CAPITAL FUTURES CORPORATION

Parent-Company-Only Financial Report

For the Years Ended December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors
Capital Futures Corporation

We have audited the accompanying statement of financial position of Capital Futures Corporation as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. The financial report is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial report based on our audits.

We conducted our audits in accordance with Rules Governing Certified Public Accountants' Certification of Financial Statements and Auditing Standards Generally Accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial report presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial report referred to above present fairly, in all material respects, the financial position of Capital Futures Corporation as of December 31, 2014 and 2013, and the results of its financial performance and its cash flows for the years then ended in conformity with Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the related rules of preparing financial reports for futures management business.

KPMG
Taipei, Taiwan, R.O.C.
March 25, 2015

Notice to Readers

The accompanying financial report is intended only to present the financial position, financial performance, and cash flows in accordance with IFRSs endorsed by the FSC and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial report are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial report 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 report, the Chinese version shall prevail.

CAPITAL FUTURES CORPORATION

Statement of Financial Position

December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	December 31, 2014 Amount	%	December 31, 2013 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6(1))	$ 1,700,090	11	1,111,682	10
Financial assets at fair value through profit or loss - current (Note 6(2))	249,499	2	413,529	4
Customers margin accounts (Note 6(5))	11,752,817	80	8,621,085	80
Accounts receivable	182	-	1,360	-
Accounts receivable - inter co. (Note 7)	302	-	204	-
Prepayments	4,504	-	3,092	-
Other receivables	11,733	-	6,696	-
Other receivables - inter co. (Note 7)	8,412	-	10,507	-
Other current assets	1	-	16	-
	13,727,540	93	10,168,171	94
NON-CURRENT ASSETS				
Financial assets measured at cost-non-current (Note 6(2))	128	-	128	-
Available-for-sale financial assets-non-current (Note 6(2))	84,184	1	70,164	1
Investments under Equity Method (Note 6(3))	516,663	4	199,264	2
Property and equipment (Note 6(4))	26,089	-	34,897	-
Intangible assets (Note 6(6))	50,871	-	54,114	-
Other non-current assets	289,668	2	320,032	3
	967,603	7	678,599	6
TOTAL ASSETS	**$ 14,695,143**	**100**	**10,846,770**	**100**

LIABILITIES AND EQUITY	December 31, 2014 Amount	%	December 31, 2013 Amount	%
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss-current (Note 6(2))	$ 70,443	-	10,555	-
Futures traders' equity (Note 6(7))	11,730,360	80	8,612,102	80
Accounts payable	25,470	-	17,614	-
Accounts payable - inter co. (Note 7)	13,138	-	8,007	-
Advance receipts	2,107	-	1,584	-
Receipts under custody	2,350	-	1,915	-
Other payables	85,236	1	76,494	1
Other payables - inter co. (Note 7)	18,537	-	13,040	-
Current income tax liabilities	28,190	-	12,399	-
Other liabilities - current	15,685	-	5,186	-
	11,991,516	81	8,758,896	81
NON-CURRENT LIABILITIES				
Provision for liabilities - non-current (Note 6(9))	7,545	-	7,009	-
Deferred income tax liabilities (Note 6(10))	3,650	-	499	-
	11,195	-	7,508	-
TOTAL LIABILITIES	12,002,711	81	8,766,404	81
EQUITY				
Common stock (Note 6(11))	1,199,979	8	1,000,879	9
Capital surplus	377,709	3	107,625	1
Legal reserve	224,506	2	198,713	2
Special reserve	544,565	4	499,950	5
Unappropriated earnings (Notes 6(10) and (11))	293,036	2	249,963	2
Other equity	52,637	-	23,236	-
TOTAL EQUITY	2,692,432	19	2,080,366	19
TOTAL LIABILITIES AND EQUITY	**$ 14,695,143**	**100**	**10,846,770**	**100**

(The accompanying notes are an integral part of the financial report)

CAPITAL FUTURES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars, Except For Earings Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
Income				
Commission income - brokerage (Note 6(13))	$ 1,057,315	93	937,455	93
Gain on covering of borrowed securities	-	-	202	-
Securities commission income	3,033	-	2,275	-
Commission income - clearing and settlement	-	-	12,656	1
Gain on derivative financial instruments	63,074	6	44,855	5
Futures management revenue	186	-	11	-
Management fee revenue	249	-	179	-
Consulting fee revenue	9,068	1	7,909	1
Other operating revenue	(418)	-	(715)	-
	1,132,507	100	1,004,827	100
Expenses				
Brokerage fees	141,766	13	132,662	13
Brokerage fees - proprietary trading	10,314	1	13,919	1
Financial costs	2,449	-	2,512	-
Futures commission expenses (Note 6(13))	244,649	22	217,164	22
Clearing and settlement expenses	103,223	9	106,623	11
Employee benefit expenses (Note 6(13))	237,652	21	217,557	22
Depreciation or amortization expenses (Note 6(13))	26,212	2	25,339	3
Other operating expenses (Note 6(13))	184,040	16	175,325	17
	950,305	84	891,101	89
Non-operating income and expenses				
Share of loss of subsidiaries, associates and joint ventures under Equity Method	(25,074)	(2)	(4,108)	-
Other income and expenses (Note 6(13))	182,854	16	190,947	19
	157,780	14	186,839	19
Profit before income tax	339,982	30	300,565	30
Income tax expenses (Note 6(10))	(46,038)	(4)	(42,633)	(4)
Profit for the year	**293,944**	**26**	**257,932**	**26**
Other comprehensive income:				
Foreign exchange difference from translating financial reports of foreign operations	18,532	2	5,051	-
Unrealized gain on available-for-sale financial assets	14,019	1	26,015	3
Actuarial loss on defined benefit plans (Note 6(9))	(532)	-	(5,808)	(1)
Income tax relating to the components of other comprehensive income (Note 6(10))	(3,150)	-	(859)	-
Other comprehensive income (After tax)	28,869	3	24,399	2
Total comprehensive income	**$ 322,813**	**29**	**282,331**	**28**
Basic earnings per share (Dollar) (Note 6(12))	**$**	**2.65**		**2.58**
Dilutive earnings per share (Dollar) (Note 6(12))	**$**	**2.65**		**2.57**

(The accompanying notes are an integral part of the financial report)

CAPITAL FUTURES CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2014 and 2013
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other equity		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Cumulative translation adjustment	Unrealized gain/loss on securities	Total
Beginning balance, January 1, 2013	$ 922,469	107,625	175,484	451,624	229,904	(1,754)	(5,217)	1,880,135
Profit for 2013	-	-	-	-	257,932	-	-	257,932
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(5,808)	4,192	26,015	24,399
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	252,124	4,192	26,015	282,331
Appropriation of 2013 earnings (Note 1):								
Legal reserve	-	-	23,229	-	(23,229)	-	-	-
Special reserve	-	-	-	48,326	(48,326)	-	-	-
Cash dividends	-	-	-	-	(82,100)	-	-	(82,100)
Stock dividends	78,410	-	-	-	(78,410)	-	-	-
Ending balance, December 31, 2013	1,000,879	107,625	198,713	499,950	249,963	2,438	20,798	2,080,366
Profit for 2014	-	-	-	-	293,944	-	-	293,944
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(532)	15,382	14,019	28,869
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	293,412	15,382	14,019	322,813
Appropriation of 2014 earnings (Note 2):								
Legal reserve	-	-	25,793	-	(25,793)	-	-	-
Special reserve	-	-	-	44,615	(44,615)	-	-	-
Cash dividends	-	-	-	-	(179,159)	-	-	(179,159)
Capital increase (Note 6 (11))	199,100	263,480	-	-	-	-	-	462,580
Cost of employee stock option for capital increase (Note 6 (11))	-	6,604	-	-	-	-	-	6,604
Difference between the acquisition or disposal price and the carrying amount of subsidiaries' shares (Note 6 (3))	-	-	-	-	(772)	-	-	(772)
Ending balance, December 31, 2014	**$ 1,199,979**	**377,709**	**224,506**	**544,565**	**293,036**	**17,820**	**34,817**	**2,692,432**

Note1：The remuneration to directors and supervisors $3,775 and the employee bonuses $3,775 were both deducted from the statement of comprehensive income for the year ended December 31, 2013.

Note2：The remuneration to directors and supervisors $4,350 and the employee bonuses $4,350 were both deducted from the statement of comprehensive income for the year ended December 31, 2014.

(The accompanying notes are an integral part of the financial report)

CAPITAL FUTURES CORPORATION
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013
(Expressed in Thousands of New Taiwan Dollars)

		2014	2013
Cash flows from operating activities:			
Profit before income tax	$	339,982	300,565
Adjustments to reconcile net income to net cash provided by operating activities:			
Income and expenses items with no effect on cash flow:			
Depreciation expenses		18,505	19,286
Amortization expenses		7,707	6,053
Net losses/(gains) on financial assets and liabilities at fair value through profit or loss		35,050	(34,240)
Interest expenses		2,449	2,512
Interest income (Including financial revenue)		(120,663)	(102,100)
Dividend income		(175,948)	(7,786)
Cost of share-based payment awards		6,604	-
Share of loss of subsidiaries, associates and joint ventures under Equity Method		25,074	4,108
Total income and expense items with no effect on cash flows		(201,222)	(112,167)
Net changes of assets and liabilities from operating activities:			
Net changes of assets from operating activities:			
Decrease/(Increase) in financial assets at fair value through profit or loss		128,980	(321,914)
(Increase)/Decrease in customers margin accounts		(3,131,732)	175,038
Decrease/(Increase) in accounts receivable		1,178	(300)
Increase in accounts receivable-inter co.		(98)	(28)
Increase in prepayments		(1,412)	(442)
(Increase)/Decrease in other receivable		(1,227)	778
Decrease/(Increase) in other receivable-inter co.		2,095	(10,507)
Decrease in other current assets		15	930
Decrease/(Increase) in clearing and settlement fund		40,461	(65,882)
Increase in refundable deposits		(10,200)	(12)
Total net changes of assets from operating activities		(2,971,940)	(222,339)
Net changes of liabilities from operating activities:			
Increase in financial liabilities at fair value through profit or loss		59,888	4,622
Increase/(Decrease) in futures traders' equity		3,118,258	(173,103)
Increase/(Decrease) in accounts payable		7,856	(6,107)
Increase in accounts payable-inter co.		5,131	2,098
Increase in advance receipts		523	98
Increase/(Decrease) in receipts under custody		435	(458)
Increase in other payables		8,715	6,836
Increase in other payables-inter co.		5,497	12,519
Increase/(Decrease) in provision for liabilities		4	(3)
Increase in other liabilities- current		10,499	233
Total net changes of liabilities from operating activities		3,216,806	(153,265)
Total net changes of assets and liabilities from operating activities		244,866	(375,604)
Total adjustments		43,644	(487,771)
Cash flows provided by (used in) operating activities		383,626	(187,206)
Interest collected		116,853	100,159
Dividend received		175,948	7,786
Interest paid		(2,422)	(2,494)
Income tax paid		(30,246)	(50,220)
Net cash provided by (used in) operating activities		643,759	(131,975)
Cash flows from investing activities:			
Purchase of investments under Equity Method		(348,748)	-
Purchase of properties and equipments		(9,697)	(11,000)
Purchase of intangible assets		(4,361)	(6,270)
Net cash used in investing activities		(362,806)	(17,270)
Cash flows from financing activities:			
Issuance of cash dividends		(179,159)	(82,100)
Issuance of common stock		462,580	-
Disposition of shares of subsidiaries (Not losing control)		24,034	-
Net cash provided by (used in) financing activities		307,455	(82,100)
Increase/(Decrease) in cash and cash equivalents		588,408	(231,345)
Cash and cash equivalents at the beginning of the year		1,111,682	1,343,027
Cash and cash equivalents at the end of the year	**$**	**1,700,090**	**1,111,682**

(The accompanying notes are an integral part of the financial report)

CAPITAL FUTURES CORPORATION
Notes to Separate Financial Report
December 31, 2014 and 2013
(Amounts expressed in thousands of new Taiwan dollars unless otherwise specified)

1. Company history

Capital Futures Corporation (the “Company”) was incorporated on February 26, 1997 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 32th and B1 Fl. No. 97, Tun Hwa South Rd., Sec. 2, Taipei, Taiwan, R.O.C. The Company established the Taichung branch. Furthermore, the official listed date was on April 27, 2009. Managing the following business：

(1) Futures business.

(2) Futures advisory business.

(3) Securities introducing brokerage.

(4) Futures management business.

2. Approval date and procedures of the financial report

The financial report was authorized for issuance by the Board of Directors on March 25, 2015.

3. New standards and interpretations

(1) The effect on non-application of 2013 International Financial Reporting Standards as accepted by the Financial Supervisory Commissions.

In accordance with Chin-Kuan-Chen-Shen-Zhi No.1030010325 which was issued by Financial Supervisory Commissions (the “FSC”) on April 3, 2014, listed companies at stock exchange market, over-the-counter market and emerging stock market should adopt the 2013 version of IFRSs, which are accepted by FSC, from the year 2015 when compiling financial reports. The announcement excludes the application of IFRS 9 “Financial Instruments”. The newly issued and revised accounting standards and interpretations are as follows.

Newly issued, Revised accounting standards and interpretations	Effective date per IASB
Amendment to IFRS 1-Amended by “Limited Exemption from Capital Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1-Amended by “Severe Hyperin1flation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1-Amended by “Government Loans”	January 1, 2013
Amendment to IFRS 7-Amended by “Disclosure－Transfers of Financial Assets”	July 1, 2011

Newly issued, Revised accounting standards and interpretations	Effective date per IASB
Amendment to IFRS 7-Amended by "Disclosures — Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (Effective for investment entities on January 1, 2014)
IFRS 11 "Joint Agreements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1-Amended by " Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12-Amended by "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
Amendment to IAS 19-Superseded "Employee Benefits "	January 1, 2013
Amendment to IAS 27-Reissued as "Separate Financial Statements"	January 1, 2013
Amendment to IAS 32-Amended by "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

After evaluation, the adoption of the 2013 version IFRSs by the Company would have no significant impact on consolidated financial statements.

(2) The effect on newly issued International Financial Reporting Standards not yet accepted by the FSC.

Listed as below are the accounting standards and interpretations newly issued and revised by IASB but not yet included in the 2013 IFRSs as accepted by FSC.

Newly issued, Revised accounting standards and interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendment to IFRS 10 and IAS 28 "Sales or contributions of assets between an investor and its associate/joint venture"	January 1, 2016
Amendment to IFRS 10, IFRS 12 and IAS 28 "Investment entities: Applying the consolidation exception"	January 1, 2016
Amendment to IFRS 11 "Acquisition of an Interest in a Joint Operation"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016

Newly issued, Revised accounting standards and interpretations	Effective date per IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
IAS 1 "Disclosure initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Bearer Plant"	January 1, 2016
Amendment to IAS 19–"Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 " Novations of Derivatives and Continuing of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

The Company is continuously evaluating the influence on financial position and performance which resulted from the adoption of the abovementioned standards and interpretations. Relevant influence will be disclosed when the assessment is completed.

4. Summary of significant accounting policies

The Summary of significant accounting policies adopted in the financial report is set below. Unless stated otherwise, they apply consistently to all presentation periods in the financial report.

(1) Statement of compliance

The financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the related rules of preparing financial reports of futures enterprises.

(2) Basis of preparation

(a) Basis of measurement

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

a. Financial instruments measured at fair value through profit or loss (including derivative instruments);

b. Available-for-sale financial assets that are measured at fair value; and

c. The defined benefit asset is recognized as plan assets less the present value of the defined benefit obligation.

(b) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The separate financial report is presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(3) Foreign currency

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

a. available-for-sale equity investment;

b. a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

c. qualifying cash flow hedges to the extent the hedge is effective.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional 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 Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely paid in the foreseeable future, foreign currency gains and losses 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.

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

An entity shall classify an asset as current when:

(a) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(b) It holds the asset primarily for the purpose of trading;

(c) It expects to realize the asset within twelve months after the balance sheet date; or

(d) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

(a) It expects to settle the liability in the Company’s normal operating cycle;

(b) It holds the liability primarily for the purpose of trading;

(c) The liability is due to be settled within twelve months after the balance sheet date; or

(d) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. 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.

An entity shall classify all other liabilities as non-current.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise time deposit with maturity within 1 year, futures margin- excess margin and commercial paper that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(6) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(a) Financial assets

The Company classifies financial assets into the following categories: financial assets measured at fair value through profit or loss, receivables, and available-for-sale financial assets.

a. Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial assets measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

b. Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

c. Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade-date accounting.

d. Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping assets with similar risk characteristics together. In assessing collective impairment, the Company uses the probability of default collected from the historical trend, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined that a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognised in profit or loss

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortised cost before impairment was recognised at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

e. Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(b) Financial liabilities

a. Financial liabilities measured at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

b. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as measured at fair value through profit or loss, which comprise accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

c. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

d. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(7) Investments in subsidiaries

When preparing parent-company-only financial report, the Company uses equity method inevaluating the control of an investee. Under equity method, the net income or loss for the period of parent-company-only financial report and other comprehensive income of parent-company-only financial report are the same as net income or loss for the period attributed to owners of parents of consolidated report and other comprehensive income attributed to owners of parents of consolidated report, respectively. The equity of the parent-company-only financial report is the same as the equity attributable to the owners of parents of the consolidated report.

Any change in ownership interest of the subsidiaries, not resulting in loss of control, is treated as equity transaction between the owners.

(8) Securities under repurchase / resell agreements

The Company engages in securities under repurchase / resell agreements trading and the nature of transaction substance is financing. When entering securities under resell agreements transactions, the company establishes an account “Investment in Bonds with resell agreements” with the actual amount of lending and recognises financing interest revenue by the interest period of resell agreements and no profit and loss is recognized.

(9) Customers margin accounts and future traders’ equity

The customers’ margin refers to the guarantee deposits and premiums collected from futures customers and also the spread calculated based on the market prices everyday. It is reflected under current assets of the balance sheet. Futures traders’ equity refers to futures customers’ deposit the guarantee deposits and option premiums and also the spread calculated based on the market prices everyday. It is reflected under current liabilities. The loss is offset only against the balance of the same customers’ own margin accounts. If a customer incurs a loss in excess of the margin account balance, the excess is recognized a receivable.

(10) Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other income and expenses.

(b) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(c) Depreciation

The depreciable amount of an asset is determined after deducting its residual values, and it shall be allocated on a systematic basis over its useful life. Items of property and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

a. Office equipment 3 ~ 5 years

b. Leasehold improvement is depreciated equally over the shorter period of estimated useful life or the lease term.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(11) Leases

Operating leases are not recognized in the Company's statement of balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized as an expense on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense on a straight-line basis over theterm of the lease. Lease payments under operating lease shall be recognized in renting expenses and disclosed in financial report.

(12) Intangible assets

Intangible assets of the company are the requirements for transacting business on an exchange. The seats are regarded as intangible assets with an indefinite useful life and measured at cost while originally recognized. After initial recognition, an intangible asset shall be carried at its cost less any accumulated impairment losses. As for computer software, it was amortised on a straight-line basis over estimated useful life of three years, and in the meanwhile, the amortisation would be recognized in gains or losses. The residual value, amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end. The change is accounted for as a change in an accounting estimate.

(13) Revenue recognition

The main revenue is commission income - brokerage and is recognized based on an accrual basis.

(14) Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date market yields of high-quality government bonds on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The recognized asset is limited to the total of any unrecognized past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses at January 1, 2013, the date of transition to IFRS approved by the FSC, were recognized in retained earnings. The Company recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(c) Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(d) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(15) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.
For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(16) Income tax

Income tax expenses include both 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 shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior 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 shall not be recognized for the below exceptions:

(a) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(b) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(c) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(a) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(b) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

a. levied by the same taxing authority; or

b. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

The 10% surtax on undistributed earnings is reflected as current expense on the date of stockholders' meeting to resolve on earnings distribution

(16) Earnings per share ("EPS")

The calculation of basic earnings per share is based on net income, divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on net income, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee bonus. In the event of capital increase through capitalization of retained earnings, or capital surplus, EPS is retroactively adjusted by the approved capitalization ratio, regardless of the outstanding period when incremental shares are issued.

(17) Segment information

The Company has disclosed the segment information in the consolidated financial report, thus, the Company does not disclose it in this financial report.

5. Major sources of accounting judgments, estimation and assumptions uncertainty

The preparation of the separate financial reports in conformity with Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the related rules of preparing financial reports for futures enterprises 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 separate financial reports, 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.

6. Summary of major accounts

(1) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash	$ 50	50
Demand deposits	26,035	38,057
Time deposits	1,049,280	764,900
Futures margin-excess margin	509,221	206,683
Commercial paper	-	101,992
Bonds investment under resell agreements	115,504	-
Total	**$ 1,700,090**	**1,111,682**

(2) Financial assets and liabilities

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

	December 31, 2014	December 31, 2013
Open-ended funds and money-market instruments	$ 35,000	39,842
Valuation adjustment	270	1,543
Investment in securities	95,234	309,064
Valuation adjustment on securities investments	723	34,499
Call options	37,080	16,723
Futures margin-proprietary fund	81,192	11,858
Total	**$ 249,499**	**413,529**

The impact on comprehensive income for both 2014 and 2013 would increase (decrease) by $960 and $3,436 respectively, if a 1% increase (decrease) in prices of the underlying securities at the reporting date (assuming all other variables remain the same).

(b) Available-for-sale financial assets - non-current

Investee Company	December 31, 2014	December 31, 2013
CME GROUP	$ 49,367	49,367
Less: Valuation adjustments	34,817	20,797
Total	**$ 84,184**	**70,164**

The objective of holding the CME Group's common stocks is to secure the trading rights at the foreign futures exchange. The impact on comprehensive income for both 2014 and 2013 would increase (decrease) by $842 and $702 respectively, if a 1% increase (decrease) in prices of the underlying securities at the reporting date (assuming all other variables remain the same).

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

	December 31, 2014		December 31, 2013	
Investee Company	**Ownership ratio**	**Amount**	**Ownership ratio**	**Amount**
Taiwan Futures Exchange Co., Ltd	0.0045%	$ 128	0.0045%	128

(d) Financial liabilities at fair value through profit or loss-current

	December 31, 2014	December 31, 2013
Put options	$ 70,443	10,555

(3) Investments under Equity Method

Investments under Equity Method on the reporting date were as follows:

	December 31, 2014	December 31, 2013
Subsidiaries	$ 516,663	199,264

The reinvestment and capital increase of CSC Futures (H.K.) Ltd. were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C. (letter No. 1010027412) and Securities and Futures Commission of Hong Kong on August 24, 2012. As of October 31, 2012, the Company remitted HK 22,800 thousand dollars for shares and HK 30,000 thousand dollars for capital increase and the actual transfer of set transfer date as November 1, 2012.

The Company executed capital increase in CSC Futures (H.K.) Ltd. on February 6, 2014, which amounted to HK 70,000 thousand dollars. The Company signed Equity Transfer Agreement on March 5, 2014 and sold 5%, which is equivalent to 6,000 thousand shares of CSC Futures (H.K.) Ltd., to True Partner Holding Limited. The shares were sold at HKD 1.02 per share and the total proceeds from the shares sold amounted to HK 6,120 thousand dollars. The base date of the transfer was March 31, 2014. The registration of alteration and the acquisition of relevant documents were completed on April 2, 2014. The difference between the disposal price and the carrying amount of the shares sold amounted to $236, and was recognized under capital surplus.

According to article 5 of the agreement "share buy-back", when True Partner Holding Limited sells or transfers (including gift or legal transfer) any shares of the target company, it has to submit a written sale notice to the Company. The Company has the priority to purchase the shares and issues a written purchase notice. True Partner Holding Limited submitted a written sale notice to the Company on December 23, 3014 and the Company also issued a written purchase notice on the same day to buy back the 5% equity which is equivalent to 6,000 thousand shares of CSC Futures (H.K.) Ltd. The shares were sold at HKD 0.99 per share and the total amount of the proceeds received was HK 5,940 thousand dollars. The base date of the transfer was December 23, 2014. The registration of alteration and the acquisition of relevant documents were completed on December 23, 2014. The difference between the disposal price and the carrying amount of the shares sold amounted to $(1,008), and was recognized in capital surplus and undistributed earnings.

The Company established Capital International Technology Corp., Ltd. per Gin Guan Zheng Qi No.1030038387 letter on November 18, 2014 and remitted share proceeds which amounted to $50,000 on December 23, 2014. The Company, per Taipei City Government Industry Shang Zhi No. 10391787900 letter registered and established Capital International Technology Corp., Ltd. and acquired 100% of its shares.

The accounting figures of investee, which is wholly controlled by the Company, are presented in the consolidated financial report. Please refer to the consolidated financial report of 2014.

(4) Property and equipment

For the years ended December 31, 2014 and 2013, the cost and accumulated depreciation of the property and equipment of the Company are as follows:

	Office equipment	Leasehold improvements	Total
Cost:			
Balance at 1 January, 2014	$ 48,273	30,043	78,316
Additions	9,697	-	9,697
Discard	(14,872)	(1,714)	(16,586)
Balance at 31December, 2014	**$ 43,098**	**28,329**	**71,427**
Balance at 1 January, 2013	$ 50,291	30,214	80,505
Additions	10,846	154	11,000
Discard	(12,864)	(325)	(13,189)
Balance at 31 December, 2013	**$ 48,273**	**30,043**	**78,316**
Accumulated depreciation:			
Balance at 1 January, 2014	$ 25,514	17,905	43,419
Depreciation	11,168	7,337	18,505
Discard	(14,871)	(1,715)	(16,586)
Balance at 31 December, 2014	**$ 21,811**	**23,527**	**45,338**

	Office equipment	Leasehold improvements	Total
Accumulated depreciation:			
Balance at 1 January, 2013	$ 26,654	10,668	37,322
Depreciation	11,724	7,562	19,286
Discard	(12,864)	(325)	(13,189)
Balance at 31December, 2013	**$ 25,514**	**17,905**	**43,419**
Carrying amounts:			
Balance at 31 December, 2014	**$ 21,287**	**4,802**	**26,089**
Balance at 31 December, 2013	**$ 22,759**	**12,138**	**34,897**
Balance at 1 January, 2013	**$ 23,637**	**19,546**	**43,183**

As of December 31, 2014 and 2013, there is no property and equipment as collateral and pledge.

(5) Customers margin accounts

December 31,2014	Foreign Currency (dollar)		Amount
Cash in bank	USD	96,628,136.59	$ 3,058,280
	JPY	10,348,145.00	2,738
	GBP	118,488.67	5,838
	HKD	8,747,720.81	35,691
	EUR	140,802.20	5,417
	AUD	36,325.07	941
	SGD	112,534.79	2,694
			5,793,792
Subtotal			8,905,391
Balance of the futures clearing house	USD	3,026,994.50	95,804
	HKD	5,000,000.00	20,400
	EUR	700,000.00	26,929
			1,818,078
Subtotal			1,961,211
Securities			1,942
Subtotal			1,942
Balance of other futures commission merchants	USD	21,710,090.50	687,124
	JPY	197,926,810.00	52,371
	GBP	387,987.11	19,116
	HKD	21,246,588.66	86,686
	EUR	709,791.96	27,306
	SGD	184,196.46	4,410
	AUD	61,970.08	1,605
			5,655
Subtotal			884,273
Total			$ 11,752,817

December 31,2013	Foreign Currency (dollar)		Amount	
Cash in bank	USD	73,146,250.58	$	2,180,124
	JPY	13,931,213.00		3,955
	GBP	95,688.99		4,716
	HKD	5,846,748.78		22,469
	EUR	110,045.45		4,522
	SGD	131,131.18		3,092
				4,863,980
Subtotal				7,082,858
Balance of the futures clearing house	USD	2,026,994.50		60,414
				897,139
Subtotal				957,553
Securities				4,679
Subtotal				4,679
Balance of other commission merchants	USD	12,970,264.05		386,579
	JPY	170,587,031.00		48,429
	GBP	241,695.20		11,911
	HKD	27,789,849.46		106,796
	EUR	471,235.67		19,363
	SGD	123,698.64		2,917
Subtotal				575,995
Total			**$**	**8,621,085**

As of December 31, 2014 and 2013, the difference between customers margin accounts and futures traders' equity are the commission revenue from the customers $5,604 and $3,630 respectively, futures tax of $725 and $451 respectively, interest revenue $855 and $132 respectively, temporary credits $153 and $338 respectively, remittance amount of the customers after the market closed $15,178 and $4,432 respectively, and other of $(58) and 0 respectively.

(6) Intangible assets

For the years ended December 31, 2014 and 2013, the costs, amortization, and impairment loss of intangible assets are as follows:

	The seats of foreign futures exchanges (Note)	Computer software	Total
Cost:			
Balance at 1 January, 2014	$ 44,325	9,789	54,114
Acquisition	-	4,361	4,361
Amortization	-	(7,604)	(7,604)
Balance at 31 December, 2014	**$ 44,325**	**6,546**	**50,871**
Balance at 1 January, 2013	$ 44,325	9,396	53,721
Acquisition	-	6,270	6,270
Amortization	-	(5,877)	(5,877)
Balance at 31 December, 2013	**$ 44,325**	**9,789**	**54,114**
Carrying value:			
Balance at 31 December, 2014	**$ 44,325**	**6,546**	**50,871**
Balance at 31 December, 2013	**$ 44,325**	**9,789**	**54,114**
Balance at 1 January, 2013	**$ 44,325**	**9,396**	**53,721**

Note：The Company obtained the seats of foreign futures Exchanges - NYMEX, COMEX, CBOT and CME for business development. In accordance with IAS No. 38 “Intangible Assets” endorsed by the FSC, the seats are regarded as intangible assets with an indefinite useful life.

(7) Futures traders' equity

Currency	Foreign Currency Amount (dollar)	Amount
December 31, 2014		
USD	121,269,660.33	$ 3,838,185
JPY	207,315,327.00	54,856
GBP	506,236.31	24,942
HKD	34,967,605.31	142,668
EUR	1,550,927.87	59,664
SGD	296,692.45	7,103
AUD	98,277.15	2,546
NTD		7,600,396
Total		**$ 11,730,360**

Currency	Foreign Currency Amount (dollar)	Amount	
December 31, 2013			
USD	88,091,734.84	$	2,625,574
JPY	184,297,214.00		52,322
GBP	337,275.11		16,621
HKD	33,626,674.30		129,227
EUR	581,123.28		23,878
SGD	254,822.97		6,009
NTD			5,758,471
Total		**$**	**8,612,102**

(8) Operating lease

	December 31, 2014		December 31, 2013
Less than one year	$	18,130	9,710
Between one to five years		22,619	1,651
Total	**$**	**40,749**	**11,361**

The operating leases of the Company include the warehouse and factory facilities. The lease period is between 1 to 5 years, with an option to renew the lease. For the years ended December 31, 2014 and 2013, the rental expenses are $18,845 and $17,270, respectively.

(9) Employee benefits

(a) Defined benefit plans

	December 31, 2014		December 31, 2013
Total present value of obligations	$	(22,860)	(21,519)
Fair value of plan assets		15,315	14,510
Recognised liabilities for defined benefit obligations	**$**	**(7,545)**	**(7,009)**

The Company contributed the defined benefit plans to the pension fund account in Bank of Taiwan. These provide pensions for employees upon retirement. Under the Labor Standards Law, the defined benefit plan entitles a retired employee to receive an annual payment based on years of service and average salary in the last six months prior to retirement.

a. Composition of plan assets

The Company set aside pension funds in accordance with the legislation from the Ministry of Labor and managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation (Management and utilization of the Labor Pension Funds).

The Company's Bank of Taiwan labor pension reserve account balance amounted to $15,315 at the reporting date. The utilization of the labor pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website by the Council of Labor Affairs and Labor Pension Supervisory Committee.

b. Movement in present value of defined benefit obligation

Movement in the present value of defined benefit obligation of the Company in 2014 and 2013 are as follows:

	2014	**2013**
Defined benefit obligation on January 1	$ 21,519	15,114
Current service cost and interest	700	626
Actuarial loss	641	5,779
Defined benefit obligation on December 31	**$ 22,860**	**21,519**

c. Movement in the fair value of plan assets

Movement in the fair value of plan assets of the Company in 2014 and 2013 are as follows:

	2014	**2013**
Fair value of plan assets on January 1	$ 14,510	13,910
The amount contributed to plan	462	420
Expected return on plan assets	234	209
Actuarial gain/(loss)	109	(29)
Fair value of plan assets on December 31	**$ 15,315**	**14,510**

d. Expense recognized in profit or loss

The expenses recognized in profit or loss of the Company in 2014 and 2013 are as follows:

		2014	2013
Current service cost	$	358	379
Interest cost		342	247
Expected return on plan assets		(234)	(209)
	$	**466**	**417**
Actual return on plan assets	**$**	**343**	**180**

e. Actuarial gains and losses recognized in other comprehensive income

Actuarial gains and losses recognized in other comprehensive income of the Company in 2014 and 2013 are as follows：

		2014	2013
Cumulative amount on January 1	$	6,257	449
Recognised during the period		532	5,808
Cumulative amount on December 31	**$**	**6,789**	**6,257**

f. Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	2014	2013
Discount rate on December 31	1.57%	1.59%
Expected return on plan assets on January 1	1.57%	1.59%
Future salary increases	2.50%	2.42%

The expected long-term rate of return is based on the portfolio as a whole instead of the sum of the returns on individual asset categories. The return is based exclusively on the historical returns without adjustments.

g. Experience adjustments on historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit plans	$ (22,860)	(21,519)	(15,114)	(14,076)
Fair value of plan assets	15,315	14,510	13,910	13,306
Net liabilities of defined benefit obligations	**$ (7,545)**	**(7,009)**	**(1,204)**	**(770)**
Experience adjustments arising on the present value of defined benefit plans	**$ (526)**	**(5,779)**	**(381)**	
Change in the present value of defined benefit plan due to financial actuarial assumption change	**$ (115)**	**-**		
Experience adjustments arising on the fair value of the plan assets	**$ 109**	**(29)**	**(68)**	

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is $466.

h. When calculating the present value of the defined benefit obligations, the Company used judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the reporting date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

On the reporting date of 2014, the Company's accrued pension liabilities of $7,545. If the discount rate had increased or decreased by 0.5%, the Company's accrued pension liabilities would have decreased by $670 or increased by $703, respectively.

(b) Defined contribution plans

The Company set aside 6% of the contribution of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company set aside a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution method have been $6,753 and $6,834 in 2014 and 2013 respectively. Contribution is made to the Bureau of the Labor Insurance.

(10) Income taxes

(a) Income tax expense (benefit)

The amount of expense (benefit) of the Company in 2014 and 2013 are as follows:

	2014	2013
Current income tax expense	**$ 46,038**	**42,633**

The amount of income tax expense recognized in other comprehensive income of the Company in 2014 and 2013 are as follows:

	2014	2013
Foreign exchange difference from translating financial reports of foreign operations	**$ (3,150)**	**(859)**

Reconciliation of income tax expense (benefit) and profit before tax of the Company for 2014 and 2013 are as follows:

	2014		2013	
	Rate %	**Amount**	**Rate %**	**Amount**
Profit before tax		$ 339,982		300,565
Income tax expense calculated in accordance with the domestic tax rate which the Company was located	17	57,797	17	51,096
Exempt income	17	(7,396)	17	(8,365)
Adjustments to prior year's income tax	-	(5,262)	-	1,133
10% surtax on undistributed earnings	-	40	-	23
Others (comprised the difference effect between statutory rate and effective tax rate)	-	859	-	(1,254)
Total		**$ 46,038**		**42,633**

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities of the Company in 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Recognised deferred tax assets and liabilities:		
Foreign exchange difference from translating financial reports of foreign operations	**$ (3,650)**	**(499)**

(c) Income tax assessment status

The Company's income tax returns through 2012 have been assessed by the Tax Authority.

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

	December 31, 2014	December 31, 2013
Undistributed earnings:		
Prior to 1997	$ -	106
After 1998	293,036	249,857
	$ 293,036	**249,963**
Imputation credit account	**$ 61,033**	**55,302**

	2014 (estimated)	2013(actual)
Deductible rate for earnings distributed of dividends to ROC residents	**20.50%**	**20.56%**

The above information is calculated based on the Tai-Tsai-Shuei No. 10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013.

(11) Capital and other equity

(a) Common stock

On June 28, 2013, the Company's stockholders resolved to transfer un-appropriated earnings of $78,410 and issued 7,841 thousand shares of common stock. The capital increase with effective date on August 19, 2013, has been approved by the Financial Supervisory Commission, Executive Yuan on July 22, 2013.

The Company, under the resolution of the board of directors, conducted capital addition which amounted to $199,100 on March 4, 2014. The face value is $10 dollars per share and 19,910 thousand shares were issued. The board of directors decided to issue the shares with a price of $23.30 dollar per share on May 20, 2014. The aforementioned capital addition has been approved by the Financial Supervisory Commission per Gin Guan Zheng Fa Zhi No. 1030014783 letter on May 7, 2014 and the base date is set on June 18, 2014. Relevant issuance cost has been deducted from the stock premium.

As of December 31, 2014 and 2013, the authorized common stock amounted to $1,200,000, with par value of $10 dollar per share; the issued common stock shares are 119,998 thousand and 100,088 thousand shares, respectively.

(b) Capital surplus

The detail of the capital surplus of the Company is as follows:

	December 31, 2014		December 31, 2013
Share premium			
Capital addition-Share premium	$	371,105	107,625
Capital addition-Employee stock option		6,604	-
	$	**377,709**	**107,625**

According to Company Act, the Company can transfer realized capital surplus into capital or distribute cash dividends after the capital surplus be used to offset a deficient. In compliance with the resolution, realized capital surplus includes the income derived from the issuance of new shares at a premium and the income from endowments received by the company. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, when capital reserve is capitalized, the combined amount of any portions capitalized in any one year may not exceed 10% of paid-in capital.

The fair value of the issued new shares of the capital addition which are reserved for employees is priced $3.317. The Company applies Black-scholes valuation model and recognized $6,604 as salary expense for the employee stock option salary cost. The Company simultaneously adjusted capital surplus. The parameters applied in the valuation model are as follows:

Stock price on the share payment date	NT 26.27
Execution price	NT 23.30
Expected volatility rate	9.41%
Expection duration	23 days
Risk-free rate of interest	0.46%

The expected volatility is based on weighted-average historical volatility adjusted by the potential change due to public information; the expected risk-free rate of interest is based on government bonds.

Details of the abovementioned employee stock option certificate are as follows:

	2014	
	Weighted-average execution price	Amount of shares
Shares outstanding on January 1	-	-
Shares paid for the period	23.30	1,991
Shares executed for the period	23.30	(1,836)
Shares past due for the period	23.30	(155)
Shares outstanding on December 31		-

(c) Retained earnings

a. Legal reverse

According to Company Act, companies shall set aside 10 percent of profit after tax as legal reserve until it equals to the paid-in capital. When companies incur no loss, they are able to distribute new shares or cash dividends through legal reserve under the resolution of stockholders' meeting and shall only be using the legal reserve exceeding 25% of the paid in capital.

b. Special reserve

In accordance with Article 41 of the Securities and Exchange Law and Ruling No. 1010048029 issued by the Financial Supervisory Commission on November 1, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the total net reduction of other equity in the current-period. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other equity shall qualify for additional distributions.

In accordance with Ruling No. 1010032090 issued by the Financial Supervisory Commission on July 10, 2012, the balance of reserve for bad debt loss which have been provided but not written-off for January 1, 2013 required reclassifying to special reserve. The special reserve can only be used to offset an accumulated deficit and converted to common stock when it reaches an amount equal to at least one-half of the common stock.

c. Undistributed earnings

According to the Company’s Articles of Incorporation, after-tax earnings should first offset cumulative losses, and then the remainder should be appropriated as legal reserve and special reserve, respectively. The rest may be distributed by the ratio specified below:

A. Remuneration to both directors and supervisors: 2%;

B. Bonuses to employees: 2%;

C. Bonuses to stockholders: 96%

Profit after tax subtracted 10% legal reserve, 20% special reserve and multiplied by 4% of employees’ bonuses and remuneration to both directors and supervisors. The estimated employees bonuses and remuneration to both directors and supervisors as of December 31, 2014 and 2013 is $8,700 and $7,550 respectively, and recognized under operating expenses.

The Company's 2013 earnings distribution for employees' bonuses, remuneration to directors and supervisors and cash dividends are $3,732, $3,732 and $179,159 respectively, under the resolution of shareholders' meeting and the Board's meeting on May 20, 2014. Due to the above changes, the difference of employees' bonuses of $3,775 and remuneration to directors and supervisors of $3,775 for 2013 financial statements was $86 in total. This difference was accounted for as changes in accounting estimates and have been reflected in the statement of income in 2014.

The Company's 2012 earnings distribution for employees' bonuses, remuneration to directors and supervisors, cash dividends and stock dividends were $3,344, $3,344, $82,100 and $78,410 respectively, under the resolution of shareholders' meeting and the Board's meeting on June 28, 2013. Due to the above changes, the difference of employees' bonuses of $3,380 and remuneration to directors and supervisors of $3,380 for 2012 financial statements was $72 in total. The difference was accounted for as changes in accounting estimates and have been reflected in the statement of income in 2013.

The relevant information on earnings distribution approved by the stockholders' meeting can be accessed through the Market Observation Post System or other sites.

(12) Earnings per share

The calculation of basic and dilutive earnings per share of the Company in 2014 and 2013 are as follows:

(a) Basic earnings per share

		2014	2013
Profit for the year	$	**293,944**	257,932
Weighted-average number of common stock shares outstanding (thousands of shares)		**110,834**	100,088
Basic earnings per share (dollar)	$	**2.65**	2.58

(b) Dilutive earnings per share

		2014	2013
Profit for the year	$	**293,944**	257,932
Weighted-average number of common stock shares outstanding (thousands of shares)		110,834	100,088
Influence from stock dividends for employee (thousands of shares)		179	137
Weighted-average outstanding shares of dilutive earnings per share (thousands of shares)		**111,013**	100,225
Dilutive earnings per share (dollar)	$	**2.65**	2.57

(13) Items of Comprehensive Income

(a) Commission income - brokerage

	2014	2013
Domestic futures	$ 669,289	622,491
Foreign futures	388,026	314,964
	$ 1,057,315	**937,455**

(b) Futures commission expenses

	2014	2013
Re-consigned futures trading	$ 119,253	99,637
Futures introducing broker business	125,396	117,527
	$ 244,649	**217,164**

(c) Employee benefit, depreciation and amortization expenses

	2014	2013
Employee benefit expenses		
Salary	$ 213,113	193,497
Labor and health insurance	12,921	12,428
Pension	7,219	7,251
Others	4,399	4,381
Depreciation	18,505	19,286
Amortization	7,707	6,053
	$ 263,864	**242,896**

(d) Other operating expenses

	2014	2013
Postage expenses	$ 14,152	13,557
Taxes	38,262	42,225
Rental	18,845	17,270
Information technology service	74,435	65,699
Others	38,346	36,574
	$ 184,040	**175,325**

(e) Other income and expenses

	2014	2013
Interest revenue	$ 120,663	102,100
Dividend revenue	175,948	7,786
Net (loss)/gain on non-operating financial instruments at fair value through profit or loss	(35,050)	34,240
Gain on foreign exchange	12,877	2,410
(Loss)/Gain on disposal of investments	(83,425)	22,296
Other non-operating revenue - recovery of MF Global bad debts	-	23,564
Other non-operating revenue - other	7,910	2,348
Other non-operating expense - other	(16,069)	(3,797)
	$ 182,854	**190,947**

(14) Financial Instruments

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure.

As of December 31, 2014 and 2013, the maximum credit exposure amounted to $14,097,015 and $10,555,283, respectively.

(b) Liquidity risk

The following table shows the contractual maturity of the Company's financial liabilities. The Company does not expect the cash flow occurring early than the contractual maturity date or the actual amount varying significantly.

	Carrying amount	Contract cash flow	Within 6 months	6-12 months	1-2 year	2-5 year	More than 5 year
December 31, 2014							
Financial liabilities at fair value through profit or loss	$ 70,443	70,443	70,443	-	-	-	-
Futures traders' equity	11,730,360	11,730,360	11,730,360	-	-	-	-
Accounts payable	38,608	38,608	38,608	-	-	-	-
Other payable	103,773	103,773	103,773	-	-	-	-
Current income tax liabilities	28,190	28,190	28,190	-	-	-	-
	$ 11,971,374	**11,971,374**	**11,971,374**	-	-	-	-

	Carrying amount	Contract cash flow	Within 6 months	6-12 months	1-2 year	2-5 year	More than 5 year
December 31, 2013							
Financial liabilities at fair value through profit or loss	$ 10,555	10,555	10,555	-	-	-	-
Futures traders' equity	8,612,102	8,612,102	8,612,102	-	-	-	-
Accounts payable	25,621	25,621	25,621	-	-	-	-
Other payable	89,534	89,534	89,534	-	-	-	-
Current income tax liabilities	12,399	12,399	12,399	-	-	-	-
	$ 8,750,211	**8,750,211**	**8,750,211**	-	-	-	-

(c) Exchange rate risk

a. Exposure of exchange rate risk

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

	December 31,2014		
	Foreign Currency (dollar)	**Exchange rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 122,663,536.71	31.650	3,882,301
EUR	1,650,594.16	38.47	63,498
GBP	506,475.78	49.27	24,954
JPY	208,749,555.00	0.2646	55,235
HKD	36,785,138.82	4.080	150,083
AUD	98,295.15	25.905	2,546
SGD	296,731.25	23.94	7,104
RMB	40,617,767.55	5.092	206,826
Non-monetary items			
USD	2,659,854.60	31.650	84,184
HKD	115,228,633.43	4.080	470,133
Financial liabilities			
Monetary items			
USD	$ 121,269,660.33	31.650	3,838,185
JPY	207,315,327.00	0.2646	54,856
HKD	34,967,605.31	4.080	142,668
GBP	506,236.31	49.27	24,942
EUR	1,550,927.87	38.47	59,664
SGD	296,692.45	23.94	7,103
AUD	98,277.15	25.905	2,546

	December 31,2013		
	Foreign Currency (dollar)	Exchange rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 91,603,389.37	29.805	2,730,239
EUR	642,645.45	41.09	26,406
GBP	414,205.14	49.28	20,412
JPY	190,853,244.00	0.2839	54,182
HKD	36,719,861.70	3.843	141,114
AUD	-	26.585	-
SGD	295,689.08	23.58	6,972
Non-monetary items			
USD	2,354,113.84	29.805	70,164
HKD	51,851,132.68	3.843	199,264
Financial liabilities			
Monetary items			
USD	$ 88,091,734.84	29.805	2,625,574
JPY	184,297,214.00	0.2839	52,322
HKD	33,626,674.30	3.843	129,227
GBP	337,275.11	49.28	16,621
EUR	581,123.28	41.09	23,878
SGD	254,822.97	23.58	6,009

b. Sensitivity analysis

The foreign currency risk of the Company arises mainly from cash and cash equivalents, customers' margin accounts, financial assets at fair value through profit or loss, available-for-sale financial assets and futures traders' equity, which are denominated in foreign currency. Foreign exchange gain or loss occurs as foreign currency was translated to NTD currency. For the years ended December 31, 2014 and 2013, with all other variable factors that remain constant, if NTD currency increases or decreases 1% contrary to other currency, the Company's comprehensive income will increase or decrease $8,169 and $3,951 respectively. The analytical basis is the same in both 2014 and 2013.

(d) Sensitivity analysis in interest rates

For the years ended December 31, 2014 and 2013, if the interest rate increases or decreases by 100 basis points, with all other variable factors remain constant, the Company's profit of the year will increase or decrease by $2,792 and $3,197 respectively. This is mainly due to the variable rates of the Company's guarantee deposit for business operations and settlement fund.

(e) Fair value

a. Fair value and book value

The Company considers the carrying amounts of its financial assets and liabilities measured at amortized cost to be a reasonable approximation of fair value:

b. Valuation techniques and assumptions used in fair value determination

The Company uses the following methods to determine the fair value of its financial assets and liabilities:

A. Corporate stocks from listed entities with standard terms and conditions and the fair value of financial assets and liabilities traded in active markets are based on quoted market prices.

B. For all other financial assets and liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

c. Fair value hierarchy

The table below analyses financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

A. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
C. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Financial assets at fair value through profit or loss	$ 249,499	-	-	249,499
Available-for-sale financial assets	84,184	-	-	84,184
	$ 333,683	**-**	**-**	**333,683**
Financial liabilities at fair value through profit or loss	**$ 70,443**	-	-	**70,443**
December 31, 2013				
Financial assets at fair value through profit or loss	$ 413,529	-	-	413,529
Available-for-sale financial assets	70,164	-	-	70,164
	$ 483,693	**-**	**-**	**483,693**
Financial liabilities at fair value through profit or loss	**$ 10,555**	**-**	**-**	**10,555**

There is no transfer in 2014 and 2013.

(15) Financial risk management

(a) General description

The Company is exposed to below risks due to the application of financial instruments

a. Credit risk

b. Liquidity risk

c. Market risk

The note expresses the exposure, measurement and management target, policy and procedure of the aforementioned risks. Detailed information about the financial instruments has been disclosed as each note to the financial statements.

(b) Risk management structure

To effectively control risks, a management procedure is to build up from top to bottom that includes the Board of Directors, managers of all departments and the employees to participate. From the macroscopic perspective of the Company, qualitative and quantitative approaches are taken to recognize, evaluate, monitor and respond to various potential risks. As a result, the Company may make reasonable risky asset allocation and maximize returns for shareholders within a bearable risk range. On September 21, 2007, the Company deliberated this institution of risk management based on the "Principles of Futures Commission Merchant's Risk Management Practices" and the "Futures Commission Merchant's Self Checklist for the Establishment of Risk Management Mechanism" as promulgated in the letter ref. No. (Taiwan- Futures-Audit) 0940024340 of the Taiwan Futures Exchange. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established the Risk Management Committee, attributable to General Manager' Office and responsible for developing and monitoring Company's risk management policies. The committee reports regularly to the Board of Directors on its activities

(c) Credit risk

Credit risk represents the risk of financial loss to the Company if a customer of brokerage business fails to meet its contractual obligations of margin calls or settlement. According to futures trading practices, the Company will have in place the advance customers future margin proprietary fund and intraday in-time clearing system and hence, if the customers fail to meet the future margin proprietary fund requirements, the Company is allow to close position as agreed in the agreement previously. Therefore, the Company's maximum exposure to credit risk is expected to be insignificant. Moreover, most of the brokerage customers are the general investors and professional institutions, the source of investors and the amount of investment are widely dispersed, and thus, there is no significant concentration of credit risk expected.

Approaches taken to manage credit risk are as follow:

a. Credit inquiry and assessment before trade: Inquire client's credit and ascertain the legality before transaction

b. Credit rating management: Monitor those clients with special credit ratings.

c. Credit supervision after transactions: regularly inspect client's profit and loss positions. Evaluate and monitor credit enhancement (including collaterals) on a regular basis.

d. Other effective risk reduction measures: collaterals, guarantee, credit risk netting and offset agreement.

Summarize information on expected credit loss (credit risk exposure amount, counterparty default probability and return rate) and unexpected credit loss, as well as quantify the credit variances.

(d) Liquidity risk

Liquidity risks are market liquidity risk and capital liquidity risk

a. Market liquidity risk:

Market liquidity risk is the risk which the Company cannot immediately cover or offset the risk of derivative positions. When the condition of insufficient market depth or any unexpected event occurs, it is not easy to obtain trading opportunities or significant spread risk. Due to small trading volume, some domestic futures contracts are exposed to liquidity risk. Therefore, liquidity risk should be considered when the proprietary segment of the Company engages in arbitrage trading. The commodity futures liquidity can be determined based on daily trading volume and open interest (OI). If the daily trade volumes and open interests increase, the greater is the liquidity and hence reduce the liquidity risk.

b. Capital liquidity risk:

Capital liquidity risk is the risk when the Company fails to fulfill the futures margin proprietary fund requirements as required by Taiwan Depository & Clearing Corporation or Taiwan Stock Exchange. Therefore, the Company engaging in futures trading should control and manage the allocation of capital in order to avoid the risk of capital liquidity and financial losses.

The Company's liquidity risk management policy includes:

a. Market liquidity risk management: To avoid loss caused by market liquidity risk, the Company stipulates an annual capital budget amount pertaining to proprietary trade department in the annual operating plan. In additional, based on the authority requirements, the Company is required to file a daily report on the Adjusted Net Capital (ANC) ratio to the competent authority and the risk control officers will supervise daily trade by comparing actual cash flow against the authorized amount.

b. Capital liquidity risk management：The finance department is independent from other units in transferring financial resources. To control capital liquidity risk and to consider capital needs of various products for domestic and foreign markets, the finance department composes daily reports, such as the "Margin Withdrawal/Deposit List", "Securities Transaction Applications", and other management report forms. After reviewing and approving by the management, these reports will be implemented and filed.

(e) Market risk

Market risk is the possibility of loss resulting from trading due to futures price reversal of the Company's proprietary business. It means that the market price or fluctuation trend is not beneficial to the Company's profitability, which may results in financial risk events.

The Company's market risk management comprises trading strategy monitoring, loss up limit control, trading margin up limit control, remaining position up limit and open-delta value control, margins ratio control for domestic and foreign remaining positions and the implied volatility inspection of option price.

Quantitative Measurements on Market Risk are as follows:

a. Statistic-based measurement: Value at Risk (VaR) of linear products (stocks) is measured by Variance Co-Variance (Risk Metrics Approach--EWMA), which calculates the maximal probable risk of portfolio under a certain confidence level for the next business day. The Value at Risk of non-linear products (options) is measured by the Delta-Gamma Approximations (the "Greeks"). After offsetting the risks of trade contracts, the measurement vehicle calculates the maximal probable risk of portfolio under a certain confidence level for the next business day. To test the accuracy, back testing approach is taken to determine the violations within one year under pre-calculated VaR using the actual valued profit and loss of inventory positions for the previous day (P & L for T-1 day).

b. Sensitivity analysis measures the sensitivity of the positions of the individual risk factors (such as interest rate and exchange rate). The sensitivity analysis on exchange rate variation includes evaluation and analysis on the proprietary overseas capital and service fee revenue from foreign futures products.

c. Stress test emulates and measures the impacts on portfolio value at unusual market change, from which responding actions can be made. The portfolio stress test at current stage for weighted index or targeted stock price to be within ±15% change.

(16) 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. Capital consists of ordinary shares, capital surplus, and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

As of December 31, 2014, the Company's capital management method remains unchanged.

7. Related-party transactions

(1) Relationships between parents and subsidiaries

The Company's subsidiaries are as follows:

	Location	December 31, 2014	December 31, 2013
CSC Futures (HK) Limited	Hong Kong	**100%**	**100%**
Capital International Technology Corp.	Taiwan	**100%**	**-%**

(2) Parent Company and ultimate controlling party

Capital Securities Corporation is both the parent company of the consolidated entity and the ultimate controlling party of the Company which owns 59.01 percent of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

(3) Key management personnel compensation

	2014	2013
Short-term employee benefits	$ 35,856	36,003
Termination benefits	691	691
Share-based payment	2,773	-
Total	**$ 39,320**	**36,694**

(4) Other significant related party transactions

(a) The amounts of futures trading between the Company and related parties in 2014 and 2013 are as follows:

	2014	2013
Commission income-brokerage		
Parent Company	$ 4,572	2,615
Subsidiaries	31,067	35,272
	$ 35,639	**37,887**

		December 31, 2014	December 31, 2013
Futures traders' equity			
Parent Company	$	309,036	211,985
Subsidiaries		601,302	222,874
	$	**910,338**	**434,859**
Customers margin accounts- other futures commission merchants			
Subsidiaries	**$**	**86,686**	**106,796**
Futures margin			
Subsidiaries	**$**	**6,179**	**7,969**

Transaction terms are the same as those with general clients.
Parent Company deposits margins to the Company for futures proprietary trading, and the Company paid the interest of excess margin annually. In 2014 and 2013, interest expense amounted to $163 and $111 respectively.

(b) Accounts payable and receivable

		December 31, 2014		December 31, 2013	
Accounts receivable		**Amount**	**%**	**Amount**	**%**
Parent company	**$**	**302**	**100**	**204**	**100**
Accounts payable					
Parent company	$	12,690	97	8,007	100
Subsidiaries		448	3	-	-
	$	**13,138**	**100**	**8,007**	**100**
Other receivables					
Parent company (Note 1)	**$**	**8,412**	**100**	**10,507**	**100**
Other payables					
Parent company (Note 2)	$	4,310	23	13,040	100
Subsidiaries (Note 3)		14,227	77	-	-
	$	**18,537**	**100**	**13,040**	**100**

(Note 1) Receivables for stock disposition settlement proceeds.

(Note 2) Payables for stock investments settlement proceeds.

(Note 3) Payables for Information technology charge.

(c) Futures commission expenses

The Company delegated Parent Company to introducing brokers. In 2014 and 2013, futures commission expenses amounted to $120,735 and $112,789 respectively.

The Company delegated the subsidiary for reconsigning foreign futures trading. In 2014 and 2013, futures commission expenses amounted to $11,972 and $9,648 respectively.

(d) Lease agreements

The Company leased its office from Parent Company. The rental expense was based on market price and paid monthly. In 2014 and 2013, rental expense amounted to $14,105 and $14,033 respectively, and the guarantee deposits paid for the contract both amounted to $3,508.

(e) Information technology management service

Information technology management service contract was signed between the Company and Parent company. In 2014 and 2013, the service fee amounted to $18,020 and $23,161 respectively.

The Company signed the information technology management service contract with its subsidiary and the service fee for the year 2014 amounted to $14,227.

(f) Commission income

The Company was delegated by Parent Company for securities introducing brokers. In 2014 and 2013, commission income amounted to $3,033 and $2,275 respectively.

(g) Stock service fee

In 2014 and 2013, the Company paid the stock service fee to Parent Company amounted to $357 and $317 respectively.

(h) Human resource and legal service fees

In 2014 and 2013, the Company paid the human resource and legal service fee to Parent Company both amounted to $300.

(i) Securities brokerage charge

In 2014 and 2013, the Company paid the securities brokerage charge to Parent Company amounted to $2,162 and $800 respectively.

(j) Bonds under resell agreement

The Company purchased investments from the parent company for bonds purchased under resell agreements in the year 2014 and received interest income amounted to $371 thousands. As of December 31, 2014, the remaining investment amounted to $115,504 thousands. The maturity date is from January 5 to January 9, 2015 and the agreed interest rate is 0.63%.

8. Pledged assets：None

9. Material contingent liability and unrecognized contract commitment：

The Company discovered a former employee together with the client of the Company has conducted future transactions illegally and has reported this to the competent authority. Despite the Company has whistled blow and reported this to the competent authority, the former employee was believed to have certain illegal behavior in relationship with the Company, and hence, a lawsuit against the Company (Plaintiff: Securities and Futures Investors Protection Center) for the compensation over its joint liability. Because the future traders of the lawsuit were not more than 20 people and above involved in this incident as regulated in the law, the lawsuit was not legitimate and was overruled by Taipei District Court in November 2011. The other six clients appealed for a criminal case with supplementary civil action and requested the Company and its employee, Mr. Hsu, for joint compensation. The case was confirmed overruled by Taiwan High Court in May 2013 and interim appeal is not accepted. The Company received an indictment from a client in January 2015, based on relevant evidence and previous verdicts, the Company believed that there is no need to compensate and therefore it did not accrue any liability and authorize any lawyer. The Company attended the court in February 2015. As of the report date, the case is still under the trial of Taipei District Court.

10. Significant catastrophic losses：None

11. Significant subsequent events：

In order to attract strategic investors, the Company signed Equity Transfer Agreement on January 1, 2015 and sold 5% of the shares of CSC Futures (H.K.) Ltd. to True Partner Holding Limited, which is equivalent to 6,000 thousand shares, and each share is HKD 1 and the total proceeds from the shares sold amounted to HK 6,000 thousand dollars. As of the reporting date, the base date of the transfer is pending to be determined by both sides. The subsidiary of the Company Capital International Technology Corp. signed Equity Transfer Agreement with True Partner Holding Limited on January 1, 2015 and acquired 51% shares of its investee True Partner China Co., Ltd. with HK 6,000 thousand dollars. The proceeds were remitted on February 5, 2015.

12. Disclosure of information as related to derivative financial instruments

As of December 31, 2014 and 2013, the open positions of futures and option contracts are as follows:

December 31,2014

Item	Trading category	Open positions: Long/ Short	Open positions: Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Futures contract：						
	TAIEX Futures	Long	7	$ 12,177	12,988	
	TAIEX Futures	Short	779	(1,446,102)	(1,445,978)	
	Mini-TAIEX Futures	Long	365	168,381	169,378	
	Electronic Sector Index Futures	Long	10	14,672	14,792	
	Finance Sector Index Futures	Short	51	(54,854)	(55,192)	
	Non-Finance Non-Electronics Sub-Index Futures	Long	37	42,206	42,162	
	Stock Futures	Long	193	18,610	19,035	
	Stock Futures	Short	134	(18,467)	(18,605)	
	Futures on AUD	Short	2	(5,153)	(5,141)	
	CL Futures	Short	3	(5,097)	(5,058)	
	Futures on Gold	Short	4	(15,036)	(14,991)	
	Futures on refined copper	Short	2	(4,517)	(4,471)	
	HSI future	Long	3	14,383	14,473	
	Futures on JPY	Long	1	3,318	3,303	
	Natural gas future	Short	2	(1,931)	(1,829)	
	Soya bean Futures	Short	4	(6,604)	(6,479)	
	Futures on No.11 Sugar	Long	2	1,043	1,029	
	Futures on CHF	Short	1	(4,039)	(3,986)	
	Wheat Futures	Short	4	(4,004)	(3,733)	
	Mini DJ index futures	Short	6	(16,945)	(16,856)	
	Subtotal			(1,307,959)		
Options contract：						
	Stock Options (Call)	Long	173	$ 310	612	
	Stock Options (Put)	Short	67	(188)	(102)	
	Stock Options (Put)	Long	52	61	39	
	TAIEX Options (Call)	Short	2,755	(21,358)	(38,090)	
	TAIEX Options (Call)	Long	16,277	18,118	28,955	
	TAIEX Options (Put)	Short	12,512	(52,431)	(26,018)	
	TAIEX Options (Put)	Long	9,371	6,177	2,823	
	TXO Options (Call)	Long	51	7	8	
	TXO Options (Call)	Short	1,711	(2,714)	(2,755)	
	TXO Options (Put)	Short	2,009	(3,230)	(2,776)	
	TXO Options (Put)	Long	1,410	226	248	
	Electronic Sector Index Options (Call)	Short	66	(297)	(496)	
	Electronic Sector Index Options (Call)	Long	280	360	605	
	Electronic Sector Index Options (Put)	Long	301	1,143	320	
	Electronic Sector Index Options (Put)	Short	32	(136)	(54)	
	Finance Sector Index Options (Call)	Short	118	(153)	(62)	
	Finance Sector Index Options (Call)	Long	493	1,418	2,974	
	Finance Sector Index Options (Put)	Long	586	1,088	372	
	Gold option (Call)	Short	1	(1)	(1)	
	Gold option (Call)	Long	24	48	58	
	Gold option (Put)	Short	169	(166)	(89)	
	Gold option (Put)	Long	20	80	66	
	Subtotal			(51,638)		
Total				**$ (1,359,597)**		

CAPITAL FUTURES CORPORATION
Notes To Separate Financial Report (Cont'd)

December 31,2013

Item	Trading category	Open positions: Long/ Short	Open positions: Number of contracts	Contract size or paid for (received from) premium	Fair value	Note
Futures contract：						
	TAIEX Futures	Long	4	$ 6,684	6,882	
	TAIEX Futures	Short	146	(252,156)	(252,084)	
	Mini-TAIEX Futures	Long	363	156,563	156,689	
	Electronic Sector Index Futures	Long	8	9,909	9,904	
	Finance Sector Index Futures	Long	10	10,551	10,556	
	Non-Finance Non-Electronics Sub-Index Futures	Long	3	3,635	3,629	
	Non-Finance Non-Electronics Sub-Index Futures	Short	3	(3,641)	(3,629)	
	Stock Futures	Long	437	34,254	34,998	
	Stock Futures	Short	397	(25,924)	(25,924)	
	H Futures	Long	4	8,299	8,326	
	HSI future	Short	2	(8,954)	(8,967)	
	Wheat Futures	Long	1	900	902	
	Soya bean Futures	Short	1	(1,937)	(1,926)	
	Silver Futures	Long	1	2,934	2,887	
	Platinum Futures	Long	1	2,028	2,047	
	Palladium Futures	Long	1	2,119	2,141	
	JPMorgan (Taiwan) Sector Index Futures	Long	75	67,820	67,777	
	Subtotal			13,084		
Options contract：						
	TAIEX Options (Call)	Long	161	2,534	3,450	
	TAIEX Options (Put)	Long	595	1,930	787	
	TAIEX Options (Call)	Short	522	(4,713)	(6,684)	
	TAIEX Options (Put)	Short	206	(1,363)	(365)	
	TXO Options (Call)	Long	1,882	7,009	8,787	
	TXO Options (Put)	Long	2,141	3,514	3,579	
	TXO Options (Call)	Short	1,840	(3,246)	(3,190)	
	TXO Options (Put)	Short	1,648	(500)	(316)	
	Finance Sector Index Options (Call)	Long	20	41	96	
	Finance Sector Index Options (Put)	Long	20	-	-	
	Stock Options (Call)	Long	46	22	23	
	Stock Options (Put)	Long	50	1	1	
	Subtotal			5,229		
Total				**$ 18,313**		

13. Restrictions and enforcement of the Company's various financial ratios under futures trading law

The restrictions and enforcement of each financial ratio was calculated in accordance with Regulations Governing Futures Commission Merchants as follow:

Art.	Calculation formula	Current Period Calculation	Current Period Ratio	Last Period Calculation	Last Period Ratio	Standard	Enforcement
17	Equity / (Total liabilities –futures traders' equity)	2,692,432 / 272,351	9.89	2,080,366 / 154,302	13.48	≧1	Satisfactory to requirement
17	Current Assets / Current Liabilities	13,727,540 / 11,991,516	1.14	10,168,171 / 8,758,896	1.16	≧1	〃
22	Equity / Minimum paid-in capital	2,692,432 / 715,000	376.56%	2,080,366 / 715,000	290.96%	≧60% ≧40%	〃
22	Post-adjustment net capital / Total customer margin deposits required for open positions of customers	1,860,730 / 2,228,913	83.48%	1,594,056 / 1,194,275	133.47%	≧20% ≧15%	〃

14. Unique risks to specific futures commission merchant services

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

15. Others：None

16. Disclosures Required

(1) Information on significant transactions

(a) Loans to others：None

(b) Endorsement and guarantees for others：None

(c) Acquisition of real estate amounting to over NT$300,000 thousands or 20% of paid-in capital：None

(d) Disposal of real estate amounting to over NT$300,000 thousands or 20% of paid-in capital：None

(e) Discount of commissions of handling fees with related parties amounting to over NT$5,000 thousands：None

(f) Receivables from related parties amounting to over NT$100,000 thousands or 20% of paid-in capital：None

(2) Information on investee company

Names of investor company	Names of investee company	Address	Main business scope	Amount of Original Investment		Ownership as of December 31, 2014			Current income or loss of investee company	Recognized gain (loss) on investment	Note
				Current Period	Last Period	Number of shares	Ratio	Book value			
Capital Futures	CSC Futures (HK) Limited	Hong Kong	Futures brokerage business	474,348	199,948	120,000	100.00%	466,675	(26,238)	(25,602)	Sunsidiary
Capital Futures Corporation	Capital International Technology Corp.	Taiwan	Consultancy, Information software service	50,000	-	5,000	100.00%	49,988	(12)	(12)	Sunsidiary

(3) Information on investments in China: None.

17. Segment information

Please refer to the consolidated financial report for the year ended December 31, 2014.