3	Prepayments	74		-
	, , ,	Technology Co., Ltd.		1 /			
2	CSC Futures (HK) Ltd.	Capital True Partner	3	Other payables	138		-
	, , ,	Technology Co., Ltd.					
	CSC Futures (HK) Ltd.	Capital True Partner	3	Accumulated	1,200		-
2		Technology Co., Ltd.		depreciation			ļ
		o 1 1 m =			122	General transaction	_
2	CSC Futures (HK) Ltd.	Capital True Partner	3	Information	132	General transaction	_
2	· ´	Technology Co., Ltd.		technology expense			
	CSC Futures (HK) Ltd. CSC Futures (HK) Ltd.		3			General transaction	0.09

(Continued)

Notes to the Consolidated Financial Statements

						Intercompa	ny transaction details	
Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	General ledger account		Amount	Trading terms	Percentage of total consolidated revenue or total assets
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HK	3,960	General transaction	0.15 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HK	452	General transaction	0.02 %
3	CSC Securities (HK) Ltd.	CSC International Holdings Ltd.	3	Other payables	HK	219,773		0.49 %
3	CSC Venture Capital Corp.	CSC Capital Management Corp.	3	Guarantee deposits received		20		- %
3	CSC Venture Capital Corp.	CSC Capital Management Corp.	3	Receipts in advance		1		- %
3	CSC Venture Capital Corp.	CSC Capital Management Corp.	3	Lease revenue		6	General transaction	- %
4	Taiwan International Securities (B.V.I.) Corp.	TIS Securities (HK) Limited	3	Other receivables	HK	26,051		0.06 %

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)

	1					Original inves	tment amount	Highest	Equity Owne	rship by company	(note 3)			Investment gain		
	Name of											Operating income		or loss		
Rei	investee		Date of	Approval date and	Primary business	Balance on	Balance on	Percentage of				or loss of investee company during	Net income or loss of investee company	recognized during the	Cash	
No	(Notes 1 and 2)	Area	establishment	number of FSC	operation	December 31, 2020	December 31, 2019	ownership	Shares	Ratio	Book value	the period	during the period	period	dividend	Note
0	Capital	Taipei ,Taiwan,	February 16, 1990		Engaged in providing	72,515	72,515	100.00 %	7,000,000	100.00 %	75,880	63,913	(16,565)	(16,565)	-	The transaction has been
	Investment	R.O.C.			research, analysis and											written off in the
	Management				recommendations											consolidated financial
	Corp.				pertaining to securities											statements
					investment, organize											
					seminars and publish											
					materials on securities											
					investments.											
0	Capital Futures	Tainei Taiwan	February 26, 1997	No. FSC-	Engaged in domestic	1,896,520	1,212,539	56.58 %	119,066,014	56.58 %	3,598,396	2,132,302	622,166	351,228	226,225	"
ľ		R.O.C.	20, 1997		and foreign futures	1,070,320	1,212,337	50.50 70	115,000,011	20.20 70	3,370,370	2,132,302	022,100	331,220	220,223	
	согр.	ic.o.c.		November 15, 2016												
-	+				_											
0		British Virgin	March 4, 1996	No. FSC-65350	Long-term equity	1,339,555	1,339,555	100.00 %	45,000,000	100.00 %	1,528,445	23,047	766	766	-	_
	International	Island		dated January 12,	investment business.											
\vdash	Holdings Ltd.			1996												
0	Capital	Taipei ,Taiwan,	November 9, 2000		Engaged in personal	3,890	3,890	100.00 %	500,000	100.00 %	51,986	109,144	26,125	26,125	53,045	Subsidiary
	Insurance	R.O.C.			insurance brokerage											
	Advisory Corp.				and property insurance											
					brokerage and											
					manages personal											
					insurance agent											
					business.											
0	Capital	Taipei ,Taiwan,	November 8, 2000		Manages personal	7,400	7,400	100.00 %	740,000	100.00 %	39,190	49,812	(217)	(217)	4,040	"
	Insurance	R.O.C.			insurance agent											
	Agency Corp.				business.											
0	Taiwan	British Virgin	December 10, 1996	No. FSC-53981	Long-term equity	1,394,817	1,394,817	100.00 %	300	100.00 %	20	446	446	446	-	The transaction has been
	International	Island			investment business.											written off in the
	Securities															consolidated financial
	(B.V.I) Corp.															statements
0	Taiwan	Taipei ,Taiwan,	March 3 1994		Completion of	_	9,992	99.92 %	_	- %	_		(6)	(6)	-	"
ľ	International	R.O.C.	1974		liquidation.	-	9,992	22.2∠ 70	-	- 70	-		(6)	(6)	_	
	Securities	K.O.C.			nquidation.											
	Investment				[
	Consulting															
_	Corp. (Note 4)				<u> </u>											
0	CSC Venture	Taipei ,Taiwan,	January 12, 2016	No. FSC-	Venture Capital and	1,000,000	1,000,000	100.00 %	100,000,000	100.00 %	841,121	2,546	(3,597)	(3,597)	-	"
	Capital Corp.	R.O.C.		1040034071 dated	consulting business											
				September 8, 2015												

Notes to the Consolidated Financial Statements

						Original inves	stment amount	Highest	Equity Owne	rship by company	y (note 3)			Investment gain		
	Name of	Ĭ		1	İ							Operating income		or loss	İ	
Ref.	investee		Date of	Approval date and	Primary business	Balance on	Balance on	Percentage of				or loss of investee company during	Net income or loss of investee company	recognized during the	Cash	
No.	company (Notes 1 and 2)	Area	establishment	number of FSC	operation	December 31, 2020	December 31, 2019	ownership	Shares	Ratio	Book value	the period	during the period	period	dividend	Note
0	CSC Capital	Taipei ,Taiwan,	December 3, 2020	No. FSC-	Engaged in	330,000	-	100.00 %	33,000,000	100.00 %	329,742	-	(258)	(258)	-	"
	Management	R.O.C.		1090349163 dated	investment,											
	Corp.			September 7, 2020	consulting											
	•			•	management, venture											
					and general											
					-											
-					investment business				** ***							
0	Capital	l • · ·	October 16, 1995		Engaged in security	1,272,505	1,272,505	20.00 %	33,067,507	20.00 %	1,340,829	1,918,834	763,559	152,712	115,737	Associates
		R.O.C.			investment and											
	Frust Corp.				discretionary											
					investment services.											
1	CSC Securities	Hong Kong	May 3, 1994	No. FSC-90931	Securities brokerage,	HK 128,000		100.00 %	128,000,000	100.00 %				-	-	The transaction has been
	(HK) Ltd.			dated January 5,	underwriting,	thousands	thousands	1			thousands	thousands	thousands			written off in the
				1998	proprietary trading,											consolidated financial
					financial businesses											statements
					and other securities											
					businesses permitted											
					by local law of Hong											
					· -											
-					Kong.											"
2		Hong Kong	August 17, 1993	No. FSC-40912	Liquidation in	HK 265,000 thousands	HK 265,000 thousands	100.00 %	265,000,000	100.00 %	HK (26,051) thousands	HK -	HK 119 thousands	-	-	
	(HK) Limited.				progress.	liousands	liousands				inousunus		urousunus			
<u> </u>	Note 5)			1993												
3	Γaiwan	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in	HK 2	HK 2	100.00 %	2	100.00 %		HK -	HK 66	-	-	<i>"</i>
	International				progress.						thousands	1	thousands			
	Capital (HK)															
	Ltd. (Note 5)															
4	CSC Futures	Hong Kong	December 9, 1998	No. FSC-	Future brokerage and	862,631	862,631	97.27 %	214,000,000	97.27 %	883,604	370,616	(13,999)	-	-	"
	(HK) Ltd.			1010027412 dated	other businesses											
				August 24, 2012	permitted by local law											
					of Hong Kong.											
4	Capital	Taipei ,Taiwan.	December 29, 2014	No. FSC-	Management and	50,000	50,000	100.00 %	5,000,000	100.00 %	41,028	2,304	(1,548)		-	"
ľ		R.O.C.			consulting business.	2.3,000	23,000		-,,000		,020	_,501	(-,510)			
		10.0.0.		November 18, 2014	-											
	Fechnology Co.,			130 vember 18, 2014												
\vdash	Ltd.				technology software											
4		Hong Kong	May 31, 2010	No. FSC-	Asset Management	36,701	36,701	49.00 %	245,000	49.00 %	49,281	147,943	4,702	-	-	Associates
1	Advisor Hong			1040027513 dated												
<u> </u>	Kong Ltd			July 16, 2015												
5	Capital	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	100.00 %	2	100.00 %	HK -	HK -	HK -	-	-	The transaction has been
1	Securities															written off in the
	Nominee Ltd.										I				I	consolidated financial
																consolidated illianciai

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.

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

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

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, and the company was liquidated as approved by the court on June 15, 2020.

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.

Notes to the Consolidated Financial Statements

- (d) Information on investments in the Mainland China:
 - (i) Investment in the Mainland China and related information:

(In Thousands of New Taiwan Dollars)

						ance of							
						investment							
1	1				this p	eriod		l	Direct or		Investment		Investment
									indirect		gains (losses)		
			Method					Net gains	Share		recognized		income
			of	Accumulated			Accumulated	(losses)	holdings (%)	Highest	during this	Ending	remitted back
Name of investee in		Issued	investment	remittance as of	Remittance	Recoverable	remittance as of	of the	by the	Percentage	period	Balance of	as of December
Mainland China	Major Operations	capital	(Note 1)	January 1, 2020	amount	amount	December 31, 2020	investee	company	of ownership	(Note 2)	Investment	31, 2020
Capital True Partner	Management,	5,013	(C)	24,372	-	-	24,372	1,144	28.86%	28.86 %	330	13,286	-
Technology Co., Ltd.	consulting and										B(2)		
	information service												
	business												
Capital Futures	Management,	18,863	(C)	18,863	-	-	18,863	(2,321)	56.58%	56.58 %	(1,313)	8,920	-
Technology	consulting and										B(2)		
(Shanghai) Co., Ltd.	information service												
	business.												

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

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

Note 2: Investment gains and losses recognized during the period

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

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

(ii) Limitation on investment in the Mainland China:

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

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

(e) Major shareholders:

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

- Note 1: Taiwan Depository & Clearing Corporation calculates the information of the shareholders holding 5% or more of the Company's non-physical common shares and special shares which have been registered in dematerialized form (including treasury shares) based on the last business day of every quarter. The stock recorded in the Company's financial statements may differs from the shares which have been registered in dematerialized form because of different basis of preparation.
- Note 2: If the shareholders deliver shareholdings to the trust, it shows the trustor's seperate account opened by the trustee. As to insiders' equity declaration of shareholdings over 10% under securities trading laws, the shareholders' shareholdings include their own shareholdings and shares delivered to the trust with the right to decide how to use the trust property. The information related to insiders' equity declaration please refers to Market Observation Post System.

Notes to the Consolidated Financial Statements

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2020 are as follows:

- (i) Balance sheet and income statement:
 - 1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd. December 31, 2020	Taiwan International Securities (B.V.I) Corp. December 31, 2020
Nature	·	December 51, 2020
Current assets	10,214	1
Long-term investments	22,294	-
Property and premises	1,926	-
Other assets	19,395	3,380
Total assets	53,829	3,381
Current liabilities	67	20
Other liabilities	-	3,360
Total liabilities	67	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	8,780	(9,431)
Cumulative translation adjustments	(18)	(84)
Total stockholders' equity	53,762	1
Total liabilities and stockholders' equity	53,829	3,381

Notes to the Consolidated Financial Statements

2) Income statement

Unit: US \$ thousands

Company		Taiwan
	CSC International Holdings Ltd.	International Securities (B.V.I) Corp. For the years ended
Nature	December 31, 2020	December 31, 2020
Operating revenue	788	15
Operating expense	(761)	-
Non-operating revenue	5	-
Non-operating expense	(6)	-
Income (loss) before tax	26	15
Net income (loss)	26	15

(ii) Securities held as of December 31, 2020

Unit: shares / US\$ thousands

			December	31, 2020		
Name of holding company	Securities types and name	Account classification	Shares	Book value		
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u>22,294</u>		
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	\$(3,360)		

- (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.

Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

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

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

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

(b) Measurement of segmental information

All 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

Notes to the Consolidated Financial Statements

			For	the year ended D	ecember 31, 2020)		
	Brokerage	Corporate financing	Dealing	Derivative instrument			Adjustment and	
	business	business	business	business	Others	Futures	elimination_	Total
Segment Revenue	\$ 4,665,261	461,664	2,033,609	207,200	211,875	2,425,823	(281,337)	9,724,095
Segment profit or loss	\$ <u>2,287,685</u>	295,051	1,665,221	(11,572)	(306,210)	784,506	(331,981)	4,382,700
	_		For	the year ended D	December 31, 2019)		
		Corporate		Derivative			Adjustment	
	Brokerage	financing	Dealing	instrument			and	
	business	business	business	business	Others	Futures	elimination	Total
Segment Revenue	\$ 3,331,720	369,509	1,800,633	384,101	231,977	1,919,015	(240,004)	7,796,951
Segment profit or loss	\$ 1,350,826	228,595	1,201,096	170,687	(135,463)	746,614	(334,258)	3,228,097

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.



安侯建業解合會計師事務府

KPMG

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Independent Auditors' Report

To the Board of Directors of Capital Securities Corporation:

Opinion

We have audited the financial statements of Capital Securities Corporation("the Company"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the 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 financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation 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 Financial Statements section of our report. We are independent of the Company 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 of 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 financial statements for the years ended December 31, 2020. These matters were addressed in the context of our audit of the 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 Company's financial statements are stated as follows:

1. Valuation of financial instruments

Please refer to Note 4(f) for the related accounting policy regarding the valuation of financial instruments, Note 6(b) financial assets, Note 6(k) Financial liabilities at fair value through profit or loss and Note 6(u)(v) fair value and fair value hierarchy of financial instruments for details.

Risk and descriptions of the key audit matter:

The Company'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 being 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.

2. Goodwill impairment

Please refer to Note 4(p) for the related accounting policy regarding the impairment of non-financial assets, Note 5 for accounting assumptions and estimation uncertainty of the goodwill impairment, Note 6(h)(i). for details about measurement of goodwill impairment.

Risk and descriptions of the key audit matter:

Assessment of the Company's goodwill impairment is one of our significant audit processes, because it mainly depends on the prediction of future operation and there is a high uncertainty on assessing recoverable amounts by discounted future cash flows. Therefore, the measurement of goodwill impairment is one of our key audit matters.

Procedures performed:

Our key audit procedures included evaluating tests of goodwill impairment implemented by management and related procedures of control, certifying the assumptions of management by related available external information, making professional evaluation on main parameters of predictable growth rate, discount rate, etc. adopted by management, and assessing the appropriateness of prediction by management, involve of analysing sensitivity on the assumptions related to evaluating impairment.

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 1.11% and 1.36% of total assets as of December 31, 2020 and 2019, respectively, and the recognized share of profits of under using equity method constituted 3.87% and 4.72% of net income before income tax for the years ended December 31, 2020 and 2019, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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.
- 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 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) March 25, 2021

Notes to Readers

The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying 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 financial statements, the Chinese version shall prevail.

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

111100 112000 113200 114030 114040	Assets urrent assets: Cash and cash equivalents (note 6(a)) Financial assets at fair value through profit or loss - current (notes 6(b) and 8) Financial assets at fair value through other comprehensive income - current (note 6(b)) Receivable for securities provided as collateral	\$ 1,598,193 34,556,643 18,397,898	1 29 15	2,656,201 30,255,818	3 32
111100 112000 113200 114030 114040	Cash and cash equivalents (note 6(a)) Financial assets at fair value through profit or loss - current (notes 6(b) and 8) Financial assets at fair value through other comprehensive income - current (note 6(b)) Receivable for securities provided as collateral	\$ 34,556,643 18,397,898	29	30,255,818	
112000 113200 114030 114040	Financial assets at fair value through profit or loss - current (notes 6(b) and 8) Financial assets at fair value through other comprehensive income - current (note 6(b)) Receivable for securities provided as collateral	\$ 34,556,643 18,397,898	29	30,255,818	
113200 114030 114040	Financial assets at fair value through other comprehensive income - current (note 6(b)) Receivable for securities provided as collateral	18,397,898			32
114030 114040	Receivable for securities provided as collateral		15	4 - 0 - 6 - 0 -	32
114040	•			15,976,583	17
	D.C	14,520,591	12	11,934,900	13
114050	Refinancing margin	97,714	-	91,153	-
	Refinancing collateral receivable	85,261	-	137,339	-
114060	Receivable of securities business money lending	2,310,230	2	1,996,204	2
114090	Collateral for securities borrowed	796,262	1	344,523	-
114100	Security borrowing margin	760,815	1	312,084	-
114110	Notes receivable	22,779	-	22,401	-
114130	Accounts receivable (note 6(c))	10,595,102	9	6,395,116	7
114150	Prepayments	27,347	-	22,060	-
114170	Other receivables	70,610	-	93,395	-
114600	Current income tax assets	22,037	-	26,358	-
119095	Amounts held for each customer in the account (note 6(m))	13,063,932	11	3,025,153	3
119990	Other current assets-others	 1,747,335	1	695,209	1
		 98,672,749	82	73,984,497	78
120000 N	on-current assets:				
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	180,929	-	180,467	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))	2,070,040	2	2,174,104	2
124100	Investments accounted for under equity method (note 6(d))	7,805,609	6	6,715,151	7
125000	Property and equipment (notes 6(e) and 8)	2,417,207	2	2,339,571	2
125800	Right-of-use assets (notes 6(f))	784,960	1	852,107	1
126000	Investment property(notes 6(g) and 8)	4,179,792	3	4,346,760	5
127000	Intangible assets (note 6(h))	3,538,857	3	3,527,506	4
128000	Deferred income tax assets (note 6(q))	77,710	-	107,610	-
129000	Other non-current assets	 1,209,519	1	1,190,857	1
		22,264,623	18	21,434,133	22

Total assets

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

			December 31, 2020)	December 31, 201	9
	Liabilities and Equity		Amount	%	Amount	%
210000	Current liabilities:					
211100	Short-term borrowings (note 6(i))	\$	3,561,089	3	6,631,002	7
211200	Commercial paper payable (note 6(j))		2,299,692	2	-	-
212000	Financial liabilities at fair value through profit or loss - current (note 6(k))		3,569,517	3	1,436,258	2
214010	Bonds sold under repurchase agreements (note 6(l))		35,482,996	29	31,893,531	33
214040	Guarantee deposited for short sales		2,631,763	2	2,390,464	3
214050	Proceeds payable from short sales		3,021,249	2	2,755,405	3
214070	Securities lending refundable deposits		1,033,425	1	336,713	-
214090	Equity for each customer in the account (note 6(m))		13,063,932	11	3,025,153	3
214110	Notes payable		152	-	-	-
214130	Accounts payable (note 6(n))		10,388,095	9	6,123,154	6
214150	Advance receipts		31,415	-	58,143	-
214160	Receipts under custody		1,631,028	1	109,866	-
214170	Other payables		929,072	1	512,459	1
214200	Other financial liabilities - current (note 6(v))		4,235,829	4	3,579,951	4
214600	Current income tax liabilities		518,241	-	183,169	-
215100	Provisions - current (note 6(p))		42,695	-	44,610	-
216000	Current lease liabilities (note 6(o))		150,214	-	156,150	-
219000	Other current liabilities		4,381	-	3,047	-
			82,594,785	68	59,239,075	62
220000	Non-Current liabilities:					
224200	Other financial liabilities - non-current (note 6(v))		515,261	-	349,518	-
226000	Non-current lease liabilities (note 6(o))		691,314	1	751,240	1
228000	Deferred income tax liabilities(note 6(q))		412,315	-	455,196	-
229000	Other non-current liabilities(note 6(p))		837,628	1	630,961	1
			2,456,518	2	2,186,915	2
	Total liabilities	_	85,051,303	70	61,425,990	64
	Equity:					
301010	Common stock (note 6(r))		21,709,081	18	23,209,081	24
302000	Capital surplus (note 6(r))		2,743,430	2	2,852,299	3
304000	Retained earnings:					
304010	Legal reserve		1,922,939	2	1,658,360	2
304020	Special reserve		4,116,356	3	3,587,197	4
304040	Unappropriated earnings (note 6(s))		3,600,038	3	2,681,569	3
305120	Exchange differences on translation of foreign operations		(293,175)	-	(118,543)	-
305140	Unrealized gains (losses) on financial assets at fair value through other comprehensive income		2,087,400	2	1,696,677	2
305500	Treasury shares (note 6(r))	_			(1,574,000)	(2)
	Total equity	_	35,886,069	30	33,992,640	36
	Total liabilities and equity	\$	120,937,372	100	95,418,630	100
		_	-			

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL SECURITIES CORPORATION

Statements of Comprehensive Income For the years ended December 31, 2020 and 2019

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

			2020		2019	
			Amount	%	Amount	%
	Income:	_				
401000	Brokerage commissions (note 6(t))	\$	3,513,703	48	2,205,367	38
402000	Revenues from securities business money lending		118	-	96	-
403000	Revenue from securities lending		197,207	3	195,605	3
404000	Underwriting commissions (note 6(t))		214,290	3	82,881	1
406000	Commissions on wealth management business		75,597	1	104,054	2
410000	Net gains (losses) on sale of trading securities (note 6(t))		1,308,526	18	952,684	16
421100 421200	Securities management, distribution, and management fees Interest revenue (note 6(t))		150,311 1,381,690	2 19	143,721 1,506,978	3 26
421200	Dividend revenue		179,244	2	235,167	4
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(t))		210,821	3	949,088	16
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements		105,698	1	77,635	10
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements		(34,176)	-	(88,422)	(2)
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income		435,082	6	259,754	4
422000	Net gains (losses) from exchange traded notes (note $6(v)$)		(296)	-	(67)	
422100	Management and commissions revenue from exchange traded notes (note 6(v))		8	-	6	_
422200	Net gains (losses) on stock warrants issued (note 6(t) and (v))		219,278	3	37,086	1
424100	Futures commission revenues		183,659	2	130,341	2
424400	Net gains (losses) on derivative instruments - futures (note 6(v))		(48,510)	(1)	(645,521)	(11)
424500	Net gains (losses) on derivative instruments - OTC (note 6(v))		(855,917)	(12)	(342,369)	(6)
425300	Impairment losses and reversal gains (note 6(u))		(33,690)	-	(1,817)	-
428000	Other operating revenues	_	165,091	2	83,695	2
		_	7,367,734	100	5,885,962	100
	Expenses:					
501000	Brokerage fees		266,816	4	161,450	3
502000	Brokerage and clearing fees - proprietary trading		13,327	-	13,674	-
503000	Clearing and exchange fees - refinancing		3,696	-	2,275	-
504000	Clearing and exchange fees - underwriting		2,151	-	1,049	-
507000	Issue and management fees on exchange traded notes (note 6(v))		62		145	-
521200	Financial costs		348,446	5	602,497	10
521640	Loss from securities borrowing transactions		1,804	-	2 402	-
524200	Total securities commission expense (note 6(u))		9,738	-	3,492	-
528000	Other operating expenditure		12,551	- 21	6,781	- 22
531000 532000	Employee benefits expenses (note 6(t)) Depreciation and amortization expense (note 6(t))		2,288,215 359,977	31 5	1,879,473 353,271	32
533000	Other operating expenses (note $6(t)$)		1,214,671	16	1,081,663	6 19
333000	Other operating expenses (note o(t))	_	4,521,454	61	4,105,770	70
	Other income (expenses):	_	7,321,737		4,103,770	
601100	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (note 6(d))		510,634	7	524,510	9
602000	Other gains and losses (note $6(t)$)		592,474	8	514,046	9
	8 (((-))	_	1,103,108	15	1,038,556	18
902001	Net income before income tax	_	3,949,388	54	2,818,748	48
701000	Less: Income tax expenses (note 6(q))	_	379,859	5	251,925	4
	Net income	_	3,569,529	49	2,566,823	44
805000	Other comprehensive income:					
805500	Components that may not be reclassified to profit or loss in subsequent periods:					
805510	Gains (losses) on remeasurements of defined benefit plans		(216,510)	(3)	54,421	1
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		152,710	2	632,045	11
805560	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		84,638	1	(83,371)	(2)
805599	Less: Income tax related to components of other comprehensive income	_			-	
	Subtotal of components that may not be subsequently reclassified into profit or loss	_	20,838		603,095	10
805600	Components that may be reclassified to profit or loss in subsequent periods:			(=)	(= 1 1 = 1)	
805610	Exchange differences on translation of foreign operations		(165,741)	(2)	(74,122)	(1)
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income		249,289	3	430,568	7
805660	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(24,514)	-	(10,609)	-
805699	Less: Income tax related to components of other comprehensive income (note 6(q)) Subtotal of items that may be subsequently reclassified into profit or loss	_	(15,623) 74,657		(7,256) 353,093	
805000	Other comprehensive income, net	_	95,495	1	956,188	$\frac{-6}{16}$
902006	Total comprehensive income	•	3,665,024	50	3,523,011	60
975000	Basic earnings per share (note 6(s))	\$ <u></u>	2,002,027	1.64	0,020,011	1.11
985000	Diluted earnings per share (note 6(s))	\$ <u></u>		1.64		1.11
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(English Translation of Financial Statements Originally Issued in Chinese) CAPITAL SECURITIES CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

						Total other eq			
	Stock Common stocks	- Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total Equity
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
Net income for the year ended December 31, 2019	-	-	-	-	2,566,823	-	-	-	2,566,823
Other comprehensive income					54,190	(77,475)	979,473		956,188
Total comprehensive income					2,621,013	(77,475)	979,473		3,523,011
Appropriation and distribution of retained earnings: (note $6(r)$)									
Legal reserve	-	-	138,725	-	(138,725)	-	-	-	-
Special reserve	-	-	-	284,386	(284,386)	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(928,363)	-	-	-	(928,363)
Purchase of treasury stocks	-	-	-	-	-	-	-	(1,574,000)	(1,574,000)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		<u> </u>	<u> </u>		24,780	-	(24,780)		<u>-</u>
Balance at December 31, 2019	23,209,081	2,852,299	1,658,360	3,587,197	2,681,569	(118,543)	1,696,677	(1,574,000)	33,992,640
Net income for the year ended December 31, 2020	-	-	-	-	3,569,529	-	-	-	3,569,529
Other comprehensive income					(216,868)	(174,632)	486,995		95,495
Total comprehensive income					3,352,661	(174,632)	486,995		3,665,024
Appropriation and distribution of retained earnings: (note $6(r)$)									
Legal reserve	-	-	264,579	-	(264,579)		-	-	-
Special reserve	-	-	-	529,159	(529,159)		-	-	-
Cash dividends of common stocks	-	-	-	-	(1,736,726)	-	-	-	(1,736,726)
Purchase of treasury shares	-	-	-	-	-	-	-	(30,387)	(30,387)
Retirement of treasury shares	(1,500,000)	(104,387)	-	-	-	-	-	1,604,387	-
Disposal of investments in equity instruments designated at fair	-	-	-	-	96,272	-	(96,272)	-	-
value through other comprehensive income		/4							/4 ***
Capital surplus changes in ownership interests in subsidiaries		(4,482)			-				(4,482)
Balance at December 31, 2020	\$ 21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400		35,886,069

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

Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:	Ф 2.040.200	2 010 740
Net income before tax	\$ 3,949,388	2,818,748
Adjustments:		
Income and expenses items:	224 701	227 215
Depreciation expense	334,791	327,215
Amortization expense	25,186	26,056
Impairment loss	33,690	1,817
Net gains on financial assets or liabilities at fair value through profit or loss	(176,645)	(860,666)
Financial cost	348,446	602,497
Interest revenue (including financial revenue)	(1,386,687)	(1,509,291)
Dividend revenue	(261,961)	(300,259)
Cash dividend received from investments under equity method	399,047	506,103
Share of profit of associates and joint ventures accounted for using equity method	(510,634)	(524,510)
Gains on disposal and retirement of property and equipment	(11,317)	(13,801)
Net gains on non-operating financial instruments at fair value through profit or loss	(591)	(20,826)
Gains on lease modifications	(24)	<u>(2</u>)
Subtotal of income of non-cash activities	(1,206,699)	(1,765,667)
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(4,124,051)	895,930
Increase in financial assets at fair value through other comprehensive income	(2,125,746)	(4,583,290)
Increase in receivable for securities provided as collateral	(2,585,691)	(2,178,310)
Increase in refinancing margin	(6,561)	(51,539)
Decrease (increase) in receivable on refinancing collateral	52,078	(102,920)
Increase in receivable of securities business money lending	(314,026)	(47,099)
Decrease (increase) in collateral for securities borrowed	(451,739)	109,677
Decrease (increase) in security borrowing margin	(448,731)	100,064
Increase in notes receivable	(378)	(5,220)
Increase in accounts receivable	(4,294,342)	(2,160,843)
Increase in prepayments	(5,287)	(4,021)
Increase in other receivables	(12,449)	(68,953)
Decrease (increase) in other current assets	(1,047,805)	95,355
Increase in guarantee deposited for business operations	- -	(67,900)
Decrease (increase) in settlement fund	(513)	12,122
Increase in other non-current assets	(18,493)	(73,200)
Increase in financial liabilities at fair value through profit or loss	2,133,259	258,943
Increase in bonds sold under repurchase agreements	3,589,465	3,663,007
Increase in guarantee deposited for short sales	241,299	73,720
Increase in proceeds payable from short sales	265,844	152,090
Increase (decrease) in securities lending refundable deposits	696,712	(308,130)
Increase (decrease) in notes payable	152	(481)
Increase in accounts payable	4,293,821	2,521,034
Increase (decrease) in advance receipts	(26,728)	31,757
Increase (decrease) in receipts under custody	1,521,162	(6,052)
	418,053	
Increase (decrease) in other payable Increase in other financial liabilities - current	-	(112,340)
	655,878	222,064
Increase (decrease) in provision - current	(1,915)	1,080
Increase (decrease)in other current liabilities	1,334	(117)
Increase in other financial liabilities - non-current	165,743	39,486
Increase (decrease) in other non-current liabilities Total changes in essets and liabilities from enqueting activities	(9,843)	33,313
Total each converted from a partial	(1,439,498)	(1,560,773)
Total cash generated from operation	(2,646,197)	(3,326,440)

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

Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (Expressed in Thousands of New Taiwan Dollars)

	 2020	2019
Cash generated from operating activities	\$ 1,303,191	(507,692)
Interest received	1,483,923	1,526,748
Dividends received	262,449	297,895
Interest paid	(378,766)	(585,243)
Income taxes paid	 (42,145)	(464,953)
Net Cash flows provided by operating activities	 2,628,652	266,755
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(20,000)	(35,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	21,400	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	207,270	6,800
Increase in deferred debits	(221)	(800)
Acquisition of investments using equity method	(1,013,981)	-
Proceeds from capital reduction of investments accounted for using equity method	12,638	-
Acquisition of property and equipment	(86,099)	(243,565)
Proceeds from disposal of property and equipment	20,287	14,608
Acquisition of intangible assets	 (35,972)	(7,166)
Net cash flows used in investing activities	 (894,678)	(265,123)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(3,069,913)	2,757,496
Increase in commercial papers payable	2,299,692	=
Payment of lease liabilities	(167,021)	(117,041)
Cash dividends paid	(1,736,726)	(928,363)
Purchase of treasury shares	 (30,387)	(1,574,000)
Net cash flows (used in) provided by financing activities	 (2,704,355)	138,092
Effect of exchange rate changes on cash and cash equivalents	 (87,627)	(37,845)
Increase (decrease) in cash and cash equivalents	(1,058,008)	101,879
Cash and cash equivalents, beginning of period	 2,656,201	2,554,322
Cash and cash equivalents, end of period	\$ 1,598,193	2,656,201

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

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Overview:

Capital Securities Corporation (the "Company") was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company's registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2020, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

Notes to the Financial Statements

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

The financial statements were authorized for issue by the board of directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"
- (b) The impact of IFRS endorsed by the FSC but not yet adopted by the Company

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform— Phase 2"
- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

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

Notes to the Financial Statements

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

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

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

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The financial statements has been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms".

Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

Notes to the Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the presentation currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) Assets held for the trading purposes;
- (iii) Assets that are expected to be realized within twelve months after the reporting period;
- (iv) Cash and cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) Liabilities arising from operating activities that are expected to be settled in the normal operating cycle;
- (ii) Liabilities incurred for the trading purposes;
- (iii) Liabilities that are to be settled within twelve months after the reporting period;
- (iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Notes to the Financial Statements

(e) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(f) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular transactions of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following criteria and is not designated as at FVTPL:

- · it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- · its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Notes to the Financial Statements

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI if it meets both of the following criteria and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividends derived from equity investments are recognized as revenue when the right to receive payment is established, which is normally the ex-dividend date.

3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including accounts receivable), debt instrument investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime (ECL), except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

Notes to the Financial Statements

other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying amount of the assets. For debt instrument investments at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and Equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

Notes to the Financial Statements

When the treasury stock is retired, the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Notes to the Financial Statements

(g) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are recorded through memo entries and are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Company and are recorded under the proceeds payable from securities lent. These securities lent to customers for short sales are recorded through memo entries. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Company operates margin loan business, if capital is insufficient, the Company can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Company operates short sale business, if securities are insufficient, the Company can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(h) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under "bonds sold under repurchase agreements" at the settlement date. The difference between the selling price and repurchase price is recognized as financial cost. When bonds are resold, they are reflected under "bonds purchased under resell agreements" at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

(i) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

Notes to the Financial Statements

(i) Investment in associates

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

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

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

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated the Company's interests in the associate.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

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

If the investments in associates become the investment in joint ventures, or vice versa, the Company is accounted for using the equity method consistently and does no remeasure the retained equity.

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

Notes to the Financial Statements

(k) Investments in subsidiaries

When preparing the financial statement of the parent company, the Company uses the Equity Method in evaluating the control of an investee. Under Equity Method, the net income or loss for the period of separate financial statement and the other comprehensive income of separate financial statement are the same as net income or loss for the period attributed to owners of parents of consolidated statement and other comprehensive income attributed to owners of parents of consolidated statement, respectively. The equity of the separate financial statement is the same as the equity attributable to the owners of parents of the consolidated statements.

Any change in ownership interest of the subsidiaries, not resulting in loss of control, is treated as equity transaction between the owners.

(1) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property and equipment.

Notes to the Financial Statements

Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

1) Buildings 3~55 years

2) Transportation equipment 5 years

3) Office equipment and computer facilities 3~5 years

4) Miscellaneous equipment 5~10 years

5) Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(m) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Notes to the Financial Statements

(iii) Amortization

The amortizable amount is the cost of an asset less its residual value, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- 1) Customer relationships: 5 years
- 2) Computer software cost and dial-up service charges: 3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Leases

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset throughout the period of use only if either:
 - 1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - 2) the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company 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 Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Notes to the Financial Statements

(ii) Lessee

The Company 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 Company's incremental borrowing rate. Generally, the Company 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.

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 Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it
 will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a 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.

Notes to the Financial Statements

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 Company 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 Company has listed right-of-use assets and leasing liabilities that are not categorized as investment properties as individual items in the balance sheet.

The Company 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 Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(p) Non-financial assets impairment

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notes to the Financial Statements

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements

(r) Revenue recognition

The recognition of the Company's major revenue:

- (i) Brokerage commissions, gains or loss on securities sold and related handling fees is recognized on the settlement date.
- (ii) Underwriting commissions

Underwriting brokerage revenue is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

- (iii) Interest revenue and expense arising from margin loan, short sale and bonds with repurchase agreements is recognized on an accrual basis during trading.
- (iv) Futures commission revenue arising from accessory services of futures trading, collecting commission from appointed futures dealer, the revenue is recognized on an accrual basis in accordance with related agreement.
- (v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.
- (vi) Dividend revenue is recognized as the right of receiving payment confirmed.
- (vii) Gains on futures and options transactions: Futures margins is recognized at cost and measured at fair value each day. The income arising from futures margins daily evaluation, reverse trading and execution of the futures and options is recognized as net gains or losses.

(s) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(t) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year measured using tax rates enacted or substantively enacted and any adjustment to the tax payable or receivable in respect of previous years.

Notes to the Financial Statements

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) The same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(u) Business combinations

The Company only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation.

Notes to the Financial Statements

(v) Earnings per share (EPS)

The Company presents its basic and dilutive earnings per share attributable to the Company's ordinary equity holders. The basic earnings per share of the Company is calculated by dividing profit or loss attributable to the Company's ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company include the estimation of employee remuneration.

(w) Segment information

The Company has disclosed the segment information on the consolidated financial report, thus, the Company does not disclose it on this financial report.

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

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

The preparation of the financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

(a) The fair value of financial instrument:

The fair value of non-active market or non-quoted financial instruments is determined by evaluation method. In this case, fair value is assessed from observable data or patterns of similar financial instruments. If there are no market observables, the fair value of financial instruments is assessed using appropriate assumptions. When using the evaluation model to determine fair value, all models must be calibrated to ensure that the output reflects actual data and market prices. The model uses only observable data as much as possible; however, for the part of credit risk (risk of itself and the counterparty), the Company must estimate the fluctuation and correlation for the fair value of financial assets. For sensitivity analysis of financial instruments, please refer to note 6(v).

(b) The impairment evaluation of goodwill:

The Company performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Company chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	\$2,590	2,590
Bank deposits		
Checking accounts	34,481	25,545
Demand deposits	66,682	197,121
Foreign currency deposits	109,556	111,874
Subtotal	210,719	334,540
Cash equivalents		
Time deposits	773,975	1,729,750
Futures margin - excess margin	610,909	589,321
Subtotal	1,384,884	2,319,071
Total	\$ <u>1,598,193</u>	2,656,201

(b) Financial assets

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

	Dec	2020 2020	December 31, 2019	
Open-ended funds and money-market instruments				
Open-ended funds and money-market instruments	\$	157,049	138,052	
Valuation adjustment		14,452	13,861	
Subtotal		171,501	151,913	

Notes to the Financial Statements

	December 31, 2020	December 31, 2019	
Trading securities - proprietary trading			
Listed stocks	\$ 854,887	1,756,341	
Listed funds	666,617	791,648	
OTC stocks	219,099	337,626	
OTC funds	149,083	200,580	
Emerging market stocks	617,219	532,189	
Convertible corporate bonds	921,050	889,088	
Government bonds	3,328,813	3,317,485	
Corporate bonds	8,266,818	7,641,557	
International bonds	5,149,292	4,536,910	
Financial debentures	957,778	200,000	
Foreign stocks	40,611	474,829	
Other	7,500	300	
	21,178,767	20,678,553	
Valuation adjustment	201,296	158,200	
Subtotal	21,380,063	20,836,753	
Trading securities - underwriting:			
Listed stocks	203,906	37,424	
OTC stocks	700	38,716	
Convertible corporate bonds	39,845	85,097	
	244,451	161,237	
Valuation adjustment	4,393	26,053	
Subtotal	248,844	187,290	
Trading securities - hedging			
Listed stocks	2,371,659	2,816,447	
OTC stocks	751,136	773,913	
Convertible corporate bonds	6,864,305	4,948,227	
Other	1,826,385		
	11,813,485	8,538,587	
Valuation adjustment	468,042	279,305	
Subtotal	12,281,527	8,817,892	

Notes to the Financial Statements

	December 31, 2020		December 31, 2019	
Derivatives				
Buy options	\$	51	-	
Futures margin - proprietary fund		296,313	182,308	
IRS asset swaps		13,100	16,053	
Asset swap options - long position		157,459	37,684	
Structured notes		7,785	25,925	
Subtotal		474,708	261,970	
Total	\$	34,556,643	30,255,818	

As of December 31, 2020 and 2019, trading securities and financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Company, please refer to note 8 for details.

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

Debt instruments at fair value through other comprehensive income	2,225,249
	2,225,249
Government bonds \$ 2,220,744	
International bonds 797,101	1,198,147
Overseas bonds14,607,024	12,054,824
17,624,869	15,478,220
Valuation adjustment 593,315	366,972
Subtotal <u>18,218,184</u>	15,845,192
Equity instrument at fair value through other comprehensive income	
Listed stocks 156,852	118,428
OTC stocks30,226	10,756
187,078	129,184
Valuation adjustment (7,364)	2,207
Subtotal <u>179,714</u>	131,391
Total \$	15,976,583

Notes to the Financial Statements

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

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

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

For the years ended December 31, 2020 and 2019, the dividends were recognized from the Company designated and disposed the aforementioned equity instrument investments measured at fair value through other comprehensive income – current amounted to \$16,480 and \$11,651, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Company sold shares of stocks for a fair value \$380,907 and \$691,488, respectively, cumulative dispose gains for the years ended December 31, 2020 and 2019, amounted to \$57,675 and \$22,648, respectively, were transferred from other equity items to retained earnings.

- 3) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(u).
- 4) For the years ended December 31, 2020 and 2019, impairment test have been applied by the Company, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Company please refer to note 6(u).
- (iii) Financial assets at fair value through profit or loss non-current:

	December 31, 2020		December 31, 2019	
Mandatorily measured at fair value through profit or loss:				
Government bonds	\$	180,329	180,329	
Valuation adjustment		600	138	
Total	\$	180,929	180,467	

As of December 31, 2020 and 2019, the Company took advantage of government bonds as margins of bills, interest rate swaps, structured notes transaction, settlement fund guarantee deposits, and compensation reserve of trust business (for details please refer to note 8).

Notes to the Financial Statements

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

	De	cember 31, 2020	December 31, 2019	
Equity instruments at fair value through other comprehensive income				
Non-listed or non-over-the-counter stocks	\$	496,464	683,734	
Valuation adjustment		1,573,576	1,490,370	
Total	\$	2,070,040	2,174,104	

For the year ended December 31, 2020 and 2019, the dividends were recognized from the Company designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to \$82,717 and \$65,092, respectively.

For the year ended December 31, 2020 and 2019, the Company did not sell equities recognized in FVOCI -non-current. Furthermore, the Company acquired proceeds from capital reduction amounted to \$207,270, and the distribution of residual property from liquidation amounted to \$21,400 for the year ended December 31, 2020.

(v) The Company 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 years ended December 31, 2020 and 2019 VaR (99%, per 10-day) of equity stocks are as follows:

				For the years ended December 31,				
				2020			2019	
Type of market risk	December 31, 2020	December 31, 2019	Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,351,429	1,364,147	1,237,326	1,378,457	1,066,520	1,122,594	1,364,147	932,006

(c) Accounts Receivable

	December 31, 2020		December 31, 2019	
Receivable on securities purchased by customers	\$	40,983	21,368	
Settlement		1,426,058	-	
Interests receivable		434,085	527,952	
Receivables on securities sold		8,609,466	5,760,596	
Others		84,751	86,906	
Subtotal		10,595,343	6,396,822	
Less: allowance for doubtful accounts		(241)	(1,706)	
Total	\$	10,595,102	6,395,116	

Notes to the Financial Statements

- (i) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(u).
- (ii) For the years ended December 31, 2020 and 2019, impairment test have been applied by the Company, the variation of loss allowance in receivables, please refer to note 6(u).

(d) Investments under equity method

As of December 31, 2020 and 2019, investments under equity method consisted as follow:

	December 31, 2020		December 31, 2019	
Subsidiaries				
Capital Investment Management Corp.	\$	75,880	92,445	
CSC International Holdings Ltd		1,528,445	1,605,349	
Capital Futures Corp.		3,598,396	2,817,870	
Capital Insurance Advisory Corp.		51,986	78,906	
Capital Insurance Agency Corp.		39,190	43,447	
CSC Venture Capital Corp.		841,121	763,112	
Taiwan International Securities (B.V.I) Corp.		20	18	
Taiwan International Securities Investment Consulting Corp.		-	12,644	
CSC Capital Management Co.		329,742		
Subtotal		6,464,780	5,413,791	
Associates				
Capital Investment Trust Corp.		1,340,829	1,301,360	
Total	\$	7,805,609	6,715,151	

(i) Subsidiaries:

Please refer to the consolidated financial statements as of and for the years ended December 31, 2020 for further information.

For the years ended December 31, 2020 and 2019, the Group's share of gains or losses of the subsidiaries were as follows:

	For the years end	ed December 31,
	2020	2019
Based on the audited financial statements	\$357,922	391,441

(ii) Associates

			Primary business area	Proportion of and Votin				
Name of associate	Nature between the Company					and registered country	December 31, 2020	December 31, 2019
Capital	Engaged	in	security	investment	and	Taiwan	20.00 %	20.00 %
Investment Trust	discretiona	ary in	vestment se	rvices.				
Corp.								

Notes to the Financial Statements

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

Summarized financial information of associates accounted for under equity method to the Company was as follows:

Total carrying amount of the associates	Dec (December 31, 2019 1,301,360	
	F		ed December 31,
Based on the financial statements attributable to the Company:		2020	2019
Net gains from continuing operations	\$	152,712	133,069
Other comprehensive income (losses)		2,494	6,164
Total comprehensive income (losses)	\$	155,206	139,233

(iii) Collateral

As of December 31, 2020 and 2019, none of the investment accounted for under equity method of the Company were pledged for collateral.

(e) Property and equipment

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

		Land	Buildings	Equipment	Leasehold improvements	Total
Cost or deemed cost						
Balance at January 1, 2020	\$	1,500,863	872,582	468,025	225,960	3,067,430
Additions		-	-	67,373	18,726	86,099
Transferred from investment property		453,207	296,634	-	-	749,841
Reclassified to investment property		(358,819)	(166,557)	-	-	(525,376)
Disposals and retirements			(255)	(137,431)	(18,826)	(156,512)
Balance at December 31, 2020	\$	1,595,251	1,002,404	397,967	225,860	3,221,482
Balance at January 1, 2019	\$	3,464,223	1,461,191	402,490	125,891	5,453,795
Additions		-	-	134,296	109,269	243,565
Transferred from investment property		126,013	32,417	-	-	158,430
Reclassified to investment property		(2,089,373)	(621,026)	-	-	(2,710,399)
Disposals and retirements				(68,761)	(9,200)	(77,961)
Balance at December 31, 2019	\$	1,500,863	872,582	468,025	225,960	3,067,430
Depreciation and impairment loss						
Balance at January 1, 2020	\$	-	377,939	256,312	93,608	727,859
Depreciation		-	19,551	74,401	45,439	139,391
Transferred from investment property		-	129,155	-	-	129,155
Reclassified to investment property		-	(35,618)	-	-	(35,618)
Disposals and retirements			(255)	(137,431)	(18,826)	(156,512)
Balance at December 31, 2020	\$_		490,772	193,282	120,221	804,275

Notes to the Financial Statements

				Leasehold	
	Land	Buildings	Equipment	improvements	Total
Balance at January 1, 2019	\$ -	557,098	255,431	64,052	876,581
Depreciation	-	21,590	69,642	38,414	129,646
Transferred from investment property	-	13,099	-	-	13,099
Reclassified to investment property	-	(213,848)	-	-	(213,848)
Disposals and retirements	 -		(68,761)	(8,858)	(77,619)
Balance at December 31, 2019	\$ 	377,939	256,312	93,608	727,859
Carrying amount:					
December 31, 2020	\$ 1,595,251	511,632	204,685	105,639	2,417,207
December 31, 2019	\$ 1,500,863	494,643	211,713	132,352	2,339,571

As of December 31, 2020 and 2019, the property and equipment which are provided as collateral or pledge, please refer to note 8 for details.

(f) Right-of-use assets

The Company leases many assets including buildings and equipment. Information about leases for which the Company as a lessee is presented below:

]	Buildings	Equipment	Total
Cost:	'			
Balance at January 1, 2020	\$	993,910	14,711	1,008,621
Additions		101,925	2,329	104,254
Reductions		(50,667)	(3,714)	(54,381)
Balance at December 31, 2020	\$	1,045,168	13,326	1,058,494
Balance at January 1, 2019	\$	-	-	-
Effects of retrospective application		934,538	4,680	939,218
Additions		75,643	10,031	85,674
Reductions		(16,271)	<u> </u>	(16,271)
Balance at December 31, 2019	\$	993,910	14,711	1,008,621
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	\$	151,405	5,109	156,514
Depreciation		162,751	5,579	168,330
Reductions		(47,744)	3,566	(51,310)
Balance at December 31, 2020	\$	266,412	7,122	273,534
Balance at January 1, 2019	\$	-	-	-
Depreciation		167,262	5,109	172,371
Reductions		(15,857)	<u> </u>	(15,857)
Balance at December 31, 2019	\$	151,405	5,109	156,514

Notes to the Financial Statements

	Buildings		Equipment	Total
Carrying amount:		_		_
December 31, 2020	\$	778,756	6,204	784,960
December 31, 2019	\$	842,505	9,602	852,107

(g) Investment property

Movements in investment property of the Company are as follows:

	 Land	Buildings	Total
Cost or deemed cost			
Balance at January 1, 2020	\$ 3,463,814	1,443,515	4,907,329
Transferred from property and equipment	358,819	166,557	525,376
Reclassified to property and equipment	(453,207)	(296,634)	(749,841)
Disposals and retirements	 (8,970)	(263)	(9,233)
Balance at December 31, 2020	\$ 3,360,456	1,313,175	4,673,631
Balance at January 1, 2019	\$ 1,500,919	854,906	2,355,825
Transferred from property and equipment	2,089,373	621,026	2,710,399
Reclassified to property and equipment	(126,013)	(32,417)	(158,430)
Disposals and retirements	 (465)		(465)
Balance at December 31, 2019	\$ 3,463,814	1,443,515	4,907,329
Depreciation and impairment loss			
Balance at January 1, 2020	\$ -	560,569	560,569
Depreciation	-	27,070	27,070
Transferred from property and equipment	-	35,618	35,618
Reclassified to property and equipment	-	(129,155)	(129,155)
Disposals and retirements	 	(263)	(263)
Balance at December 31, 2020	\$ <u> </u>	493,839	493,839
Balance at January 1, 2019	\$ -	334,622	334,622
Depreciation	-	25,198	25,198
Transferred from property and equipment	-	213,848	213,848
Reclassified to property and equipment	 <u> </u>	(13,099)	(13,099)
Balance at December 31, 2019	\$ - -	560,569	560,569

Notes to the Financial Statements

]	Land		Total	
Carrying Amount:					
December 31, 2020	\$	3,360,456	819,336	4,179,792	
December 31, 2019	\$	3,463,814	882,946	4,346,760	
Fair Value:					
December 31, 2020			=	8,022,826	
December 31, 2019			_	8,269,352	

The Company 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.

As of December 31, 2020 and 2019, the investment properties which are provided as collateral or pledge, please refer to note 8 for details.

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

Lessor

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

	D	ecember 31, 2020	December 31, 2019
Within 1 year	\$	160,153	168,174
1-5 years		480,086	467,096
Over 5 years		301,791	402,354
	\$	942,030	1,037,624

The rental revenue from investment property for the years ended December 31, 2020 and 2019 amounted to \$177,569 and \$139,173, respectively.

Notes to the Financial Statements

(h) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized as goodwill. As of December 31, 2020 and 2019, the book value was both \$3,126,698.

Goodwill is allocated to the operating segments as follows:

	De	December 31, 2019	
Brokerage segment	\$	1,304,458	1,304,458
Underwriting segment		265,144	265,144
Proprietary trading segment		1,557,096	1,557,096
Total	\$	3,126,698	3,126,698

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 2.77% and 5.24% in year 2020 and 2019 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2020 and 2019 exceeded the carrying amount, no impairment occurred for both years.

(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 December 31, 2020 and 2019, the book value of the operation franchise was all \$389,999.

(iii) 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 December 31, 2020 and 2019, the amortized book value were \$22,160 and \$10,809, respectively.

Notes to the Financial Statements

(i) Short-term borrowings

Nature of borrowings	December 31, owings 2020		December 31, 2019
Collateralized loan	\$	1,449,632	709,780
Credit loan		2,111,457	5,921,222
Total	\$	3,561,089	6,631,002
Interest rate range	0.4	44%~0.95%	0.95%~3.37%

As of December 31, 2020 and 2019, the Company had provided the land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(j) Commercial paper payable

	December 31, 2020		December 31, 2019
Commercial paper payable	\$	2,300,000	-
Less: Unamortized discount		(308)	
Net amount	\$	2,299,692	<u> </u>
Interest rate range	0.3	58%~0.418%	

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

	December 31, 2020	December 31, 2019
Liabilities on sale of borrowed securities	\$ 947,588	384,561
Valuation adjustment	(17,227)	(51,404)
Subtotal	930,361	333,157
Exchange Traded Notes	868	699
Valuation adjustment	260	30
Subtotal	1,128	729
Stock warrants issued	9,668,055	14,997,622
Stock warrants repurchased	(8,941,544)	(14,444,316)
Subtotal	726,511	553,306
Put options	-	5
IRS asset swaps	10,968	2,436
Asset swap options - short position	1,267,802	529,328
Structured notes	619,483	11,583
Currency swaps	12,759	4,745
Interest rate swaps	505	969
Subtotal	1,911,517	549,066
Total	\$3,569,517	1,436,258

(Continued)

Notes to the Financial Statements

(1) Bonds sold under repurchase agreements

	December 31, 2020	December 31, 2019
Bonds sold under repurchase agreements	\$35,482,996	31,893,531
Agreed-upon repurchase amounts	35,533,047	32,068,191
Interest rates	0.10%~2.60%	0.20%~3.20%
Date of repurchase	2021.1.4~2021.12.16	2020.1.2~2020.12.30

(m) Equity for each customer in the account

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

	De	ecember 31, 2020	December 31, 2019
Equity for each customer in the account	\$	13,063,932	3,025,153

(n) Accounts payable

	December 31, 2020		December 31, 2019	
Payable of securities sold by customers	\$	65,929	11,136	
Settlement		-	248,937	
Payable of settlements	1	0,241,587	5,066,861	
Others		80,579	796,220	
Total	\$ <u> 1</u>	0,388,095	6,123,154	

(o) Lease liabilities

The Company's lease liabilities are as follow:

	Dec	December 31, 2020	
Current	\$	150,214	156,150
Non-current	\$	691,314	751,240

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

Notes to the Financial Statements

The amounts recognized in profit or loss were as follows:

	For the years ended December 31		
		2020	2019
Interest on lease liabilities	\$	11,398	12,596
Expenses relating to short-term leases	\$	3,430	4,288
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$	18,184	23,462

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

	For the years ended December 31,			
	_		2020	2019
al cash outflow for leases	<u>\$</u>		200,033	157,387

(p) Employee benefit

(i) Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

	December 31, 2020		December 31, 2019	
Present value of defined benefit obligations	\$	(1,022,188)	(852,588)	
Fair value of plan assets		286,220	325,737	
Recognized liabilities for defined benefit obligations	\$	(735,968)	(526,851)	

The Company's employee benefits liabilities are as follows:

	December 31, 2020		December 31, 2019	
Compensated absences	\$	42,695	44,610	

Under the defined benefit plan, the Company deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

1) Composition of plan assets

The Company set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Bureau of labor funds, ministry of labor. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

Notes to the Financial Statements

The balance of the Company's labor pension preparatory special account in Bank of Taiwan amounted to \$284,438 and \$276,889 as of December 31, 2020 and 2019, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$1,782 and \$48,848 as of December 31, 2020 and 2019, respectively.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company in 2020 and 2019 were as follows:

	For the years ended December 31,			
		2020	2019	
Defined benefit obligation on January 1		852,588	946,285	
Current service costs and interest		9,583	14,311	
Remeasurement of net defined liabilities				
-Actuarial loss (gain) arising from changes in financial assumptions		29,578	13,358	
-Experience adjustments		196,009	(59,125)	
Benefits paid by the plan		(65,570)	(62,241)	
Defined benefit obligation on December 31	\$	1,022,188	852,588	

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2020 and 2019 were as follows:

	For the years ended December 31,		
		2020	2019
Fair value of plan assets on January 1	\$	325,737	364,814
Interest revenue		2,178	3,390
Remeasurement of net defined liabilities			
-Return on plan assets (excluding interest)		9,077	8,654
Contributions from the employer		14,798	11,120
Benefits paid from plan assets		(65,570)	(62,241)
Fair value of plan assets on December 31	\$	286,220	325,737

Notes to the Financial Statements

4) Expense recognized in profit or loss

The expenses recognized by the Company in 2020 and 2019 were as follows:

	For the years ended December 31,			
	2020		2019	
Current service cost	\$	3,914	5,575	
Net interest of net defined benefit liabilities (assets)		3,491	5,346	
Current pension cost	<u>\$</u>	7,405	10,921	

5) Re-measurement of net defined benefit plan recognized in other comprehensive income

For the years ended December 31, 2020 and 2019, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	For the years ended December 31,			
	2020		2019	
Balance at January 1	\$	(102,638)	(157,059)	
Recognized amount during the period		(216,510)	54,421	
Balance at December 31	\$	(319,148)	(102,638)	

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020	December 31, 2019	
Discount rate	0.42%	0.67%	
Future salary growth rate	2.50%	2.00%	

The expected contribution to the defined benefit plan for the next year is \$11,838. The weighted average duration of the defined benefit obligation is 1 year.

7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2020 and 2019, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	Effects to Defined Be	Effects to Defined Benefit Obligations		
	Increase 0.5%	Decrease 0.5%		
December 31, 2020				
Discount rate	(25,592)	22,317		
Future salary growth rate	20,925	(20,354)		

(Continued)

Notes to the Financial Statements

	Effects to Defined Bo	Effects to Defined Benefit Obligations			
	Increase 0.5%	Decrease 0.5%			
December 31, 2019					
Discount rate	(21,732)	22,652			
Future salary growth rate	18,013	(17,505)			

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability.

The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

(ii) Defined contribution plan

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

The Company contributed \$73,516 and \$66,717 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2020 and 2019, respectively.

(q) Income tax

(i) Income tax expense (benefit)

The amount of income tax expense (benefit) were as follows:

	For the years ended December 31,			
	2020		2019	
Current tax expense				
Current year	\$	388,290	176,414	
Adjustment to the prior years' income tax		(11,073)	65,131	
		377,217	241,545	
Deferred tax expense				
Unrealized gains (losses) on derivative financial instruments		13,804	(63,038)	
Unrealized gains (losses) on foreign investments under Equity		242	879	
Method				
Amortization of operation franchise		(42,881)	-	
Decrease in tax loss carried forward		-	108,204	
Adjustments of temporary differences for prior years		31,477	(35,665)	
		2,642	10,380	
Income tax expense from continuing operations	\$	379,859	251,925	

(Continued)

Notes to the Financial Statements

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

	For the years ended December 31,		
		2020	2019
Foreign exchange difference from translating financial statements	\$	(15,623)	(7,256)
of foreign operations			

Reconciliation of income tax expense (benefit) and income before tax were as follows:

	For the years ended December 3		
		2020	2019
Net income before tax	\$	3,949,388	2,818,748
Income tax using the Company's domestic tax rate	\$	789,878	563,750
Tax exempt income		(425,141)	(345,249)
Alternative minimum tax		31,833	3,585
Additional surtax on undistributed retained earnings		5,766	378
Amortization of operation franchise		(42,881)	-
Income tax difference of bonds purchased under resale agreement and income tax separately levied	S	-	(5)
Adjustments to prior years' income tax		(11,073)	65,131
Adjustments of temporary differences for prior years	_	31,477	(35,665)
Total	\$	379,859	251,925

(ii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	Dec	ember 31, 2020	December 31, 2019	
Tax loss carried forward	\$	-	31,476	
Unrealized losses on foreign investments under Equity Method		5,421	5,663	
Foreign exchange difference from translating financial statements of foreign operations		18,012	2,390	
Unrecognized loss in derivative financial instruments		54,277	68,081	
Total	\$	77,710	107,610	

2) Recognized deferred income tax liabilities

	December 31, 2020		December 31, 2019	
Losses on intercompany transactions	\$	1,928	1,928	
Amortization of operation franchise		-	42,881	
Amortization of goodwill		362,697	362,697	
Land value incremental tax		47,690	47,690	
Total	\$	412,315	455,196	

Notes to the Financial Statements

(iii) Income tax assessment status

The Company's income tax returns through 2018 were assessed by the Tax Authority.

(iv) Income tax administrative relief

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

(r) Capital and other equity

(i) Capital stock

As of December 31, 2020 and 2019, the Company had authorized capital of \$30,000,000 and issued common stock of 2,170,908 thousand shares, and 2,320,908 thousand shares, respectively, with a par value of \$10 per share.

(ii) Capital surplus

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

The followings are the capital surplus of the Company:

	December 31, 2020		December 31, 2019	
Premium from stock issuance	\$	1,661,604	1,776,413	
Treasury stock transactions		486,556	437,096	
Paid-in capital from merger		563,715	602,665	
Difference between consideration and carrying amount of subsidiaries acquired and disposed		1,251	1,338	
Changes in ownership interests in subsidiaries		30,304	34,787	
	\$	2,743,430	2,852,299	

(iii) Retained earnings

1) Legal reserve

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

Notes to the Financial Statements

2) Special reserve

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

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

3) Undistributed earnings

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

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

The Company's 2019 and 2018 earnings distribution resolved by the shareholders' meeting on June 22, 2020 and June 24, 2019, respectively, were as follows:

	2019		2018	3
		Dividends		Dividends
	 Amount	per share	Amount	per share
Cash dividends	\$ 1,736,726	0.8	928,363	0.4

Notes to the Financial Statements

On March 25, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	2020	
		Dividends
	Amount	per share
Cash dividends	\$ 2,387,999	1.1

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

(iv) Treasury stocks

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

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

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

(s) Earnings per share

The basic earnings per share and dilutive earnings per share were calculated as follows:

	For		ed December 31,
		2020	2019
Net income attributable to common shareholders of the Company	\$	3,569,529	2,566,823
Weighted-average number of common stock shares outstanding (thousands of shares)	=	2,170,916	2,314,284
Basic earnings per share (dollar)	\$	1.64	<u> </u>
Effect of potentially dilutive common stock			
- Employee remuneration (thousands of shares) (Note)	=	3,363	<u> 2,912</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	=	2,174,279	2,317,196
Dilutive earnings per share (dollar)	\$	1.64	<u>1.11</u>

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

Notes to the Financial Statements

(t) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the years ended December 31,		
		2020	2019
Brokerage commission from TSE market	\$	2,523,123	1,539,188
Brokerage commission from OTC market		847,544	567,295
Handling fee from security financing		34,006	23,878
Others		109,030	75,006
	\$	3,513,703	2,205,367

(ii) Underwriting commissions

	For the years ended December		
		2020	2019
Revenue from underwriting securities on a firm commitment basis	\$	86,283	52,495
Handling fee revenues from underwriting securities on best efforts basis		531	4,942
Processing fee revenues from underwriting operations		117,575	18,444
Revenue from underwriting consultation		8,290	5,260
Others		1,611	1,740
	\$	214,290	82,881

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

	For the years ended December 31		
		2020	2019
Gains (losses) on securities sold - proprietary trading	\$	571,868	387,111
Gains (losses) on securities sold - underwriting		78,546	60,428
Gains (losses) on securities sold - hedging		658,112	505,145
	\$	1,308,526	952,684

(iv) Interest revenue

	For the years ended December 3		
		2020	2019
Interest revenue - margin loans	\$	613,935	592,790
Interest revenue - bonds		646,278	836,503
Others		121,477	77,685
	\$	1,381,690	1,506,978

Notes to the Financial Statements

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

	For the years ended December 31,		
		2020	2019
Trading securities - proprietary	\$	43,744	403,909
Trading securities - underwriting		(21,660)	34,364
Trading securities - hedging		188,737	510,815
	\$	210,821	949,088

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

	For the years ended December		
		2020	2019
Gains on changes in fair value of stock warrants	\$	10,507,461	21,714,001
Gains on exercise of stock warrants before maturity		42,355,800	21,160,960
Losses on changes in fair value of stock warrants repurchased		(52,489,556)	(42,699,393)
Gains on expiration of stock warrants		43,514	15,602
Stock warrants issuance expenses		(197,941)	(154,084)
	\$	219,278	37,086

(vii) Employee benefits, depreciation, and amortization expenses

For the years ended December		
	2020	2019
\$	2,019,464	1,628,480
	137,941	129,502
	80,921	77,638
	49,889	43,853
	334,791	327,215
	25,186	26,056
\$	2,648,192	2,232,744
	\$	\$ 2,019,464 137,941 80,921 49,889 334,791 25,186

(viii) Other operating expenses

	For the years ended December 3		
		2020	2019
Rental expense	\$	21,614	27,750
Taxes		349,310	292,479
Information technology expense		113,816	106,205
Postage expense		149,431	121,481
Professional service fee		72,749	85,214
Other expenses	_	507,751	448,534
	\$ _	1,214,671	1,081,663

Notes to the Financial Statements

(ix) Other gains and losses

	For the years ended December		
		2020	2019
Financial revenue	\$	4,997	2,313
Net gains (losses) on disposal of investment		41,033	477
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss		591	20,826
Revenue from bank's allocation fee		173,191	139,968
Revenue from information technology service		50,943	46,667
Net gains (losses) on disposal of property and equipment		11,317	13,801
Dividend revenue		82,717	65,092
Gains on reversal of prior year's liabilities		21,856	52,211
Rental income		177,569	139,173
Others		28,260	33,518
	\$	592,474	514,046

(x) Remuneration to employees and directors

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

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

For the years ended December 31, 2020 and 2019, the estimated amounts of remuneration to employees were \$45,574 and \$32,756, and to directors were \$76,446 and \$54,594, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018, the estimated amounts of remuneration to employees were \$32,756 and \$20,971, and to directors were \$54,594 and \$34,951 by the Company. The difference between actual employee remuneration of \$27,027 and \$14,587 and actual remuneration to directors of \$45,335 and \$24,248 were \$14,988 and \$17,087 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2020 and 2019. The information about the appropriations is available at the website of the Market Observation Post System.

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2020 and 2019, the maximum credit exposure amounted to \$80,732,835, and \$58,834,957, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Company is as the list below. The region of exposure is mostly in Taiwan (74.16%); secondly, is in Asia (10.33%, exclusion of Taiwan); then, is in America (9.86%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

	D	ecember 31,	December 31,	
Region		2020	2019	
Taiwan	\$	59,869,221	40,940,023	
Asia (Taiwan is excluded)		8,340,313	6,645,342	
America		7,963,866	7,442,466	
Europe		3,671,081	3,807,126	
Other		888,354		
Total	\$	80,732,835	58,834,957	

2) Impairment loss

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

	December	r 31, 2020	December	r 31, 2019
	Total amount	Allowance	Total amount	Allowance
Not past due	\$27,525,783	29,250	20,427,312	836
Past due 0~30 days	182	182	275	275
Past due 31~120 days	399	399	127	127
Past due 121~360 days	297	297	8	8
Past due more than 360 days	212,496	212,496	216,334	216,334
	\$ <u>27,739,157</u>	242,624	20,644,056	217,580

Notes to the Financial Statements

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2020 and 2019, the impairment losses of accrued receivables were recognized \$242,624 and \$217,580, respectively.

3) Credit risk of accrued receivables and debt securities

Debt securities held by the Company 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(f).

The Company 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 Company. Thus, the Company will recognize the impairment losses.

The loss allowance provision for the years ended December 31, 2020 and 2019 was as follows:

			Lifetin	ie ECL	Lifetim	ie ECL	
	 12-mon	th ECL	-not credi	t impaired	-credit in	npaired	
	 ccrued	Debt securities	Accrued	Debt securities	Accrued	Debt securities	
	eivables_	at FVOCI	receivables	at FVOCI	receivables	at FVOCI	Total
Balance on January 1, 2020	\$ -	7,567	-	-	217,580	-	225,147
Provision or reversal of Impairment loss	-	1,824	-	-	31,866	-	33,690
Amounts written off	 				(6,822)		(6,822)
Balance on December 31, 2020	\$ -	9,391			242,624		252,015

	12-mon	th ECL	Lifetin not credi	ie ECL t impaired	Lifetim -credit ii		
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Total
Balance on January 1, 2019	-	5,861	-	-	237,968	-	243,829
Provision or reversal of Impairment loss	-	1,706	-	-	111	-	1,817
Amounts written off					(20,499)		(20,499)
Balance on December 31, 2019	\$	7,567			217,580		225,147

Notes to the Financial Statements

(ii) Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Company 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
December 31, 2020							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 930,361	930,361	930,361	-	-	-	-
Stock warrants issued	726,511	726,511	644,819	81,692	-	-	-
Exchange traded notes	1,128	1,128	1,128	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	24,232	24,232	13,298	(1,809)	4,829	7,914	-
Put options	1,267,802	1,267,802	280,120	137,993	399,655	450,034	-
Short-term borrowings	3,561,089	3,561,089	3,561,089	-	-	-	-
Commercial paper payable	2,299,692	2,300,000	2,300,000	-	-	-	-
Bonds sold under repurchase agreements	35,482,996	35,533,047	27,120,589	8,412,458	-	-	-
Guarantee deposited for short sales	2,631,763	2,631,763	2,631,763	-	-	-	-
Proceeds payable from short sales	3,021,249	3,021,249	3,021,249	-	-	-	-
Securities lending refundable deposits	1,033,425	1,033,425	1,033,425	-	-	-	-
Equity for each customer in the account	13,063,932	13,063,932	13,063,932	-	-	-	-
Notes payable and accounts payable	118,382	118,382	118,382	-	-	-	-
Receipts under custody	1,631,028	1,631,028	1,631,028	-	-	-	-
Other payables	929,072	929,072	929,072	-	-	-	-
Structured notes	5,370,573	5,370,573	3,980,110	266,846	171,945	951,672	-
Lease liabilities	841,528	879,357	86,267	73,930	135,568	339,931	243,661
	\$ 72,934,763	73,022,951	61,346,632	8,971,110	711,997	1,749,551	243,661

Notes to the Financial Statements

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2019							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 333,157	333,157	333,157	-	-	-	-
Stock warrants issued	553,306	553,306	465,459	87,847	-	-	-
Put options - futures	5	5	5	-	-	-	-
Exchange traded notes	729	729	-	-	-	729	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	8,150	8,150	4,592	822	(711)	3,447	-
Put options	529,328	529,328	41,762	67,521	208,340	211,705	-
Short-term borrowings	6,631,002	6,631,002	6,631,002	-	-	-	-
Bonds sold under repurchase agreements	31,893,531	32,068,191	24,577,057	7,491,134	-	-	-
Guarantee deposited for short sales	2,390,464	2,390,464	2,390,464	-	-	-	-
Proceeds payable from short sales	2,755,405	2,755,405	2,755,405	-	-	-	-
Securities lending refundable deposits	336,713	336,713	336,713	-	-	-	-
Notes payable and accounts payable	3,865,851	3,865,851	3,865,851	-	-	-	-
Receipts under custody	109,866	109,866	109,866	-	-	-	-
Other payables	512,459	512,459	512,459	-	-	-	-
Structured notes	3,941,052	3,941,052	3,296,957	294,709	241,782	107,604	-
Lease liabilities	907,390	954,367	89,740	77,553	139,137	312,884	335,053
	\$ 54,768,408	54,990,045	45,410,489	8,019,586	588,548	636,369	335,053

Notes to the Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

			December 31, 2020	
		gn Currency lousands)	Exchange Rate	Amount
Financial assets	(11	iousanus)	Exchange Rate	Amount
Monetary Item				
USD	\$	20,740	28.4800	590,675
AUD		1,791	21.9500	39,312
CAD		68	22.3500	1,520
EUR		488	35.0200	17,090
GBP		20	38.9000	778
HKD		10,380	3.6730	38,126
JPY		8,660	0.2763	2,393
SGD		7	21.5600	151
CNY		28,098	4.3770	122,985
Non-Monetary Item				
USD		582,021	28.4800	16,575,958
AUD		105,749	21.9500	2,321,191
EUR		33,014	35.0200	1,156,150
HKD		1,031	3.6730	3,787
JPY		10,105	0.2763	2,792
CNY		238,236	4.3770	1,042,759
Investments under equity				
<u>method</u>				
USD		53,763	28.4300	1,528,465
Financial liabilities				
Monetary Item				
USD		606,539	28.4800	17,274,231
AUD		97,069	21.9500	2,130,665
CAD		66	22.3500	1,475
EUR		31,921	35.0200	1,117,873
GBP		20	38.9000	778
HKD		69,172	3.6730	254,069
JPY		13,959	0.2763	3,857
SGD		20	21.5600	431
CNY		157,183	4.3770	687,990

(Continued)

Notes to the Financial Statements

		December 31, 2019	
	Foreign Currency	December 01, 2019	
	(thousands)	Exchange Rate	Amount
Financial assets			
Monetary Item			
USD	\$ 54,944	29.9800	1,647,221
AUD	2,200	21.0050	46,211
CAD	4	22.9900	92
EUR	1,420	33.5900	47,698
GBP	635	39.3600	24,994
HKD	8,997	3.8490	34,629
JPY	7,769	0.2760	2,144
SGD	8	22.2800	178
CNY	40,454	4.3050	174,154
ZAR	6	2.1200	13
KRW	18	0.0262	-
Non-Monetary Item			
USD	476,215	29.9800	14,276,926
AUD	143,300	21.0050	3,010,017
EUR	1,185	33.5900	39,804
HKD	338	3.8490	1,301
JPY	2,475	0.2760	683
CNY	251,594	4.3050	1,083,112
Investments under equity method			
USD	53,638	29.9300	1,605,367
Financial liabilities			
Monetary Item			
USD	529,342	29.9800	15,869,673
AUD	132,660	21.0050	2,786,523
EUR	2,297	33.5900	77,156
GBP	635	39.3600	24,994
HKD	66,162	3.8490	254,658
JPY	57	0.2760	16
SGD	1	22.2800	22
CNY	168,381	4.3050	724,880

Because there are a variety of functional currencies, the Company discloses a summary of currency exchange variation on the monetary items. For the years ended December 31, 2020 and 2019, the realized and unrealized currency exchange gains amounted to \$98,722 and \$9,561, respectively.

Notes to the Financial Statements

2) Sensitivity analysis

The currency risk of the Company 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, short-term borrowings, 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 years ended December 31, 2020 and 2019, 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 years ende 202	· · · · · · · · · · · · · · · · · · ·	For the years ended December 31, 2019		
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%	
Net income	(620,603)	620,603	(518,752)	518,752	
Other comprehensive income	699,513	(699,513)	609,017	(609,017)	

(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 Company's exposure to floating rates on its bond position.

]	for the years end	ed December 31,		
				2020			2019	
	December	December			-			
Market risk type	31, 2020	31, 2019	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,560,150	1,409,781	1,574,731	1,758,733	1,378,218	1,497,257	1,572,243	1,409,781

Notes to the Financial Statements

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

Initially, financial instruments should be measured at fair value, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are subsequently measured at fair value. A quoted market in an active market provides the most reliable evidence of fair value. If the market is not active, the Company 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 Company'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 Company 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.

Notes to the Financial Statements

2) Not measured at fair value

As of December 31, 2020 and 2019, the fair value information of the financial assets and financial liabilities of the Company was as follows:

a) Fair value information

	December	31, 2020	December	r 31, 2019
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	\$ 1,598,193	1,598,193	2,656,201	2,656,201
Accrued receivable	42,345,333	42,345,333	24,378,626	24,378,626
Restricted assets - current	20,829	20,829	615,927	615,927
Other non-current assets	1,098,324	1,098,324	1,114,091	1,114,091
Financial liabilities:				
Short-term borrowings	3,561,089	3,561,089	6,631,002	6,631,002
Commercial paper payable	2,299,692	2,299,692	-	-
Bonds sold under repurchase agreements	35,482,996	35,482,996	31,893,531	31,893,531
Accrued payable	33,216,957	33,216,957	15,436,383	15,436,383
Other financial liabilities - current	4,235,829	4,235,829	3,579,951	3,579,951
Other financial liabilities - non- current	515,261	515,261	349,518	349,518
Other non-current liabilities	101,660	101,660	104,110	104,110

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

	Level 1	Level 2	Level 3	Total
Investment property				
December 31, 2020	\$ <u> </u>		8,022,826	8,022,826
December 31, 2019	\$ <u> </u>		8,269,352	8,269,352

- 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, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, 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.

(Continued)

Notes to the Financial Statements

3) Measured at fair value

a) Hierarchy information of fair value

The Company'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:

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets at fair value through profit or loss	\$ 11,567,025	22,695,839	-	34,262,864
Financial assets at fair value through other comprehensive income	2,438,619	15,959,279	2,070,040	20,467,938
Derivative financial assets	296,364	178,344		474,708
	\$ <u>14,302,008</u>	38,833,462	2,070,040	55,205,510
Financial liabilities at fair value through profit or loss	\$ 1,658,000	-	-	1,658,000
Derivative financial liabilities	608,356	1,303,161		1,911,517
	\$ <u>2,266,356</u>	1,303,161		3,569,517
	Level 1	Level 2	Level 3	Total
	LCVCII	ECVCI 2		Total
December 31, 2019	Level 1	<u> </u>	<u> </u>	10111
December 31, 2019 Financial assets at fair value through profit or loss	\$ 11,709,290	18,465,025	-	30,174,315
Financial assets at fair value			2,174,104	
Financial assets at fair value through profit or loss Financial assets at fair value through other comprehensive	\$ 11,709,290	18,465,025	-	30,174,315
Financial assets at fair value through profit or loss Financial assets at fair value through other comprehensive income	\$ 11,709,290 2,356,682	18,465,025 13,619,901	-	30,174,315 18,150,687
Financial assets at fair value through profit or loss Financial assets at fair value through other comprehensive income	\$ 11,709,290 2,356,682 	18,465,025 13,619,901 79,662	2,174,104	30,174,315 18,150,687 261,970
Financial assets at fair value through profit or loss Financial assets at fair value through other comprehensive income Derivative financial assets Financial liabilities at fair value	\$ 11,709,290 2,356,682 182,308 \$ 14,248,280	18,465,025 13,619,901 79,662	2,174,104	30,174,315 18,150,687 261,970 48,586,972
Financial assets at fair value through profit or loss Financial assets at fair value through other comprehensive income Derivative financial assets Financial liabilities at fair value through profit or loss	\$ 11,709,290 2,356,682	18,465,025 13,619,901 79,662 32,164,588	2,174,104	30,174,315 18,150,687 261,970 48,586,972 887,192

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.

Notes to the Financial Statements

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2020 and 2019, 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 Company. 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.

Notes to the Financial Statements

6) Movements of financial assets at fair value classified into Level 3

(In Thousands Dollars)

				For the yea	ır ended Decembe	er 31, 2020			
		Gains and loss	es on valuation	Addi	tion		Reduction		
Item	Beginning Balance	Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	Ending Balance
Financial assets at fair value through other	S 2,174,104		104,606	20,000		21,400	207,270		2,070,040
comprehensive income									
				For the yea	r ended Decembe	er 31, 2019			
		Gains and loss	es on valuation	Addi	tion		Reduction		
Item Financial assets at fair	Beginning Balance \$ 1,627,616	Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	Ending Balance
value through other comprehensive income	3 1,027,010	===	518,288	35,000	===	6,800	===		2,174,104

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

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

The Company'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	Market approach	· Price-to-Book Ratio	· The higher the multiple, the higher fair value.
- equity instruments without an active market		· Discount for lack of marketability	• 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

Notes to the Financial Statements

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

The fair value measurement that the Company 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 othe comprehensive income			
	Favorable change	Unfavorable change		
December 31, 2020				
Financial assets fair value through other comprehensive income	\$20,700	(20,700)		
December 31, 2019				
Financial assets fair value through other comprehensive income	\$ <u>21,741</u>	(21,741)		

Favorable and unfavorable movements of the Company 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 Company 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 Company cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Company 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:

			December 31,	2020			
	D	aak valua of	Book value	Fair value of the	Fair value of	Fair value	
Book value of Types of financial the transferred			of relevant financial	transferred financial assets	relevant financial	net position	
assets		ancial assets	liabilities	(Note)	liabilities (Note)	(Note)	
Under repurchase	- <u>\$</u>	37,581,050	35,482,996	-			
agreements	-						

Notes to the Financial Statements

		December 31,	2019		
Types of financial	Book value of the transferred	Book value of relevant financial	Fair value of the transferred financial assets	Fair value of relevant financial	Fair value
assets	financial assets	liabilities	(Note)	liabilities (Note)	(Note)
Under repurchase	\$ 33,493,218	31,893,531	-	-	
agreements					

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Company; 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 Company 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 Company 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:

				December 31	, 2020		
		Finan	cial assets under offsetti	ing or general agreeme	nt of net amount set	tlement or similar no	rms
	Gro	oss amount of	Gross amount of recognized financial	Net amount of financial assets	Related amount balance s		
	r	ecognized	liabilities offsetting	presented in the	Financial	. ,	Net
	fin	ancial assets	in the balance sheet	balance sheets	instruments	Cash received	amount
		(a)	(b)	(c)=(a)-(b)	(Note)	as collaterals	(e)=(c)-(d)
Derivative financial	s	178,344		178,344	-		178,344
assets							
	-			December 31	,		
		Financia	al liabilities under offse	0 0			orms
			Gross amount of	Net amount of	Related amount		
		oss amount of ecognized	recognized financial	financial liabilities	balance s	sneet (a)	Net
	financial liabilities		assets offsetting in the balance sheet	presented in the balance sheets	instruments	Cash received	amount
	IIIIai	(a)	(b)	(c)=(a)-(b)	(Note)	as collaterals	(e)=(c)-(d)
Derivative financial liabilities	\$	1,911,517	-	1,911,517	-	-	1,911,517
Under repurchase agreements		35,482,996	-	35,482,996	35,482,996	-	-
Total	\$	37,394,513	<u> </u>	37,394,513	35,482,996	-	1,911,517
				December 31	. 2019		
	-	Finan	ial assets under offsetti			tlement or similar no	rms
	-		Gross amount of	Net amount of	Related amount	not offset in the	
		oss amount of	recognized financial	financial assets	balance s	sheet (d)	
		ecognized	liabilities offsetting	presented in the	Financial		Net
	fin	ancial assets	in the balance sheet	balance sheets	instruments	Cash received	amount
Desirentias Guerri 11		(a) 70.662	(b)	(c)=(a)-(b)	(Note)	as collaterals	(e)=(c)-(d)
Derivative financial assets	\$	79,662	-	79,662	-		79,662

Notes to the Financial Statements

		December 31, 2019									
		Financial liabilities under offsetting or general agreement of net amount settlement or similar norms									
	Gross amount of		Gross amount of recognized financial	Net amount of financial liabilities	Related amount balance s						
		recognized assets offsetting the balance she (a) (b)		presented in the balance sheets (c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	Net amount (e)=(c)-(d)				
Derivative financial liabilities	\$	549,061	-	549,061	-	-	549,061				
Under repurchase agreements		31,893,531		31,893,531	31,893,531		-				
Total	S	32,442,592		32,442,592	31,893,531		549,061				

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

(v) Financial risk management

(i) Brief

The Company is exposed to the following risks due to the usage of financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The disclosure hereby presents above-mentioned risk information, evaluation, and objectives, policies, and procedures of managing information. Further information regarding quantity disclosure please refers to related disclosures.

(ii) Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Company also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Company set up a risk management information system to assist whole risk management execute effectively.

(iii) Credit risk

- 1) Determining whether credit risk has increased significantly since initial recognition
 - a) The Company measures each financial instrument that applies under IFRS9 if the credit risk of financial asset at the reporting date has increased significantly since initial recognition. The Company considers reasonable and supportable information that is relevant and available, including forward-looking information, since initial recognition for assessment. Main factors taking into consideration include credit risk rating and information of past due condition.

Notes to the Financial Statements

b) Low Credit Risk: A financial instrument has low credit risk at the reporting date, assumed to have no significant increase in credit risk since initial recognition. The determination criteria are the financial instrument's external credit rating is 'investment grade' or above.

2) Measurement of Expected Credit Losses (ECL)

a) Methods adopted and assumptions

The Company applies 12-month ECLs to measure the impairment loss of financial instruments, which have not increased significantly since initial recognition. For those financial instruments have increased significantly after initial recognition or with credit loss, the Company adopts lifetime ECLs to measure.

In order to measure ECLs, the Company takes into the future 12 months and lifetime probability of default (PD) on the financial assets, issuer, and counterparty to the possibility of Loss given default (LGD), then multiplies the amount of exposure at default (EAD) with the consideration of time value on currency, to calculate the 12 month and lifetime ECLs respectively.

Probability of PD is the probability of defaults occurring of an issuer or the counterparty. Probability of LGD is the percentage of the amount of loss incurred when issuers or the counterparty default. The probability of PD and LGD used by the Company was referring to the information periodically release from international credit rating institutions such as S&P, Moody's and Fitch. The Company measures EAD by the amortized cost plus interest receivables of financial instruments.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Company also to diversify the financing channels for funding. The Company plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Company has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc. to address the liquidity risk of each holding position. Moreover, the Company operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

(v) Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Company's revenue or the value of its holdings of financial instruments.

Notes to the Financial Statements

The Company has set up the trading quotas and upper limit of Value at Risk ("VaR") in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Company uses to measure the market risk are as follows:

- 1) Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- 2) Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 3) Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 4) Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Company can utilizes approved financial hedging instruments (such as Futures, Options, Swap and etc.) to adjust the risk level to improve the risk management system implemented.

(vi) Hedging strategies (financial hedging)

The Company's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Company sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Company also formulates principal to conduct over or under limitations with hedging position

1) Equity securities:

As equity securities price fluctuate, the Company will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Company not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

2) Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Company will suffer losses when unfavorable variation of market rate is incurred. The Company uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

3) Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors' exercising the stock warrants. The Company will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Company will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

Notes to the Financial Statements

4) Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Company uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Company establishes related hedged position to hedge the stock price and the volatility risk.

5) Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Company manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

(vii) Financial risk information of financial derivatives and other financial instruments as approved by the authority

As of December 31, 2020 and 2019, the related financial risk and the presentation of the Company's derivatives and other financial instruments as approved by the authority were as follows:

Stock warrants

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

	December	31, 2020	December 31, 2019	
Financial Instruments	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:	 			
Stock warrants issued	\$ 14,988,329	-	18,302,776	-

The Company 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.

Notes to the Financial Statements

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

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

(v) Presentation of financial derivatives

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

1) For the year ended December 31, 2020 and 2019:

a) Gains (losses) on valuation

	I	For the years ended l			
		2020	2019	Account	
Stock warrants issued	\$	17,825,096	11,359,166	Gains (losses) on stock warrants issued	
Stock warrants repurchased		(17,761,848)	(11,382,768)	Gains (losses) on stock warrants issued	

b) Gains (losses) on sale

	F	for the years ende	d December 31,	
		2020	2019	Account
Security borrowing	\$	48,780	55,194	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging		61,457	340,093	Gains (losses) on sale of trading securities
Futures transaction		(132,451)	(319,856)	Gains (losses) on derivative financial instruments - futures

(Continued)

Notes to the Financial Statements

c) Gains (losses) on maturity

	F	or the years ended I			
		2020	2019	Account	
Stock warrants issued	\$	35,081,679	31,531,397	Gains (losses) on stock warrants issued	
Stock warrants repurchased		(34,727,708)	(31,316,625)	Gains (losses) on stock warrants issued	

Exchange traded notes

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

		December	31, 2020	December 31, 2019	
	pı	otional ·incipal ·lominal		Notional principal / Nominal	
Financial Instruments	a	mount	Credit Risk	amount	Credit Risk
For trading purpose:					
Exchange traded notes issued	\$	1,128	-	729	-

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

(ii) Market risk:

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

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

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

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

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

The Company'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.

Notes to the Financial Statements

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

		mber 31, 2020	December 31, 2019	Account
Margin - exchange traded notes	\$	25	25	Other non-current assets
Outstanding liabilities - exchange traded notes		1,128	729	Financial liabilities at fair value through profit or loss - current
	For	the years ende	d December 31,	
	:	2020	2019	Account
Gains (losses) on exchange traded notes	\$	(296)	(67)	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes		8	6	Management and commissions revenue from exchange traded notes
Issue and management fees on exchange traded notes		(62)	(145)	Issue and management fees on exchange traded notes

<u>Futures</u>

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

	December 31, 2020			December 31, 2019		
Financial Instruments	! /	Notional orincipal Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	
For trading purpose:						
Taiex Futures	\$	-	-	117,741	-	
Finance Sector Index Futures		-	-	135,817	-	
U.S.dollar Index Futures		25,557	-	-	-	
Gold Futures		53,681	-	-	-	
Wheat Futures		2,732	-	-	-	
Soybean Futures		7,499	-	-	-	
10 year U.SNote Futures		109,920	-	-	-	
Long-term Euro-BTP Futures		292,916	-	33,538	-	
Euro-Bond Futures		62,338	-	17,265	-	

Notes to the Financial Statements

	December 31, 2020			December 31, 2019		
Financial Instruments		Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	
For non-trading purpose:		amount	Cituit Misk		Credit Risk	
Taiex Futures	\$	339,185	-	132,665	-	
Mini-Taiex Futures		-	-	4,198	-	
Single Stock Futures		550,140	-	1,038,306	-	
Mini-S&P 500 Futures		52,133	-	-	-	
Mini-Nasdaq Futures		7,129	-	-	-	
HSI Futures		44,464	-	5,379	-	
U.S.dollar Index Futures		12,941	-	-	-	
Soybean Futures		10,636	-	-	-	
Gold Futures		240,756	-	-	-	
Mini-HSI Futures		-	-	11,921	-	
Crude oil Futures		-	-	30,513	-	
FTSE China A50 Index Futures		300,197	-	238,645	-	
VIX Futures		281,920	-	23,342	-	
SGX Nikkei 225 Index Futures		18,423	-	16,488	-	
Tokyo Stock Price Index Futures		34,977	-	-	-	
Japanese yen Futures		3,429	-	10,326	-	
Brent Crude Oil Futures		4,316	-	-	-	
Stock Options		62	-	-	-	
Crude Oil Options		-	-	4	-	

Should counterparties to futures and options default, the associated loss is borne by the futures commission merchants. Hence, the Company 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 Company 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.

Notes to the Financial Statements

(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 Company 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 Company. For margin calls, the Company 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 Company has sufficient operating funds to meet the liquidity requirement. Therefore, there is no liquidity risk, no cash flow risk, and no significant cash demand.

(iv) Presentation of financial derivatives:

	December 31, 2020	December 31, 2019	Account
Futures margin - proprietary fund	\$ 296,313	182,308	Financial assets at fair value through profit or loss - current
Excess futures margin	610,909	589,321	Cash and cash equivalent
Buy options	51	-	Financial assets at fair value through profit or loss - current
Put options	-	5	Financial liabilities at fair value through profit or loss - current
	 For the years ended	December 31,	
	2020	2019	Account
Gains (losses) on futures and options transactions	 (48,510)	(645,521)	Gains (losses) on derivatives - futures

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

	 December	31, 2020	December 31, 2019		
	Notional principal / Nominal		Notional principal / Nominal		
Financial Instruments	 amount	Credit Risk	amount	Credit Risk	
For trading purpose:					
NT dollar interest swaps	\$ 10,900,000	-	21,300,000	-	

Counterparties to interest rate swaps are banks with good credit ratings. The Company 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.

Notes to the Financial Statements

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

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

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

The Company entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Company'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 Company engages in trading NT dollar interest rate swaps to gain from the differences in interest rates upon evaluation of the trending of interest rates.

Notes to the Financial Statements

(ii) Structured notes

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

		December 31, 2020			December 31, 2019		
Financial Instruments	r /	Notional orincipal Nominal amount	Credit Risk	pri / No	tional ncipal ominal nount	Credit Risk	
For trading purpose:			010410111511				
Equity-linked notes	\$	1,311,000	-		215,789	-	
Principal guaranteed notes		3,264,693	-	2	,935,907	-	
Credit-linked notes		783,100	-		669,900	-	
Principal guaranteed notes (in USD thousands)	USI	100	-	USD	3,690	-	

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

(iii) Convertible bond asset swaps

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

_	December	31, 2020	December 31, 2019		
Financial Instruments	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	
For trading purpose:					
Convertible bond asset swaps \$	1,109,900	-	886,900	-	
Convertible bond options	7,035,300	-	4,452,000	-	

Counterparties to convertible bond asset swaps are institutions with good credit ratings. The Company 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 Company maintains good credit risk control over counterparties, the credit risks is minimal.

Notes to the Financial Statements

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

2) Market risk:

For convertible bond asset swaps, the Company 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 swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Company also receives the right to call the convertible bond prior to the expiration of the contract. Therefore, there is no significant liquidity risk or significant cash demand.

(iv) Options

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

		December	31, 2020	December 31, 2019		
	p	Notional orincipal/ Nominal		Notional principal/ Nominal		
Financial Instruments	_	amount	Credit Risk	amount	Credit Risk	
For trading purpose:						
Equity options	\$	839	-	200,000	=	

The counterparties that the Company entered into derivative transactions with are all well-known financial institutions with good credit ratings. The Company 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 Company can confine losses to a predictable range. Therefore there is no significant market risk.

Notes to the Financial Statements

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 Company 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

As of December 31, 2020 and 2019, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps were presented on the balance sheets as follows:

	De	ecember 31, 2020	December 31, 2019	
Financial assets at fair value through profit or loss - current				
IRS asset swaps	\$	13,100	16,053	
Asset swap options-long position		157,459	37,684	
Structured notes		7,785	25,925	
Total	\$	178,344	79,662	
Financial liabilities at fair value through profit or loss - current				
IRS asset swaps	\$	10,968	2,436	
Asset swap options-short position		1,267,802	529,328	
Structured notes		619,483	11,583	
Currency swaps		12,759	4,745	
Interest rate swaps		505	969	
Total	\$	1,911,517	549,061	
Other financial liabilities - current				
Structured notes principal value	\$	4,235,829	3,579,951	
Other financial liabilities - non-current				
Structured notes principal value	\$	515,261	349,518	

For the years ended December 31, 2020 and 2019, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps are presented on statements of income as follows:

	For	the year ended D	ecember 31, 2020	For the year ended December 31, 2019			
	derivati	s (losses) on ve instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)		
Interest rate swaps	\$	(1,065)	(505)	(517)	(969)		
Equity derivatives		(21)	38	(232)	51		
Structured notes		(27,345)	(8,650)	(67,731)	(16,490)		
IRS asset swaps		86	2,131	218	13,617		
Asset swap options		(803,808)	(251,220)	(264,473)	11,817		
Currency swaps		(23,764)	(12,759)	(9,634)	(4,745)		
Total	\$	(855,917)	(270,965)	(342,369)	3,281		

(Continued)

Notes to the Financial Statements

(w) 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 Company 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:

	December 31,	December 31,
	2020	2019
Capital adequacy ratio	369 %	390 %

(x) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the year ended December 31, 2020 and 2019, were as follows:

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

			Non-cash changes				
	January 1, 2020	Cash flows	Other	Foreign exchange movement	Fair value changes	December 31, 2020	
Short-term borrowings	\$ 6,631,002	(3,069,913)	-	-	-	3,561,089	
Commercial papers payable	-	2,299,692	-	-	-	2,299,692	
Lease liabilities	907,390	(178,419)	112,557			841,528	
Total liabilities from financing activities	\$ 7,538,392	(948,640)	112,557			6,702,309	
			N	on-cash change	es		
	January 1, 2019	Cash flows	Other	Foreign exchange movement	Fair value changes	December 31, 2019	
Short-term borrowings	\$ 3,873,506	2,757,496	-	-	-	6,631,002	
Lease liabilities	939,218	(129,637)	97,809			907,390	
Total liabilities from financing activities	\$ 4,812,724	2,627,859	97,809	<u>-</u>		7,538,392	

Notes to the Financial Statements

(7) Related-party transactions:

(a) Relationships between parents and subsidiaries

Refer to Note 13(b) for a detailed list of the Company's subsidiaries.

(b) Parent company and ultimate controlling party

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

(c) Names of related parties and relationships

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

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp	Subsidiary
Capital Futures Corp.	Subsidiary
Capital Investment Management Corp.	Subsidiary
CSC Venture Capital Corp.	Subsidiary
Taiwan International Securities Investment Consulting Corp. (Note 1)	Subsidiary
CSC Capital Massgement Corp. (Note 2)	Subsidiary
CSC Securities (HK) Ltd.	Second-level subsidiary
Capital International Technology Corp.	Second-level subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
San Ho Enterprise Corp., Ltd. (Note 3)	Juristic-person director
Other related parties	Key management personnel and others

Note 1: The corporation was liquidated on June 15, 2020.

Note 2: The corporation was established on December 3, 2020.

Note 3: The corporation was discharged on June 24, 2019.

(d) Key management personnel transactions

(i) Key management personnel compensation

	For the years ended December 31			
		2020	2019	
Short-term employee benefits	\$	174,327	136,567	
Post-employment benefits		1,344	1,348	
Total	\$	175,671	137,915	

(Continued)

Notes to the Financial Statements

(ii) Bonds sold under repurchase agreements

		December 31, 2020		Decem	ber 31, 2019
			Purchase		Purchase
		Par value	price	Par valu	ie price
	Key management personnel	\$ 8,262	8,267	22,50	22,670
			For the year	ars ended	December 31,
	Total financial expenses		2020		2019
	Key management personnel		<u>\$</u>	120	182
					_
(iii)	Structured notes transactions				
` /					
			Decembe	r 31,	December 31,
			2020		2019

106,800

71,393

(e) Significant transactions with related parties

Key management personnel

(i) Bonds sold under repurchase agreements

	December 31, 2020		December 31, 2019	
	Par value	Purchase price	Par value	Purchase price
Funds issued by associate	\$ 31.178	30,871	-	- price
Subsidiaries	271,500	271,530	46,000	46,000
Total	\$ <u>302,678</u>	302,401	46,000	46,000

	For the years ended December 31,			
Total financial expenses	2020		2019	
Funds issued by associate	\$	135	472	
Subsidiaries		338	461	
Juristic-person directors		<u>-</u> _	56	
Total	\$	473	989	

Transaction terms are the same as the general clients.

(ii) Futures commission revenue

The Company provided futures trading assistance for subsidiary.

	De	December 31, 2019	
Commission receivable	\$	14,679	10,914
Other Receivable (Default loss)	\$	3,832	3,892

Notes to the Financial Statements

		For	the years end	ed December 31,
			2020	2019
	Futures commission revenue	\$	183,659	130,341
(iii)	Futures trading			
	The futures margin in subsidiary of the Company is as	s follow:		
		De	cember 31, 2020	December 31, 2019
	Futures margin-proprietary fund	\$	824,368	688,447
		For		ed December 31,
			2020	2019
	Interest revenue of futures margin	\$	169	428
	Handling fees charge	\$	4,881	9,455
(iv)	Lease agreements			
		For	the vears end	ed December 31,
	Lease revenue		2020	2019
	Subsidiaries	\$	18,144	18,326
	Associates		17,247	17,247
	Total	\$	35,391	35,573
	Guarantee deposits received	De	cember 31, 2020	December 31, 2019
	Subsidiaries	\$	4,633	4,018
	Associates		3,811	3,811
	Total	\$	8,444	7,829
(v)	Information technology service			
		<u>For</u>		ed December 31,
	Subsidiaries	<u>\$</u>	2020 50,943	2019 46,667
			- * 7 *	
(vi)	Insurance commission revenues			
	The Company assists subsidiaries in recruiting insurrevenues. The details were as follows:	rance contra	cts and charg	ging commission

Commission revenue

2019

For the years ended December 31,

2020

Subsidiaries

Notes to the Financial Statements

Accounts receivable		mber 31, 2020	December 31, 2019
Subsidiaries	<u>\$</u>	811	1,877

(vii) Brokerage and sub-brokerage

The commission received from the related parties of the Company engaging in securities and futures trading for the years ended December 31, 2020 and 2019 were as follows:

	For the y	ears ended	December 31,
Brokerage commissions	202	0	2019
Subsidiaries	\$	22	-
Fund issued by associate		45,083	23,738
Other related parties		2,517	1,044
Total	\$	47,622	24,782
	For the y	ears ended	December 31,
Re-consigned handling commissions	202	0	2019
Second-level subsidiaries		9	-
Funds issued by associate	\$	6,703	8,696
Other related parties		559	193
Total	\$	7,271	8,889
	For the y	ears ended	December 31,
Re-consigned handling costs	202	0	2019
Second-level subsidiary	\$	2,547	4,618
Fund services business			
	For the y	ears ended	December 31,
Fund service revenue	202	0	2019

		For the years ended December 31,			
	Fund service revenue		2020		
Associates		\$	2,108		
		For th	e years end	ed December 31,	
Channel service revenue		2020		2019	
Associates		\$	2,108		
		Decei	mber 31,	December 31,	
	Accounts receivable	2	2020	2019	
Associates		<u> </u>	870	-	

(ix) Wealth management business

(viii)

		For t	he years ende	ed December 31,
Trust account commissions	revenue		2020	2019
Associates		\$	5,708	

Notes to the Financial Statements

		For the years end	ed December 31,
	Trust account management fee revenue	2020	2019
	Associates	\$605	229
(x)	Underwriting business		
		For the years end	ed December 31.
	Stock service income	2020	2019
	Subsidiaries	\$ 502	545
	Associates	122	124
	Total	\$624	669
	Handling fee revenues from underwriting securities on best efforts basis Fund issued by associates	\$ <u> </u>	4,406
	Revenue from underwriting securities on a firm commitment basis Subsidiaries	\$ <u>138</u>	
	Accounts receivable	December 31, 2020	December 31, 2019
	Associates	\$ <u>10</u>	10
(xi)	Other revenues	For the years end	ad Dacambar 31
		2020	2019
	Subsidiaries	\$ 679	767
	Associates	3	3
	Total	\$682	<u>770</u>
(xii)	Custody account business		
	Custody account business revenue	For the years end 2020	ed December 31, 2019
	Second-level subsidiaries	\$6,600	
(xiii)	Consulting business		
	Consulting fee expense	For the years end 2020	ed December 31, 2019
	Subsidiaries	\$ 63,000	75,600
(xiv)	Stock commission expenses		
	Accounts payable	December 31, 2020	December 31, 2019
	Subsidiaries	\$ 2,679	373

Notes to the Financial Statements

	For the years end	ed December 31,
Stock commission expenses	2020	2019
Subsidiaries	\$9,738	3,492
(xv) Information technology fees		
	For the years end	ed December 31,
	2020	2019
Subsidiaries	\$ <u>1,989</u>	<u>390</u>
(xvi) Accrued receivables		
Accounts receivable	December 31, 2020	December 31, 2019
Subsidiaries	\$ -	29
Second-level subsidiaries	·	_,
	680	
Total	\$ <u>680</u>	29
Other receivable		
Subsidiaries	\$ 5,111	1,124
Second-level subsidiaries	55	19
	·	
Total	\$5,166	1,143
Other payable		
Second-level subsidiaries	\$ <u>16</u>	<u>15</u>
D		
Receipts under custody		=2
Second-level subsidiaries	\$ <u>58</u>	73

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

Notes to the Financial Statements

(8) Pledged assets:

The following assets were pledged as collateral or restricted in use as of December 31, 2020 and 2019:

	Dece	ember 31, 2020	December 31, 2019	The collateral use
Restricted assets - current	\$	20,829	615,927	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)		35,773,131	32,552,236	Repurchase agreement
Property and equipment		1,369,767	1,484,200	Bank borrowings
Financial assets at fair value through profit or loss - non-current		180,929	180,467	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property		3,177,104	3,323,085	Bank borrowings
Total	\$	40,521,760	38,155,915	

(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:

	Decembe	r 31, 2020	December	31, 2019
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	595,559	\$ 5,955,590	520,214	5,202,140
Collateral for margin purchase	10,578	105,780	8,868	88,680
Lending securities to customers through short sales	67,810	678,100	57,750	577,500
Collateral for short sales	13,284	132,840	6,900	69,000

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

	Decembe	er 3	31, 2020	December 31, 2019		
	Shares (in			Shares (in		
	thousands)		Par value	thousands)	Par value	
Securities borrowed from securities finance companies	2,117	\$	21,170	3,594	35,940	
Collateral for refinancing margin	83		830	969	9,690	

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

	December 31, 2020	December 31, 2019
Promissory notes	\$ 21,980,000	25,510,000
Promissory notes (in USD thousands)	USD <u>65,000</u>	USD 60,000

(d) As of December 31, 2020 and 2019, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$7,031,255 and \$5,687,926, respectively.

(Continued)

Notes to the Financial Statements

- (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 first instance claimed the case in favor of the Company. Plaintiff appealed against the judgement. The case is under the trial of Taiwan High Count. 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 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) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The case is under the trial of Taiwan Taipei District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.
- According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the balance was \$48,034 as of December 31, 2020.
- (i) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

Notes to the 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

December 31, 2020 and 2019

	December 31,	December		December 31,	December
Trust Assets	2020	31, 2019	Trust Liabilities	2020	31, 2019
Bank deposits	\$ 1,459,272	1,123,650	Accounts payable	\$ 72	44
Short-term investment			Trust capital	12,097,468	13,751,705
Funds	9,959,655	12,115,260	Accumulated earnings or deficit	298,641	(103,139)
Stocks	252,364	177,628			
Bonds	57,995	31,715			
Structured notes	610,954	10,013			
Accounts receivable	55,941	190,344			
Total Assets	\$ <u>12,396,181</u>	13,648,610	Total Liabilities	\$ <u>12,396,181</u>	13,648,610

(ii) Income statement of trust accounts

Income Statement of Trust Accounts

For the years ended December 31, 2020 and 2019

	For	r the years ended	December 31,
		2020	2019
Trust revenue			
Interest revenue	\$	35,710	5,626
Cash dividends revenue		405,516	522,595
Rental revenue		7,319	6,674
Investment gains - unrealized		102,158	938,923
Currency exchange gains		<u> </u>	94,949
Subtotal		550,703	1,568,767
Trust expense			
Management fee		371	679
Service fee		39,599	60,976
Investment losses - realized		109,012	46,561
Currency exchange losses - unrealized		-	1,702,347
Other expenses		31	92
Subtotal		149,013	1,810,655
Gain (Loss) before income tax		401,690	(241,888)
Income tax expense		(190)	(319)
Net loss	\$	401,500	(242,207)

(Continued)

Notes to the Financial Statements

(iii) Property list of trust accounts

Property list of trust accounts

December 31, 2020 and 2019

Investment items	December 31, 2020	December 31, 2019
Bank deposits	\$ 1,459,272	1,123,650
Short-term investment		
Funds	9,959,655	12,115,260
Stocks	252,364	177,628
Bonds	57,995	31,715
Structured Notes	610,954	10,013
Account receivables	55,941	190,344
Total	\$ 12,396,181	13,648,610

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

(12) Other: None

Notes to the 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 Company:

(i) Loans to others:

(In Thousands Dollars)

													` C "	1		
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	Colla Name	ateral Value	Limit on Loans to a Single Business	Limit on the Amount of Loans
	CSC International Holdings Ltd.		Account receivables - Related party	Yes	US 29,322	US 29,322	US 28,322	- %	2	-	Operations	-		-	US 53,762	US 53,762
	International	TIS Securities (HK)	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
	TIS Securities (HK) Limited.	Taiwan		Yes	HK 1,463	HK 1,463	HK 1,463	- %	2	-	Repayment of financing	-		-	HK 1,463	HK 1,463
4		Klaw Trading Limited	Account receivables - Customer	No	39,540	39,540	14,121	5 %	2	-	Trading	-		-	181,681	908,403
		AAA Fintech Limited	Account receivables - Customer	No	169,456	169,456	41,234	3.23 %	2	-	Trading	-		-	181,681	908,403
6	(HK) Ltd.		Account receivables - Customer	No	84,728	84,728	-	1.23 % ~ 3.23 %	2	-	Trading	-		-	181,681	908,403
	(HK) Ltd.	Alpha Rnd Singapore Pte Ltd.	Account receivables - Customer	No	79,080	79,080	-	3.23 %	2	-	Trading	-		-	181,681	908,403
	(HK) Ltd.	Derivatives China Alpha Fund	Account receivables - Customer	No	79,080	79,080	-	3.23 %	2	-	Trading	-		-	181,681	908,403
9	(HK) Ltd.		Account receivables - Customer	No	84,728	84,728	-	3.23 %	2	-	Trading	-		-	181,681	908,403

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
- (b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

						Original inves	tment amount	Equity Owne	rship by company	(note 3)			Investment gain		
	Name of										Operating income		or loss		
Ref.	investee		Date of	Approval date and	Primary business	Balance on	Balance on					Net income or loss of investee company	recognized during the	Cash	
	(Notes 1 and 2)	Area	establishment	number of FSC	operation	December 31, 2020		Shares	Ratio	Book value	the period	during the period	period	dividend	Note
0	Capital	Taipei ,Taiwan,	February 16, 1990		Engaged in providing	72,515	72,515	7,000,000	100.00 %	75,880	63,913	(16,565)	(16,565)	-	Subsidiary
	Investment	R.O.C.			research, analysis and										
	Management				recommendations										
	Corp.				pertaining to securities										
					investment, organize										
					seminars and publish										
					materials on securities										
					investments.										
0	Capital Futures	Taipei ,Taiwan,	February 26, 1997	No. FSC-	Engaged in domestic	1,896,520	1,212,539	119,066,014	56.58 %	3,598,396	2,132,302	622,166	351,228	226,225	"
	Corp.	R.O.C.		1050044467 dated	and foreign futures										
				November 15, 2016	business.										

(Continued)

Notes to the Financial Statements

	1	1	ı	ı	1	Original inve	stment amount	Equity Own	ership by compan	v (note 3)			Investment gain		I
	Name of	1	1	1		Original live	sinch amount	Equity Own	rsinp by compan	y (note 3)	Operating income		or loss		
ъ.	investee		D	l. ,,, ,			n.,				or loss of investee		recognized		
Ref. No.	(Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Balance on December 31, 2020	Balance on December 31, 2019	Shares	Ratio	Book value	company during the period	of investee company during the period	during the period	Cash dividend	Note
0	CSC	British Virgin	March 4, 1996	No. FSC-65350	Long-term equity	1,339,555	1,339,555	45,000,000	100.00 %	1,528,445	23,047	766	766	arraena	Subsidiary
ľ		_	Waten 4, 1990			1,339,333	1,339,333	45,000,000	100.00 /	1,326,443	23,047	700	700		Subsidiary
	International	Island		dated January 12,	investment business.										
	Holdings Ltd.			1996											
0	Capital	Taipei ,Taiwan,	November 9, 2000		Engaged in personal	3,890	3,890	500,000	100.00 %	51,986	109,144	26,125	26,125	53,045	"
	Insurance	R.O.C.			insurance brokerage										
		10.0.													
	Advisory Corp.				and property insurance										
					brokerage and										
					manages personal										
					insurance agent										
_	ļ				business.										
0	Capital	Taipei ,Taiwan,	November 8, 2000		Manages personal	7,400	7,400	740,000	100.00 %	39,190	49,812	(217)	(217)	4,040	"
	Insurance	R.O.C.			insurance agent										
	Agency Corp.				business.										
0	Taiwan	British Virgin	December 10, 1996	No. ESC 52091		1,394,817	1,394,817	300	100.00 %	20	446	446	446		"
U			December 10, 1996	NO. FSC-33981	Long-term equity	1,394,617	1,394,617	300	100.00 %	20	440	440	440	-	
	International	Island			investment business.										
	Securities														
	(B.V.I) Corp.														
0	Taiwan	Taipei ,Taiwan,	March 3 1004		Completion of	_	9,992	-	- %	_	_	(6)	(6)	-	"
ľ							7,792		- 70	1	1	(6)	(0)	_	
	International	R.O.C.]		liquidation.	1	1			l	I				
	Securities	1]		1	1	1			l	I				
	Investment	1			1						I				
	Consulting	1]		1	1	1			l	I				1
		1			1						I				
\vdash	Corp. (Note 4)				 						—				
0	CSC Venture	Taipei ,Taiwan,	January 12, 2016	No. FSC-	Venture Capital and	1,000,000	1,000,000	100,000,000	100.00 %	841,121	2,546	(3,597)	(3,597)	-	
	Capital Corp.	R.O.C.		1040034071 dated	consulting business										
				September 8, 2015											
0	cec c	Tr. i . i Tr. i	D 1 2 . 2020		F 1	220,000		22 000 000	100.00.0/	220 742		(250)	(250)		,,
0	CSC Capital	1 -	December 3, 2020	No. FSC-	Engaged in	330,000	-	33,000,000	100.00 %	329,742	-	(258)	(258)	-	
	Management	R.O.C		1090349163 dated	investment,										
	Corp.			September 7, 2020	consulting										
					management, venture										
					and general										
					_										
					investment business										
0	Capital	Taipei ,Taiwan,	October 16, 1995		Engaged in security	1,272,505	1,272,505	33,067,507	20.00 %	1,340,829	1,918,834	763,559	152,712	115,737	Associates
	Investment	R.O.C.			investment and										
	Trust Corp.				discretionary										
	Trust Corp.														
					investment services.										
1	CSC Securities	Hong Kong	May 3, 1994	No. FSC-90931	Securities brokerage,	HK 128,000	HK 128,000	128,000,000	100.00 %	HK 172,829	HK 38,653	HK 6,126	-	-	Second-level Subsidiary
	(HK) Ltd.			dated January 5,	underwriting,	thousands	thousands			thousands	thousands	thousands			
				1998	proprietary trading,										
				1770											
					financial businesses										
					and other securities										
					businesses permitted										
		1]		by local law of Hong	1	1			l	I				1
l		1									I				
			<u> </u>		Kong.										
2	TIS Securities	Hong Kong	August 17, 1993	No. FSC-40912	Liquidation in	HK 265,000		265,000,000	100.00 %		HK -	HK 119	-	-	"
	(HK) Limited.	1]	dated November 4,	progress.	thousand	thousand			thousand	1	thousand			
	(Note 5)	1		1993	1						I				
,		II	Index 16, 1007		Timuldation 1-	HK 2	IIIV ^		100.00.00	HV (((000)	IIIV	HK 66			Third laval Cub-idian
3	Taiwan	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in	nk 2	HK 2	2	100.00 %	HK (66,020) thousands	HK -	HK 66 thousands	-	_	Third-level Subsidiary
	International	1			progress.					ulousands	1	uiousands			
	Capital (HK)	1			1					1	I				
	Ltd. (Note 5)	1]		1	1	1			l	I				1
4		II	D	No. FSC-	Entres best	862,631	9/2/21	214,000,000	97.27 %	883,604	270 (11	(12.000)			Second-level Subsidiary
ľ	CSC Futures	Hong Kong	December 9, 1998		Future brokerage and	862,631	862,631	214,000,000	97.27 %	883,604	370,616	(13,999)	-	-	second-ievel Subsidiary
	(HK) Ltd.	1]	1010027412 dated	other businesses	1	1			l	I				1
l		1		August 24, 2012	permitted by local law						I				
		1]		of Hong Kong.	1	1			l	I				1
4	Capital	Tainei Tai	December 29, 2014	No ESC	Management and	50,000	50,000	5,000,000	100.00 %	41,028	2,304	(1,548)	-	-	"
ľ		1	December 29, 2014			50,000	50,000	2,000,000	100.00 %	41,028	2,304	(1,548)		_	1
	International	R.O.C.		1030038387 dated	consulting business.						I				
	Technology Co.,	1]	November 18, 2014	Information	1	1			l	I				
l	Ltd.	1			technology software						I				
4		111/	M21 2010	N. FGG	 	24.500	24.50	245.000	10.00.00	10.000	145.012	1.500			
4	True Partner	Hong Kong	May 31, 2010	No. FSC-	Asset Management	36,701	36,701	245,000	49.00 %	49,281	147,943	4,702	-	-	Associates
	Advisor Hong	1]	1040027513 dated	1	1	1			l	I				
l	Kong Ltd	1		July 16, 2015	1						I				
5	Capital	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	2	100.00 %	HK -	HK -	нк -	-	-	Third-level Subsidiary
ſ		LISTING TRONG	,,,,,,,		-5010, 50171003.	[Γ. ΄	l	.00.00 /0	[·	[[]			January Subsidiary
ĺ	Securities	1]		1	1	1			l	I				
	Nominee Ltd.	1	Ī	I	1	I	Ī	I	I	I	I	l	I		I

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, and the company was liquidated as approved by the court on June 15, 2020.

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.

Notes to the Financial Statements

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

							Assignment of working capital					
			Approval date								Transactions	
		Date of	and number of	Primary business	Operating	Net	Beginning			Ending	with parent	
Name	Region	establishment	FSC	operation	Revenues	Income	amount	Add	Less	amount	company	Note
CSC International	Shanghai	November 27, 1997	Ruling No. 16322 by	Investigation of	-	-	-	-	-	-	-	
Holdings Ltd.			FSC on Feb.22, 1997	business, research of								1 1
Shanghai				industrial technology								1 1
Representative Office				and related								
				information collection								

- (d) Information on investments in the Mainland China:
 - (i) Investment in the Mainland China and related information:

(In Thousands of New Taiwan Dollars)

_												
					Remitt	ance of						
					recoverable	investment						
					this p	eriod			Direct or	Investment		Investment
İ	1						1		indirect	gains (losses)		İ
			Method					Net gains	Share	recognized		income
			of	Accumulated			Accumulated		holdings (%)	during this	Ending	remitted back
Name of investee in		Issued	investment	remittance as of	Remittance	Recoverable	remittance as of	of the	by the	period	Balance of	as of December
Mainland China	Major Operations	capital	(Note 1)	January 1, 2020	amount	amount	December 31, 2020	investee	company	(Note 2)	Investment	31, 2020
Capital True Partner	Management,	5,013	(C)	24,372	-	-	24,372	1,144	28.86%	330	13,286	-
Technology Co., Ltd.	consulting and									B(2)		
	information service											
	business											
Capital Futures	Management,	18,863	(C)	18,863	-	-	18,863	(2,321)	56.58%	(1,313)	8,920	-
	consulting and									B(2)		1
(Shanghai) Co., Ltd.	information service											1
	business.											

- Note 1: Investment methods are classified into the following three categories:
 - A. Directly invest in a company in Mainland China.
 - B. Through investing in an existing company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).
 - C. Through a subsidiary to invest in a company in Mainland China.

Note 2: Investment gains and losses recognized during the period

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

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

(ii) Limitation on investment in the Mainland China:

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

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

(e) Major shareholders:

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

- Note 1: Taiwan Depository & Clearing Corporation calculates the information of the shareholders holding 5% or more of the Company's non-physical common shares and special shares which have been registered in dematerialized form (including treasury shares) based on the last business day of every quarter. The stock recorded in the Company's financial statements may differs from the shares which have been registered in dematerialized form because of different basis of preparation.
- Note 2: If the shareholders deliver shareholdings to the trust, it shows the trustor's separate account opened by the trustee. As to insiders' equity declaration of shareholdings over 10% under securities trading laws, the shareholders' shareholdings include their own shareholdings and shares delivered to the trust with the right to decide how to use the trust property. The information related to insiders' equity declaration please refers to Market Observation Post System.

Notes to the Financial Statements

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2020 are as follows:

- (i) Balance sheet and income statement:
 - 1) Balance sheet

Unit: US \$ thousands

Company	7	Taiwan International
	CSC International Holdings Ltd.	Securities (B.V.I) Corp.
Nature	December 31, 2020	December 31, 2020
Current assets	10,214	1
Long-term investments	22,294	-
Property and premises	1,926	-
Other assets	19,395	3,380
Total assets	53,829	3,381
Current liabilities	67	20
Other liabilities	-	3,360
Total liabilities	67	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	8,780	(9,431)
Cumulative translation adjustments	(18)	(84)
Total stockholders' equity	53,762	1
Total liabilities and stockholders' equity	53,829	3,381

Notes to the Financial Statements

2) Income statement

Unit: US \$ thousands

Company		Taiwan
	CSC International Holdings Ltd. For the years ended	International Securities (B.V.I) Corp. For the years ended
Nature	December 31, 2020	December 31, 2020
Operating revenue	788	15
Operating expense	(761)	-
Non-operating revenue	5	-
Non-operating expense	(6)	-
Income (loss) before tax	26	15
Net income (loss)	26	15

(ii) Securities held as of December 31, 2020

Unit: shares / US\$ thousands

			December	31, 2020
Name of holding company	Securities types and name	Account classification	Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u>22,294</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	\$(3,360)

- (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.

(14) Segment information:

Please refer to the consolidated financial statements of the Company as of and for the year ended December 31, 2020.

Review, Analysis and Risk Issues of the VII. Financial Status and Operating Results

1. Financial status

Consolidated financial statements

Unit: 1,000s of NT\$

Year	2020	2019	Difference			
Item	2020	2019	Amount	%		
Current assets	146,258,737	116,002,501	30,256,236	26.08		
Property and equipment	3,111,323	3,025,605	85,718	2.83		
Other non-current assets	13,692,574	14,142,307	(449,733)	(3.18)		
Total assets	163,062,634	133,170,413	29,892,221	22.45		
Current liabilities	121,864,300	94,684,661	27,179,639	28.71		
Non-current liabilities	2,523,604	2,269,623	253,981	11.19		
Total liabilities	124,387,904	96,954,284	27,433,620	28.30		
Share capital	21,709,081	23,209,081	(1,500,000)	(6.46)		
Capital reserves	2,743,430	2,852,299	(108,869)	(3.82)		
Retained earnings	9,639,333	7,927,126	1,712,207	21.60		
Other equity items	1,794,225	1,578,134	216,091	13.69		
Treasury stock	0	(1,574,000)	1,574,000	(100.00)		
Non-controlling interests	2,788,661	2,223,489	565,172	25.42		
Total stockholders' equity	38,674,730	36,216,129	2,458,601	6.79		

Individual financial statements

Unit: 1,000s of NT\$

Year	2020	2010	Difference			
Item	2020	2019	Amount	%		
Current assets	98,672,749	73,984,497	24,688,252	33.37		
Property and equipment	2,417,207	2,339,571	77,636	3.32		
Other non-current assets	19,847,416	19,094,562	752,854	3.94		
Total assets	120,937,372	95,418,630	25,518,742	26.74		
Current liabilities	82,594,785	59,239,075	23,355,710	39.43		
Non-current liabilities	2,456,518	2,186,915	269,603	12.33		
Total liabilities	85,051,303	61,425,990	23,625,313	38.46		
Share capital	21,709,081	23,209,081	(1,500,000)	(6.46)		
Capital reserves	2,743,430	2,852,299	(108,869)	(3.82)		
Retained earnings	9,639,333	7,927,126	1,712,207	21.60		
Other equity items	1,794,225	1,578,134	216,091	13.69		
Treasury stock	0	(1,574,000)	1,574,000	(100.00)		
Total stockholders' equity	35,886,069	33,992,640	1,893,429	5.57		

Explanation to major variations:

(1) Current assets: The increase in the current assets of the current period from the previous period is due to increase in the securities financing receivables, accounts receivable and customer payments retained in dedicated and ledger accounts.

(2) Current liabilities: The increase in the current liabilities of the current period from the previous period is due to increase in commercial paper payable, bond repurchase liabilities, customer equities in dedicated and ledger accounts and accounts receivable.

(3) Retained earnings: The increase in the retained earnings of the current period from the previous period is due to increase in the income of the current period.

2. Financial performance:

Consolidated financial statements

Unit: 1,000s of NT\$

Year		2010	Difference		
Item	2020	2019	Amount	%	
Income	9,724,095	7,796,951	1,927,144	24.72	
Operating expense	6,471,900	5,803,705	668,195	11.51	
Share of profit of associates and joint ventures	180,924	192,631	(11,707)	(6.08)	
Other gains and losses	949,581	1,042,220	(92,639)	(8.89)	
Pre-tax profit/loss	4,382,700	3,228,097	1,154,603	35.77	
Net income/loss	3,840,679	2,829,234	1,011,445	35.75	

Individual financial statements

Unit: 1,000 of NT\$

Year		2010	Difference		
Item	2020	2019	Amount	%	
Income	7,367,734	5,885,962	1,481,772	25.17	
Operating expense	4,521,454	4,105,770	415,684	10.12	
Share of profit of associates and joint ventures	510,634	524,510	(13,876)	(2.65)	
Other gains and losses	592,474	514,046	78,428	15.26	
Pre-tax profit/loss	3,949,388	2,818,748	1,130,640	40.11	
Net income/loss	3,569,529	2,566,823	1,002,706	39.06	

Explanation to major variations:

Gains, pre-tax income/loss and income/loss after tax: increased from the previous period mainly because the brokerage commission increased.

3. Cash flow

(1) Liquidity analysis in 2020

Unit: NTD thousands Cash and cash Leverage of cash deficits Net cash flow equivalents, Cash outflow for Cash surplus from operating beginning of the the year (deficit) Investment Financing activities (1)+(2)-(3) year (3)plans plans (2)(1)2,656,201 2,628,652 3,686,660 1,598,193

(2) Liquidity analysis for the last 2 years

Year Item	2020	2019	% of increase (decrease)
Cash flow ratio (%)	3.18	0.45	606.77
Cash flow adequacy ratio (%)	132.40	198.78	(33.40)
Cash reinvestment ratio (%)	2.28	-	100.00

Explanation to major variations:

- 1. During this period, the increase in net profit after tax resulted the net cash inflow from operating activities to increase, and thus the cash flow ratio and cash reinvestment ratio increased from the previous period.
- 2. During this period, the increase in capital expenditure resulted in the decreased in the cash flow adequacy ratio from the previous period.

(3) Liquidity analysis for the next year

Unit: NTD thousands

Cash and cash	Net cash flow			Leverage of cash deficits		
equivalents, beginning of the year	from operating activities for the year	Projected annual Cash outflow	Estimated cash surplus (deficit)	Investment plan	Financial plan	
1,598,193	3,184,716	3,388,000	1,394,909	-	-	

- 4. Impacts of major capital expenditures in the most recent year to financial performance: None.
- 5. Causes of profit or loss incurred on investments in the most recent year, and any improvements or investments planned for the next year
 - (1) Capital Financial Group's investment strategies are consistent with the government's financial deregulations, and have been focused toward futures, brokerage, proprietary trading, underwriting, insurance agency, venture capital, and management consulting. The Company follows the government's free economy and financial globalization policies. It places great emphasis on research and strives to become an allround security and financial service provider. The Company's current plans include: expanding the scope of wealth management service, development of high value-adding financial instruments, exploring fundraising and distribution channels local and abroad, establishment of overseas offices, building strategic/marketing alliance, and offering cross-border investment services. All the above plans have been devised to maximize group profitability.

- (2) Causes of profit or loss incurred on investments: There had been no special occurrence that affected profitability of the Company's investments.
- (3) Investment plan for the next year: The Company will assess reinvestment in the private equity funds and venture capital firms. The Company can support companies with potential and assist them in becoming TWSE/TPEx-listed after they have grown in order to foster industrial development and direct finance.

6. Risk issues

- (1) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures:
 - 1. Interest rate changes affect the Company's earnings mainly in the margin trading and bond trading segments (including government bonds, corporate bonds and repurchase agreements). In 2020, the value of the Company's interest rate risk measured by the risk equivalent amount was between NT\$1,378,218,000 and NT\$1,758,733,000 with an average of NT\$1,574,731,000. The value of the exchange rate risk measured by the risk equivalent amount was between NT\$67,306,000 and NT\$155,183,000, with an average of NT\$126,122,000.
 - 2. Future measures in response: To manage the interest rate risk of the bond positions, the Company has taken measures in accordance with the risk management policy and relevant regulations. The Company has also entered into interest rate exchange agreements with other financial institutions or use derivatives including futures contracts for hedges. As for exchange rate variation, the Company will be exercising position control and applying dynamic hedge among other market practices.
 - 3. Inflation has non-concrete and indirect impact to the revenue and profit of the Company.
- (2) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures
 - 1. During the current year, the Company has not lent any funds to others or provided any endorsement/guarantee.
 - 2. The Company has engaged in transactions of derivatives strictly within the scope permitted by the competent authority and the Board of Directors. The transactions of index futures and options are operated on a proprietary basis with the setting of stop loss points to control risks. The issuance of warrants and structured products uses current shares or other derivatives for Delta hedge and to avoid Gamma risks in combination with the related warrants or options to ensure safe risk appetite.
 - Future measures in response: The Company will establish or amend regulations for transactions of derivatives on a timely basis, and adopt a market-neutral strategy for hedge and management of deviating authority to control the risks of derivatives on a comprehensive basis.
- (3) Future research and development plans and projected expenses: The Company remains active in the development of high margin, high value-adding and problemsolving financial instruments, and will launch them at an appropriate time after permission is given by the authority. Research and development of new financial technologies have also been planned, and the Company expects to incur R&D expenditures at approximately NT\$20,000,000.
- (4) Changes in important policies and laws in Taiwan and abroad impacting our finances, and measures taken in response: None.

- (5) Financial impacts and responsive measures in the event of technological or industrial changes
 - 1. Impact: The emergence of web technologies has changed the traditional means and types of transactions and services. As a result, the securities industry needs more professional IT specialists and newer IT equipment in response to the fast development of e-transactions and provide more software with value-added functions of online service to customers.
 - 2. Measures in response:
 - (1) Employing more IT specialists, with focus on the training in professional knowledge.
 - (2) Continuing to assess the upgrade or new purchase of IT equipment in response to technological changes.
 - (3) Continuing to update and develop new service software to be provided to customers for use.
 - (4) Conducting regular assessment of information security risks and designing measures to be taken in response.
- (6) Impacts from changes in corporate or corporate crisis management, and response measures: None.
- (7) Expected benefits, risks and responsible measures in relation to mergers and acquisitions
 - 1. For mergers and acquisitions, the Company mainly focuses on an increase in the number of branch offices, which is expected to improve the market share of brokerage/financing and profitability of the Company.
 - 2. Measures in response: Before any merger or acquisition, detailed assessment must be conducted by the relevant departments. After consolidation, potential risks may be reduced through database integration by the IT department and compliance of the relevant departments with the internal control system.
- (8) Expected benefits and potential risks from expanding our plant: None.
- (9) Risks of concentrated procurement of or sales of goods, and response measures: None.
- (10) Impacts and risks from large transfers of shares held by our company's directors, supervisors, and major shareholders holding more than 10% of shares, and response measures: None.
- (11) Impacts and risks from changes our company's operating rights, and response measures: None.

(12) Major litigation and non-contentious cases

Event	Brief of Facts	Litigants	Current progress	Litigation Start date	Amount of dispute (Unit: NT\$)
Civil	The Plaintiff claims that the prospectus prepared by ABIT Computer Corporation for the 2002 cash issue contained false information that misled investors and caused them to suffer losses. The Company, being the underwriter of that cash issue, was being held jointly responsible under Article 32 of the Securities and Exchange Act.	Defendant: ABIT Computer Corporation	In this case, the Company won the lawsuit in the first instance, and thus it was not jointly and severally liable as a securities underwriter for compensation. The plaintiff was dissatisfied, and filed an appeal, which is now pending in the High Court.	2006.11.23	1,545,364 (NTD)
Criminal	A customer of the Xisong Branch of the Company had the transaction documents checked by YU, O-PING, and as a result the Company discovered that the agent CHIANG, O-PING of the branch forged non-existing documents for the PGN structured products of the Company to gain the property of 15 customers of the Xisong Branch including YU, O-PING.	Plaintiff: Capital Securities Corp. Defendant: CHIANG, O-PING	Criminal complaints including forged official documents and fraud, have been filled for this case, and are currently under investigation by Taiwan Taipei District Prosecutor's Office.	2018.12.18	
Civil	The agent CHAN, O-LING of the Wanhua Branch privately engaged in solicitation of investments for fraud and caused damage to the customer FAN, O-YEN, who as a result filed a lawsuit to claim an amount of NT\$2,798,313 as compensation jointly from the Company and the former employee CHAN, O-LING.	Plaintiff: FAN, O-YEN Defendant: Capital Securities Corp. CHAN, O-LING	The case is currently under trial at the Taiwan Taipei District Court.	2019.04.08	2,798,313 (NTD)
Civil	CHIANG, O-PING, the resigned salesperson of the Xisong Branch of the Company, defrauded the client CHEN, O-SUEI with a false PGN capital preservation fund; but the client CHEN, O-SUEI believed that CHIANG, O-PING had stolen stocks and stolen money, so she sued the Company and the resigned salesperson CHIANG, O-PING to jointly compensate her with NT\$16,374,778.	Plaintiff: CHEN, O-SUEI Defendant: CHIANG, O-PING Capital Securities Corporation	The case is currently under trial at the Taiwan Taipei District Court.	2020.04.16	16,374,778 (NTD)
Civil	Investigation found that CHIANG, O-PING, the resigned salesperson of the Xisong Branch of the Company, defrauded a client with a false PGN capital preservation fund in 2018. After compensated some victims, the Company filed a lawsuit against CHIANG, O-PING for damage of NT\$14,192,800.	Plaintiff: Capital Securities Corp. Defendant: CHIANG, O-PING	The case is being reviewed by Taiwan Shilin District Court. On January 4, 2021, the first-instance judgment was received, and the Company was judged in favor of the lawsuit. This case has been confirmed.	2020.09.23	14,192,800 (NTD)

(13) Risk management policy

- 1. The Company's risk management policies are tailored to its operation focus and goals. The Company intends to pursue optimization of asset allocation and profits via setting loss limits for risk management control based on the following: (a) measurement of risk and return; (b) impact on the BIS ratio.
- 2. Risk management framework and responsibilities

	Department	Responsibilities
(1)	Board of Directors	Highest decision-making body for risk management. Approval of the risk management policy and direction. Approval of the risk management system.
(2)	Risk Management Committee	 Approval of the risk management system and the regulations for management of the risks of all business activities. Resolution for improvement of the performance of all business activities. Assessment and resolution regarding the distribution of risk assets and the operating strategies. Approval of application for new business activities and authorization of transaction limits.
(3)	President	 Reporting to the Board of Directors regarding assessment of the risks in the positions held and the achievement of transaction performance and set objectives. Requiring the business units to take necessary measures in response to any anomaly in market price evaluation (e.g., the position held has exceeded the upper limit of loss).
(4)	Risk Management Department	 Assistance in designing the risk management system. Assistance in designing the risk limits and methods of distribution for all departments. Ensuring implementation of the approved regulations for risk management. Submitting timely and complete risk management reports to the President. Understanding the contents of all transactions conducted by the business units before such transactions are carried out, and continuing to monitor the positions held for which transactions have been completed. Enhancing the measurement technique of risk management as much as possible with regard to financial commodities whose risks can be quantified. Understanding the risk limits and situations of use of all business units. Assessing the degree of risk exposure and risk concentration at the Company. Development and execution of pressure tests and retroactive testing methods. Testing the level of difference between the actual and estimated income of investment portfolios. Auditing the commodity pricing models and valuation systems used by the business units. Other matters related to risk management.
(5)	Business units (Reinvestment in subsidiaries)	 Mid-office risk controllers: Submitting regular reports regarding the risk exposures of the business units (subsidiaries). Ensuring timely and accurate communication of information on risk management. Ensuring the business units (subsidiaries) effectively implement the requirements for risk limits. Monitors risk exposure and reports limit breach, including actions taken by the business unit (subsidiary) in response to the breach. Ensuring the use of risk measurement and valuation models and the making of assumptions by the business units (subsidiaries) are on a consistent basis. Ensuring effective implementation by the business units (subsidiaries) of the internal control procedures to comply with legal requirement and the risk management policies. Head of business unit (subsidiary's person-in-charge): Overseeing all matters related to risk management in his/her unit (subsidiary). Analyzes and monitors business risks within the business unit (subsidiary), and takes appropriate responses. Supervising the communication of information related to risk management.
(6)	Auditing Department	 Understanding, on a regular basis, the adequacy of the internal control for commodity trading by the business units. Reviewing the status of implementation of the Company's risk management system and disclose its facts in the audit reports. Any defects or findings discovered in an inspection must be addressed in the audit report and tracked for improvement. Follow-up reports are prepared on a regular basis to ensure that appropriate measures are undertaken by the relevant unit. Conducting monthly audits regarding whether the business and other departments have fully complied with the system and carried out analysis of the transaction cycles. Undertaking matters concerning the laws and regulations applicable to the Company's overall financial and operating activities, and conducting audits regarding compliance with the applicable requirements, laws and regulations.

Department	Responsibilities
(7) Finance Department	 Accounting treatment or funding as per the approved contracts and transaction documents. Preparing memos for the off-balance sheet transaction contracts undertaken. Obtaining price information from quotation systems independent of the trading departments to revaluate the positions held. Completed transactions shall be entered into the account and have their income recognized on a timely basis. Making announcements in accordance with the requirements of the competent authority.
(8) Settlement & Clearing Department	 Acting as the custodian and depository of transaction contracts. Settlement and final accounting of commodities. Pursuing the payment of collateral. Filing of transaction contracts to the relevant competent authorities. Confirmation of transaction details.
(9) Compliance and Lega Division	 Discussing the relevant management policies with the legal advisors. Before the signature of any transaction contract/agreement with any transaction counterparty, the Compliance and Legal Division shall review the related rights and obligations, lawfulness and the relevant legal documents. Supervising compliance with the applicable laws and regulations. Supervising the assessment by the business units of the impact of newly promulgated laws and regulations to the business aspect of the Company. Before the launch of new products and services or application for new types of business, the chief compliance officer shall issue opinions of compliance with the law and internal regulations and sign such opinions.
(10) Information Tech. Department	Development and maintenance of the risk management information system.

3. Types, measurement and management processes of risks involved in the Company

Major risks that the Company faces include market risk, credit risk, liquidity risk, operational risk and legal risk. The Company's divisions send daily risk management report to the Chairman and President to realize latest risk position for decision execution and evaluation via risk management processes, such as risk recognition, evaluation, measurement and monitoring.

Tailored to various risks, the Company's risk measurement methods and hedging strategies are as follows:

1. Market risk management

The Company sets the transaction and risk limits of its businesses to control the BIS ratio and maximum losses. Regarding stock risks, the Company calculates daily VaR (Value at Risk) with a 99% confidence interval in a variance-covariance approach, and runs back-testing to ensure its suitability. For fixed-income securities, the Company adopts bp value and daily VaR with a 99% confidence interval to monitor positions risk. The Company adopts Delta and Gamma risk analyses, and also daily VaR with a 99% confidence interval, to control risks of derivative products. The Company disposes stocks according to the authority's regulations of margin maintenance ratio. The business units may utilize various hedging tools, such as futures, options and swaps that are approved by the authority and Board of Directors, to adjust VaR and enhance the capabilities of risk management.

2. Credit risk management

Based on the authority's credit checking requirements and rating data issued by credit rating agencies, the Company sets credit line limits for issuers and counterparties. The Company sets limits of margin trading according to the authority's regulations. Regarding derivative products, the Company calculates counterparty's daily credit exposure. If counterparty's credit exposure exceeds the limit, the Company will demand for qualified collateral or a decrease in positions. Regarding fixed-income position, the counterparty is required to be at or above a certain credit rating. Additionally, the Company monitors issuer's material information, fundraising activity and operation to determine its credit default probability. If the credit rating of fixed-income position is probably going to be lower than investment regulation, the business units are required to sell the position. If the business units have difficulties selling the position immediately due to liquidity problem, the Company shall recognize bad debt provision based on the defaulting probability.

3. Liquidity risk management

Liquidity risks include capital funding and liquidity of financial market. Regarding capital funding, the Company has diversified its financial institution counterparties with multiple fundraising channels. Based on demand for operational capital, the Company makes plans in advance and monitor daily capital use. Meanwhile, the Company makes analysis via special event scenario to

respond to emergent demand for capital arising from systemic risks. Regarding liquidity risks of positions, the Company has set regulations in terms of issued amount, trading amount, counterparty, etc., and monitors market situation dynamically.

4. Operational risk management

The Auditing Department performs audits in regular cycles according to the operating procedures and control points outlined in the Internal Control System. All audit reports are acknowledged by the respective business unit with replies made before circulating to the President and Chairman. For any defects found, the business unit will be held responsible for making corrections while the Auditing Department is required to follow up on the improvements made. Besides, employee dishonesty insurance is mandatory to lower the probability of employee's intended negligence.

5. Legal risk management

The Company's Compliance and Legal Division is in charge of legal risk, ensuring full legal compliance of the authority's regulations. Additionally, the Compliance and Legal Division conducts assessment of contract legality to protect the Company's rights. According to the current regulatory amendments, the Company also performs various employee trainings irregularly to enhance employee's legal compliance and lower the risk of violation.

- (14) Other major risks and measures in response: None.
- 7. Other important matters: None.

VIII. Special Remarks

1. Information of affiliated companies

Organizational chart of affiliates.

Data as of March 31, 2021 Capital Securities Corp. 97.27% CSC Futures (HK) Ltd. Capital True Partner 56.58% Capital Futures Corp. 51% Technology Co., Ltd Capital International 100% Technology Corp Capital Futures Technology (Shanghai) Co., Ltd. Capital Investment Management Corp. 100% Capital Insurance Advisory Corp. 100% Capital Insurance Agency Corp. CSC Venture Capital Corp. CSC Capital Management Co. Capital Securities Nominee Ltd. 100% 100% CSC Securities (HK) Ltd. 100% CSC International Holdings Ltd. **CSC International Holdings** Ltd. Shanghai Rep. Office Taiwan International Capital Taiwan International Securities 100% TIS Securities (HK) Ltd. 100% (B.V.I.) Corp.

Note 1: TIS Securities (HK) Ltd., and Taiwan International Capital (HK) Ltd. are currently undergoing liquidation.

Schedule 1 Basic information of affiliated companies

Unit: \$

Company name	Date of establishment	Address	Issued capital	Main business activities or products
Capital Futures Corp.	1997.02.26	32F and B1, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 2,104,375,840	Futures brokerage Proprietary futures trading Futures consultation service Futures management Futures introducing broker Securities investment consulting service Proprietary securities trader Leveraged trader
Capital International Technology Corp.	2014.12.29	32F, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 50,000,000	Management consulting service Information and software service Data processing services Digital information supply service Retail sale of computing and business machinery equipment Retail sale of computer software All business items that are not prohibited or restricted by law, except those that are subject to special approval
Capital Investment Management Corp.	1990.02.16	11F-5, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 70,000,000	Securities investment consulting service
Capital Insurance Advisory Corp.	2000.11.09	14F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 5,000,000	Personal insurance broker Property insurance broker
Capital Insurance Agency Corp.	2000.11.08	14F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 7,400,000	Life insurance agency
CSC Venture Capital Corp.	2016.01.12	11F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 1,000,000,000	General investment, venture investment, investment consultance, management consultance, All business items that are not prohibited or restricted by law, except those that are subject to special approval
CSC Capital Management Co., Ltd.	2020.12.03	11F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$ 330,000,000	Investment consulting Management consulting service Venture capital General investment All business items that are not prohibited or restricted by law, except those that are subject to special approval
CSC International Holdings Ltd.	1996.03.04	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tor tola, VG1110, British Virgin Islands	US\$ 45,000,000	Establishment or merger of legally licensed securities, futures, banking and related businesses at the place of domicile
CSC International Holdings Ltd. Shanghai Rep. Office	1997.11.27	18F., New Shanghai International Tower, No. 360 Pudong Nan Road, Shanghai, P.R. China		Investigation of business, research of industrial technology and related information collection
CSC Securities (HK) Ltd.	1994.05.03	Units 3204-3207, 32F., Cosco Tower, 183 Queen's Road Central, Hong Kong	HK\$ 128,000,000	Securities brokerage, underwriting, proprietary trading, financing and other securities-related services permitted by the laws of Hong Kong

Company name	Date of establishment	Address		Issued capital	Main business activities or products
Capital Securities Nominees Ltd.	1995.04.07	Units 3204-3207, 32F., Cosco Tower, 183 Queen's Road Central, Hong Kong	HK\$	2	Agency service
CSC Futures (HK) Ltd.	1998.12.09	Units 3204-3207, 32F., Cosco Tower, 183 Queen's Road Central, Hong Kong	HK\$	220,000,000	Securities trading Futures trading
Capital True Partner Technology Co., Ltd.	2008.08.20	Units 408-410, 4F, No. 1, Jinxiu Road, Wuhou District, Chengdu City, Sichuan Province, China	CNY		Design, research and development of computer software and hardware products and computer system assemblies, transfer of the technological results from R&D, sales of selfmanufactured products, and provision of relevant technical support and consultation (except for those prohibited by the government and those under restrictions).
Capital Futures Technology (Shanghai) Co., Ltd.	2016.10.14	6S New Shanghai International Tower, No. 360 Pudong Nan Road(S), Shanghai, P.R.China	CNY	4,000,000	Wholesale, import and export of computer hardware, software and auxiliary equipment, electronic equipment, and parts and accessories to the above. (Excluding state-regulated goods; merchandises that involve quota and special authorization are requested according to state regulations). Offering of technical consultation/service, and consultation on business management.
Taiwan International Securities (B.V.I.) Corp.	1996.12.10	Tropic Isle Building, P.O. BOX 438, Road Town, Tortola, British Virgin Islands	US\$	9,516,300	Long-term equity investment business
TIS Securities (HK) Ltd.	1993.08.17	Units 3204-3207, 32F., Cosco Tower, 183 Queen's Road Central, Hong Kong	HK\$	265,000,000	(Liquidation in progress)
Taiwan International Capital (HK) Ltd.	1997.07.16	Units 3204-3207, 32F., Cosco Tower, 183 Queen's Road Central, Hong Kong	HK\$	2	(Liquidation in progress)

Schedule 2 Information on the same shareholders involved with or controlling affiliated companies

Unit: NTD thousands shares; %

Presumed			Current shareholding		Date of		Issued	Primary	
Reason	Name	No. of shares	Shareholding percentage	establishment	Address	capital	business operation		
	Not applicable								

Schedule 3 Information on directors, supervisors, and general managers of the affiliated companies

Unit: shares; % Data as of March 31, 2021

		Data as of March 31, 2021				
Company name	Title	Name or name of representative		areholding Shareholding		
Company hame	Title	Name of hame of representative	No. of shares	percentage		
	Corporate entity	Capital Securities Corporation	119,177,014	56.63%(Note 1)		
	Corporate entity	Hong Ye Investment Co., Ltd.	2,031	0.00%		
	Chairman	Capital Securities Corp Representative: SUN, TIEN-SHAN	1,332,317	0.63%		
	Director	Capital Securities Corp Representative: LIU, CHING-TSUN	0	0		
Capital Futures Corp.	Director	Capital Securities Corp Representative: WANG, JIUNN-CHIH	0	0		
Capital Futures Corp.	Director	Hong Ye Investment Co., Ltd Representative: LEE, YI-HUEI	0	0		
	Independent Director	CHEN, KUO-TAY	0	0		
	Independent Director	HSIAO, JENG-CHING	0	0		
	Independent Director	CHUANG, CHIH-CHENG	0	0		
	President	LEE, WEN-CHU	226,690	0.11%		
	Corporate entity	Capital Futures Corp.	5,000,000	100%		
	Chairman	Capital Futures Corp Representative: SUN, TIEN-SHAN	0	0		
Capital International Technology Corp.	Director	Capital Futures Corp Representative: LEE, WEN-CHU	0	0		
. co.mology co.p.	Director	Capital Futures Corp Representative: CHEN, WEN-TSAY	0	0		
	Supervisor	Capital Futures Corp Representative: LIN, LI-CHUAN	0	0		
	Corporate entity	Capital Securities Corporation	7,000,000	100%		
	Chairman	Capital Securities Corp Representative: TSAI, MING-YEN	0	0		
Capital Investment Management Corp.	Director	Capital Securities Corp Representative: HSIEH, CHIH-FEI	0	0		
management cerp.	Director	Capital Securities Corp Representative: REI, GU-ZHENG	0	0		
	Supervisor	Capital Securities Corp Representative: LI, MEI-YU	0	0		
	Corporate entity	Capital Securities Corporation	500,000	100.00%		
	Chairman	Capital Securities Corp Representative: CHIU, CHAO-CHIEN	0	0		
Capital Insurance	Director	Capital Securities Corp Representative: CHEN, MING-SHING	0	0		
Advisory Corp.	Director	Capital Securities Corp Representative: CHANG, PEI-WEN	0	0		
	Supervisor	Capital Securities Corp Representative: TAN, TE-CHENG	0	0		
	President	FANG, YA-JUNG	0	0		
	Corporate entity	Capital Securities Corporation	740,000	100.00%		
	Chairman	Capital Securities Corp Representative: CHIU, CHAO-CHIEN	0	0		
Capital Insurance	Director	Capital Securities Corp Representative: CHEN, MING-SHING	0	0		
Agency Corp.	Director	Capital Securities Corp Representative: CHANG, PEI-WEN	0	0		
	Supervisor	Capital Securities Corp Representative: TAN, TE-CHENG	0	0		
	President	HSU, WEN-TUNG	0	0		
	Corporate entity	Capital Securities Corporation	100,000,000	100%		
CSC Venture Capital Corp.	Chairman	Capital Securities Corp Representative: WANG, JIUNN-CHIH	0	0		
	Director	Capital Securities Corp Representative: CHIA, CHUNG-TAO	0	0		
	Director	Capital Securities Corp Representative: FANG, CHIH-HUNG	0	0		
	Supervisor	Capital Securities Corp Representative: TAN, TE-CHENG	0	0		
	Corporate entity	Capital Securities Corporation	33,000,000	100.00%		
CSC Capital	Chairman	Capital Securities Corp Representative: CHEN, MING-SHING	0	0		
Management Co., Ltd.	Director	Capital Securities Corp Representative: CHANG, CHIH-MING	0	0		
	Director	Capital Securities Corp Representative: ZHANG, JIA-WEN	0	0		

Company name	Title	Name or name of representative	Current sh No. of shares	areholding Shareholding percentage
	Supervisor	Capital Securities Corp Representative: LIN, CHAO-HSU	0	C
	Corporate entity	Capital Securities Corporation	45,000,000	100.00%
CSC International Holdings Ltd.	Director	Capital Securities Corp Representative: WANG, JIUNN-CHIH	0	(
. rorumgo _tu	Director	Capital Securities Corp Representative: CHEN, MING-SHING	0	(
	Corporate entity	CSC International Holdings Ltd.	128,000,000	100.00%
	Director	CSC International Holdings Ltd Representative: WANG, JIUNN-CHIH	0	(
CSC Securities (HK) Ltd	Director	CSC International Holdings Ltd Representative: CHEN, MING- SHING	0	(
	Director	CSC International Holdings Ltd Representative: CHANG, TUN-FU	0	(
	Corporate entity	CSC Securities (HK) Ltd.	2	100.00%
Capital Securities Nominees Ltd.	Director	CSC Securities (HK) Ltd Representative: CHANG, TUN-FU	0	(
Norminees Ltd.	Director	CSC Securities (HK) Ltd Representative: CHEN, MING-SHING	0	(
	Corporate entity	Capital Futures Corp.	214,000,000	97.27%
	Director	Capital Futures Corp Representative: WANG, JIUNN-CHIH	0	(
	Director	Capital Futures Corp Representative: CHEN, MING-SHING	0	(
CSC Futures (HK) Ltd.	Director	Capital Futures Corp Representative: FANG, CHIH-HUNG	0	(
	Director	Capital Futures Corp Representative: SUN, TIEN-SHAN	0	(
	Director	Capital Futures Corp Representative: KAO, CHENG-YUNG	0	(
	Director	Capital Futures Corp Representative: LIANG, CHENG-CHUNG	0	(
	Corporate entity	Capital International Technology Corp.	510,000	51%
	Corporate entity	True Partner China Holding Limited	490,000	49%
	Chairman	Capital International Technology Corp Representative: SUN, TIEN-	0	(
	Director	SHAN Capital International Technology Corp Representative: LEE, WEN-CHU	0	(
Capital True Partner Technology Co., Ltd.	Director	True Partner China Holding Limited - Representative: Maria Zhang	0	(
	Director	True Partner China Holding Limited - Representative: Tobias Benjamin Hekster	0	(
	Supervisor	Capital International Technology Corp Representative: CHEN, WEN-TSAY	0	(
	Supervisor	True Partner China Holding Limited - Representative: Remco Janssen	0	(
	President	STANLEY, DENG	0	(
	Corporate entity	Capital International Technology Corp.	4,000,000	100%
	Chairman	Capital International Technology Corp Representative: SUN, TIEN-SHAN	0	(
Capital Futures	Director	Capital International Technology Corp - Representative: Mao, Jen- Hua	0	(
Technology (Shanghai) Co., Ltd.	Director	Capital International Technology Corp Representative: LEE, WEN- CHU	0	(
	Supervisor	Capital International Technology Corp Representative: CHEN, WEN-TSAY	0	(
	President	HUNG, MING-NAN	0	(
Taiwan International	Corporate entity	Capital Securities Corporation	9,516,300	100.00%
Securities (B.V.I.) Corp.	Director	Capital Securities Corp Representative: CHEN, MING-SHING	0	(
	Corporate entity	Taiwan International Securities (B.V.I.) Corp.	265,000,000	100.00%
TIS Securities (HK) Ltd. (Liquidation in progress)	Director	Taiwan International Securities (B.V.I.) Corp Representative: CHEN, MING-SHING	0	(
(Liquidulion in progress)	Director	Taiwan International Securities (B.V.I.) Corp Representative: HUANG, SHAO-MEI	0	(
Taiwan International Capital (HK) Ltd.	Corporate entity	TIS Securities (HK) Limited.	2	100.00%
(Liquidation in progress)	Director	TIS Securities (HK) Limited Representative: CHEN, MING-SHING	0	(

Note 1: Shareholding percentage includes the sales of securities acquired by the Company's Investment Banking Department from underwriting and recognized.

Schedule 4 Business status of the affiliated companies

Unit: NTD thousands

Company name	Capital	Total asset	Total liabilities	Net worth	Operating revenues	Operating profit	Current period profit/loss (after-tax)	Earnings per share (\$) (after-tax)
Capital Futures Corp.	2,104,376	45,429,864	39,070,200	6,359,664	2,132,715	399,831	622,166	3.07
Capital International Technology Corp.	50,000	42,996	1,968	41,028	2,304	1,389	(1,549)	(0.31)
Capital Investment Management Corp.	70,000	129,395	53,515	75,880	63,913	(16,745)	(16,565)	(2.37)
Capital Insurance Advisory Corp.	5,000	75,160	23,174	51,986	109,144	32,016	26,125	52.25
Capital Insurance Agency Corp.	7,400	45,331	6,141	39,190	49,812	(357)	(217)	(0.29)
CSC Venture Capital Corp.	1,000,000	851,449	10,328	841,121	2,546	(7,276)	(3,597)	(0.04)
CSC Capital Management Co., Ltd.	330,000	329,862	120	329,742	-	(262)	(258)	(0.01)
CSC International Holdings Ltd. (Note 1)	1,279,350	1,530,349	1,904	1,528,445	23,047	792	766	0.02
CSC Securities (HK) Ltd. (Note 1)	466,304	1,820,929	1,191,315	629,614	145,375	24,541	23,040	0.18
Capital Securities Nominee Ltd. (Note 1)	-	-	-	-	-	-	-	-
CSC Futures (HK) Ltd.	875,750	5,875,341	4,966,938	908,403	370,616	(28,222)	(13,999)	(0.06)
Capital True Partner Technology Co., Ltd.	5,013	6,882	1,789	5,093	20,104	945	1,144	1.14
Capital Futures Technology (Shanghai) Co., Ltd.	18,863	16,247	482	15,765	25	(5,727)	(2,321)	(0.58)
Taiwan International Securities Investment Consulting Corp., Ltd. (Note 2)	-	_	-	-	-	(6)	(6)	_
Taiwan International Securities (B.V.I.) Corp. (Note 1)	270,548	96,119	96,099	20	446	446	446	1,487.63
TIS Securities (HK) Limited (Note 1) (Note 3)	965,395	555	95,461	(94,906)	_	-	446	0.00
Taiwan International Capital (HK) Ltd. (Note 1) (Note 4)	-	-	240,511	(240,511)	-	-	249	, -

Note 1: The exchange rates are based on the data of the net values and incomes of subsidiaries adjusted and recognized by Capital Securities Corp. (parent) on December 31, 2020:

Assets and liabilities: NTD: USD = 28.43: 1; NTD: HKD = 3.643: 1; NTD: CNY = 4.352: 1.

Income: NTD: USD = 29.23:1; NTD: HKD = 3.761:1; NTD: CNY = 4.341:1.

Note 2: Liquidation was completed on June 15, 2020.

Note 3: It was dissolved by a resolution of the Board of Directors of the Taiwan International Securities (HK) Ltd. On December 30, 2011.

Note 4: It was dissolved by a resolution of the Board of Directors of the Taiwan International Capital (HK). Ltd. On December 30, 2011.

- 2. Private placement of securities in the most recent year up till the publication date of this annual report: None.
- 3. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of this annual report: None.
- 4. Other supplementary information:

Key performance indicator (KPI) for the special nature of the industry of the Company:

Capital adequacy ratio: 369% (December 31, 2020)

349% (March 31, 2021)

X. Occurrences of Significant Impact on Shareholders' **Equity or Security Prices**

Matters that have a significant impact on shareholders' income or securities prices as set forth in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act during 2020 and until the date of printing of the annual report shall be specified: None.

Contact Information of Head Office, Branches and Affiliates



Capital Securities Corp.

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Brokerage Department

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Investment Banking Department

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City 10596, Taiwan, R.O.C.

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Registrar Agency Department

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Fixed Income Department

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Derivatives Department

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Proprietary Trading Department

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Wealth Management Department

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Brokerage Division

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Zhongxiao Branch

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Dunnan Branch

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Nanjing Branch

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Xisong Branch

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Tianmu Branch

3F., No.18, Sec. 7, Zhongshan N. Rd., Shilin Dist., Taipei City 11152, Taiwan, R.O.C.

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Guanqian Branch

8F., No. 77, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10045, Taiwan R.O.C.

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Neihu Branch

6F., No.50, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City 11489, Taiwan, R.O.C.

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Guting Branch

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Taipei Branch

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Zhongshan Branch

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Yanping Branch

4F., No.96, Sec. 2, Yanping N. Rd., Datong Dist., Taipei City 10344, Taiwan, R.O.C.

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Shilin Branch

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Wanhua Branch

2F., No. 31, Guilin Rd., Wanhua Dist., Taipei City 10849, Taiwan, R.O.C.

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Donghu Branch

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Songshan Branch

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Da-an Branch

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Xinzhuang Branch

2F., No.160, Sec. 2, Zhonghua Rd., Xinzhuang Dist., New Taipei City 24246, Taiwan, R.O.C.

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Da Hsing Branch

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Danfong Branch

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Yonghe Branch

2F., No.353, Fuhe Rd., Yonghe Dist., New Taipei City 23450, Taiwan, R.O.C.

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Nan sanchong Branch

1F., No.97, Zhengyi S. Rd., Sanchong Dist., New Taipei City 24142, Taiwan, R.O.C.

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Banqiao Branch

3F., No.216, Sec. 1, Sanmin Rd., Banqiao Dist., New Taipei City 22067, Taiwan, R.O.C.

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Haishan Branch

3F.-1, No.30-2, Dongmen St., Banqiao Dist., New Taipei City 22055, Taiwan, R.O.C.

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Tucheng Branch

1F., No.261, Sec. 1, Zhongyang Rd., Tucheng Dist., New Taipei City 23665, Taiwan, R.O.C.

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Keelung Branch

8F., No.255, Ren 2nd Rd., Ren'ai Dist., Keelung City 20048, Taiwan, R.O.C.

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Xindian Branch

2F.-5, No.262, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City 23143, Taiwan, R.O.C.

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Taoyuan Branch

4F., No.32, Sec. 1, Chenggong Rd., Taoyuan Dist., Taoyuan City 33043, Taiwan, R.O.C.

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Zhongli Branch

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Minquan Branch

4F., No.91, Minquan Rd., West Dist., Taichung City 40341, Taiwan, R.O.C.

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Hsinchu Branch

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Chongde Branch

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Jingguo Branch

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Zhonggang Branch

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Zhunan Branch

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Dajia Branch

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Taichung Branch

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Tanzi Branch

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Jiancheng Branch

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Changhua Branch

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Chiayi Branch

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Gausheng Branch

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Tainan Branch

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Dungmen Branch

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Fengshan Branch

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Rueifeng Branch

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Kaohsiung Branch

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Pingtung Branch

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Sanmin Branch

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Yilan Branch

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Capital Securities Corp.Offshore Securities Unit

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Capital Futures Corp.

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Capital International Technology Corp.

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Capital True Partner Technology Co.,Ltd.

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Capital Futures Technology (Shanghai) Co., Ltd.

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Capital Investment Management Corp.

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Capital Insurance Advisory Corp.

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Capital Insurance Agency Corp.

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CSC Venture Capital Corp.

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CSC Futures (HK) Ltd.

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CAPITAL SECURITIES CORP.

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