

CAPITAL FUTURES CORPORATION**Financial Statements**

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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

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Independent Auditors' Report

To the Board of Directors of Capital Futures Corporation

Opinion

We have audited the financial statements of Capital Futures Corporation (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises and the Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Company's financial statements are stated as follows:

Brokerage fee revenue recognized:

Related accounting policies of brokerage fee revenue recognized, please refer to Note 4(p) revenue recognition. Explanation of brokerage fee revenue, please refer to the financial report Note 6(o)(i) comprehensive income statement brokerage fee revenue.

Explanation of key audit matters:

The Company's main income is brokerage fee revenue from entrusted futures dealing. The existence and accuracy of brokerage fee revenue have major affect on the financial report. Therefore, brokerage fee revenue recognized is one of the important evaluation matters of the Company's financial report.

Audit procedures in response:

According to the key audit matters as described above, we perform main audit procedures including the sampling test on brokerage business dealing internal control and brokerage fee revenue recorded amount, then compare with the entrusted data from brokerage business and evaluate the revenue recognized policies in compliance with the related bulletin.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises and the Regulations Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 11, 2022

Notes to Readers

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

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(English Translation of Financial Statements Originally Issued in Chinese)
CAPITAL FUTURES CORPORATION

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
111100	Cash and cash equivalents (Note 6(a))	\$ 4,746,387	11	4,546,619	10	212000	Financial liabilities at fair value through profit or loss- current (Note 6(b))	67,806	-	61,272	-
112000	Financial assets at fair value through profit or loss- current (Note 6(b))	356,721	1	330,679	1	214080	Futures traders' equity (Note 6(g))	37,735,043	84	38,200,906	84
113200	Financial assets at fair value through other comprehensive income- current (Note 6(b))	28,268	-	119,204	-	214100	Leverage contract trading - customers' equity	630,830	2	352,056	1
114010	Bonds purchased under resale agreements (Note 6(b))	84,013	-	244,530	1	214130	Accounts payable	44,316	-	136,184	1
114070	Customers margin accounts (Note 6(g))	37,754,551	84	38,226,053	84	214140	Accounts payable- related parties (Note 7)	11,448	-	14,679	-
114130	Accounts receivable	17,847	-	131,327	-	214150	Advance receipts	3,252	-	3,773	-
114140	Accounts receivable- related parties (Note 7)	3,011	-	2,679	-	214160	Receipts under custody	4,877	-	5,032	-
114150	Prepayments	3,282	-	3,330	-	214170	Other payables	123,898	-	125,741	-
114170	Other receivables	9,596	-	17,388	-	214180	Other payables- related parties (Note 7)	9,214	-	13,551	-
114180	Other receivables - related parties (Note 7)	3,846	-	3,841	-	214600	Current income tax liabilities	38,213	-	61,758	-
114300	Leverage contract trading-customers' margin accounts	624,232	1	352,962	1	215100	Provisions- current	5,618	-	5,577	-
114710	Non-current assets classified as held for sale (Note 6(c))	50,112	-	-	-	216000	Lease liabilities- current (Note 6(j))	18,164	-	22,238	-
119000	Other current assets	2	-	5	-	219000	Other current liabilities	9,768	-	15,248	-
		<u>43,681,868</u>	<u>97</u>	<u>43,978,617</u>	<u>97</u>			<u>38,702,447</u>	<u>86</u>	<u>39,018,015</u>	<u>86</u>
Non-current assets:						Non-current liabilities:					
123200	Financial assets at fair value through other comprehensive income- non-current (Note 6(b))	1,581	-	1,349	-	226000	Lease liabilities- non-current (Note 6(j))	12,611	-	29,447	-
124100	Investments under equity method (Note 6(d))	862,458	2	973,913	2	228000	Deferred income tax liabilities (Note 6(l))	16,324	-	15,251	-
125000	Property and equipment (Note 6(e))	36,558	-	50,864	-	229000	Other non-current liabilities	-	-	7,487	-
125800	Right-of-use assets (Note 6(f))	30,565	-	51,525	-			<u>28,935</u>	<u>-</u>	<u>52,185</u>	<u>-</u>
127000	Intangible assets (Note 6(i))	52,084	-	55,737	-	906003	Total liabilities	<u>38,731,382</u>	<u>86</u>	<u>39,070,200</u>	<u>86</u>
128000	Deferred income tax assets (Note 6(l))	-	-	414	-	301010	Common stock (Note 6(m))	2,104,376	5	2,104,376	5
129000	Other non-current assets	314,632	1	317,445	1	302000	Capital surplus (Note 6(m))	1,663,621	4	1,873,996	4
		1,297,878	3	1,451,247	3	304010	Legal reserve	626,803	1	564,658	1
						304020	Special reserve	1,446,574	3	1,280,666	3
						304040	Unappropriated earnings (Note 6(m))	522,796	1	623,005	1
						305000	Other equity	(115,806)	-	(87,037)	-
						906004	Total equity	<u>6,248,364</u>	<u>14</u>	<u>6,359,664</u>	<u>14</u>
906001	Total assets	<u>\$ 44,979,746</u>	<u>100</u>	<u>45,429,864</u>	<u>100</u>	906002	Total liabilities and equity	<u>\$ 44,979,746</u>	<u>100</u>	<u>45,429,864</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
Income:				
401000 Brokerage fee revenue (Note 6(o))	\$ 1,897,947	86	1,966,511	92
410000 Net gains (losses) on sale of trading securities	38,867	2	113,688	5
421300 Dividend revenue	9,769	1	3,537	-
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss	283	-	(7,140)	-
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements-short sales	6,531	-	(1,304)	-
421610 Net gains (losses) on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	-	-	1,109	-
424200 Securities commission revenue	27,152	1	9,738	-
424400 Net gains (losses) on derivative instruments- futures (Note 6(o))	112,827	5	(24,018)	(1)
424500 Net gains (losses) on derivative instruments - OTC (Note 6(o))	91,820	4	62,602	3
424800 Management fee revenue	2,349	-	220	-
424900 Consulting fee revenue	18,404	1	12,219	1
428000 Other operating revenue	(4,334)	-	(4,447)	-
	<u>2,201,615</u>	<u>100</u>	<u>2,132,715</u>	<u>100</u>
Expenses:				
501000 Brokerage fees	285,626	13	265,022	12
502000 Brokerage fees - proprietary trading	2,172	-	3,147	-
521200 Financial costs	4,996	-	9,324	-
521640 Loss from securities borrowing transactions	-	-	70	-
425300 Expected credit impairment losses and reversal gains (Note 6(p))	(236)	-	413	-
524100 Futures commission expenses (Note 6(o))	393,650	18	458,171	22
524300 Clearing and settlement expenses	193,739	9	180,753	9
528000 Other operating expenditure	5,558	-	4,552	-
531000 Employee benefit expenses (Note 6(o))	440,355	20	424,735	20
532000 Depreciation and amortization expenses (Note 6(o))	55,153	3	58,890	3
533000 Other operating expenses (Note 6(o))	357,869	16	327,807	15
	<u>1,738,882</u>	<u>79</u>	<u>1,732,884</u>	<u>81</u>
	<u>462,733</u>	<u>21</u>	<u>399,831</u>	<u>19</u>
Net operating income				
Non-operating income and expenses:				
601100 Shares of profit of associates and joint ventures under equity method (Note 6(d))	(31,754)	(2)	(12,861)	(1)
602000 Other gains and losses (Note 6(o))	169,638	8	397,615	19
	<u>137,884</u>	<u>6</u>	<u>384,754</u>	<u>18</u>
902001 Net income before income tax	600,617	27	784,585	37
701000 Less: Income tax expenses (Note 6(l))	110,578	5	162,419	8
Net income	<u>490,039</u>	<u>22</u>	<u>622,166</u>	<u>29</u>
805000 Other comprehensive income:				
805500 Components that may not be reclassified subsequently to profit or loss:				
805510 Actuarial gain (loss) on defined benefit plans (Note 6(k))	1,159	-	(709)	-
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	31,396	2	1,660	-
805599 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Subtotal of components that may not be reclassified subsequently into profit or loss	<u>32,555</u>	<u>2</u>	<u>951</u>	<u>-</u>
805600 Components that may be reclassified subsequently to profit or loss:				
805610 Exchange differences on translation of foreign operations	(27,358)	(1)	(43,782)	(2)
805660 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(100)	-	328	-
805690 Equity related to non-current assets classified as held for sale	(2,129)	-	-	-
805699 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(l))	414	-	(178)	-
Subtotal of components that may be reclassified subsequently to profit or loss	<u>(30,001)</u>	<u>(1)</u>	<u>(43,276)</u>	<u>(2)</u>
805000 Other comprehensive income	<u>2,554</u>	<u>1</u>	<u>(42,325)</u>	<u>(2)</u>
902006 Total comprehensive income	<u>\$ 492,593</u>	<u>23</u>	<u>\$ 579,841</u>	<u>27</u>
975000 Basic earnings per share (Dollar) (Note 6(n))	<u>\$ 2.33</u>		<u>\$ 3.07</u>	
985000 Diluted earnings per share (Dollar) (Note 6(n))	<u>\$ 2.33</u>		<u>\$ 3.07</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Stock		Retained earnings			Other equity			Total equity
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	
Balance at January 1, 2020	\$ 1,764,376	1,047,338	504,667	1,142,132	599,904	(46,677)	1,256	-	5,012,996
Net income for the year ended December 31, 2020	-	-	-	-	622,166	-	-	-	622,166
Other comprehensive income	-	-	-	-	(709)	(43,276)	1,660	-	(42,325)
Total comprehensive income	-	-	-	-	621,457	(43,276)	1,660	-	579,841
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	59,991	-	(59,991)	-	-	-	-
Special reserve	-	-	-	119,981	(119,981)	-	-	-	-
Cash dividends	-	-	-	-	(399,831)	-	-	-	(399,831)
Special reserve for the contra equity account	-	-	-	18,553	(18,553)	-	-	-	-
Capital increase by cash (Note 6(m))	340,000	826,260	-	-	-	-	-	-	1,166,260
Right of inclusion option exercised	-	398	-	-	-	-	-	-	398
Balance at December 31, 2020	2,104,376	1,873,996	564,658	1,280,666	623,005	(89,953)	2,916	-	6,359,664
Net income for the year ended December 31, 2021	-	-	-	-	490,039	-	-	-	490,039
Other comprehensive income	-	-	-	-	1,159	(27,872)	31,396	(2,129)	2,554
Total comprehensive income	-	-	-	-	491,198	(27,872)	31,396	(2,129)	492,593
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	62,145	-	(62,145)	-	-	-	-
Special reserve	-	-	-	124,291	(124,291)	-	-	-	-
Cash dividends	-	-	-	-	(393,518)	-	-	-	(393,518)
Special reserve for the contra equity account	-	-	-	41,617	(41,617)	-	-	-	-
Other changes in capital surplus:									
Cash dividends from capital surplus	-	(210,437)	-	-	-	-	-	-	(210,437)
Right of inclusion options exercised	-	62	-	-	-	-	-	-	62
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	30,164	-	(30,164)	-	-
Balance at December 31, 2021	\$ 2,104,376	1,663,621	626,803	1,446,574	522,796	(117,825)	4,148	(2,129)	6,248,364

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CAPITAL FUTURES CORPORATION

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Net income before income tax	\$ 600,617	784,585
Adjustments:		
Adjustments to reconcile:		
Depreciation expenses	46,367	49,442
Amortization expenses	8,786	9,448
Expected credit impairment losses and reversal gains	(236)	413
Net loss on financial assets or liabilities at fair value through profit or loss	2,147	4,927
Interest expenses	4,996	9,324
Interest income (including financial income)	(172,216)	(358,577)
Dividend revenue	(12,311)	(3,576)
Shares of profit of associates and joint ventures under equity method	31,754	12,861
Gains on lease modification	1,018	(41)
Total adjustments to reconcile	<u>(89,695)</u>	<u>(275,779)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(28,189)	176,001
Decrease (increase) in bond purchased under resale agreements	160,517	(198,530)
Decrease (increase) in customer margin accounts	471,502	(3,713,373)
Decrease (increase) in receivable-futures margin	236	(411)
Increase in leverage contract trading - customer's margin accounts	(271,270)	(44,419)
Decrease in security borrowing margin	-	3,874
Decrease (increase) in accounts receivable	113,480	(119,948)
Increase in accounts receivable - related parties	(332)	(2,305)
Decrease in prepayments	48	625
Decrease (increase) in other receivables	3,972	(3,496)
Decrease (increase) in other receivables- related parties	(8)	215
Decrease (increase) in other current assets	3	(3)
Decrease (increase) in clearing and settlement fund	2,902	(13,855)
Decrease (increase) in refundable deposits	712	(465)
Increase in financial liabilities at fair value through profit or loss	6,534	39,545
Increase (decrease) in futures traders' equity	(465,863)	3,711,073
Increase in leverage contract trading - customer's equity	278,774	43,466
Increase (decrease) in accounts payable	(91,868)	94,533
Increase (decrease) in accounts payable - related parties	(3,231)	3,765
Increase (decrease) in advance receipts	(521)	1,351
Increase (decrease) in receipts under custody	(155)	1,221
Increase (decrease) in other payables	(1,960)	8,176
Increase (decrease) in other payables - related parties	(4,308)	10,266
Increase (decrease) in provisions for liabilities	41	(375)
Increase (decrease) in other current liabilities	(5,480)	4,578
Increase (decrease) in other non-current liabilities	(7,129)	59
Total changes in operating assets and liabilities	<u>158,407</u>	<u>1,568</u>
Total adjustments	<u>68,712</u>	<u>(274,211)</u>
Cash inflow generated from operations	669,329	510,374
Interest received	176,153	365,995
Dividends received	12,197	3,609
Interest paid	(5,018)	(10,515)
Income taxes paid	(133,050)	(180,549)
Net cash flows from operating activities	<u>719,611</u>	<u>688,914</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(316,995)	(117,518)
Proceeds from disposal of financial assets at fair value through other comprehensive income	439,095	-
Acquisition of property and equipment	(9,597)	(19,807)
Acquisition of intangible assets	(5,133)	(8,203)
Net cash flows from (used in) investing activities	<u>107,370</u>	<u>(145,528)</u>
Cash flows from (used in) financing activities:		
Cash dividends paid	(603,955)	(399,831)
Payments of lease liabilities	(23,320)	(22,552)
Proceeds from issue of share capital	-	1,166,260
Proceeds from right of inclusion options exercised	62	398
Net cash flows from (used in) financing activities	<u>(627,213)</u>	<u>744,275</u>
Net increase (decrease) in cash and cash equivalents	199,768	1,287,661
Cash and cash equivalents at beginning of period	4,546,619	3,258,958
Cash and cash equivalents at end of period	<u>\$ 4,746,387</u>	<u>4,546,619</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

(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 32nd and B1 Fl. No. 97, Tun Hwa South Rd., Sec. 2, Taipei, Taiwan, R.O.C. The Company established the Taichung branch. The Company's common shares were listed at Taipei Exchange (TPEX) officially on April 27, 2009, then transferred to Taiwan Stock Exchange (TWSE) on October 16, 2017. The Company is authorized to conduct the following businesses:

- (a) Futures business
- (b) Futures advisory business
- (c) Securities introducing brokerage
- (d) Futures management business
- (e) Securities business on a proprietary basis
- (f) Securities investment consulting
- (g) Lever Exchange Agency

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

The financial statements were authorized for issuance by the Board of Directors on March 11, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”

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- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, and the Regulations Governing the Preparation of Financial Reports by Securities Firms.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant account, the financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through profit or loss are measured at fair value (including derivative instruments);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured as the fair value of the plan assets less the present value of the defined benefit obligation, and the upper limit of the number of effects mentioned in (Note 4(q)) stated.

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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Exchange differences are generally recognized in profit or loss, except for those differences relating to the investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such a monetary items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

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

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

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

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

An entity shall classify a liability as current when:

- (i) Liabilities arising from operating activities that are expected to be settled in the normal operating cycle;
- (ii) Liabilities incurred for the trading purposes;
- (iii) Liabilities that are to be settled within twelve months from the balance sheet date;
- (iv) Liabilities for which the repayment date cannot be extended unconditionally to more than 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.

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(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalent comprises time deposit with maturity within one year, excess future margin, and commercial paper, short-term and highly liquid investments that are readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

(f) Financial instruments

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days overdue or within 30 days but breached the contract. The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to Company in full.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For debtors, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

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

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

(ii) Financial liabilities

1) Financial liabilities

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

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

2) Derecognition of financial liabilities

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

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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

3) Offsetting of financial assets and liabilities

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

(iii) Non-hedging derivative financial instruments

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

(g) Non-current assets classified as held for sale

Investments in associate accounted for using equity method that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, these investments are remeasured in accordance with the Company's accounting policies. Thereafter, generally, these investments are measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, any equity-accounted investee is no longer equity accounted.

(h) Investments in associates and joint ventures

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

A holding of 20% or more of the voting power (directly or through subsidiaries) will indicate significant unless it can be clearly demonstrated otherwise. Investments in associates are accounted for using equity method and are recognized initially at cost. The carrying amount of the investment in associates includes goodwill which is arising from the acquisition.

On initial recognition, the investor's share of the investee's profit or loss is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be required arising from changes in the investee's other comprehensive income.

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

The investor's share of the changes from foreign exchange translation differences is recognized in net assets/equity of the investor.

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(i) Investments in subsidiaries

When preparing parent-Company-only financial report, the Company uses equity method in evaluating 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 statements are 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.

(j) Securities under agreements

The Company engages in securities under 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 recognizes financing interest revenue by the interest period of resell agreements and no profit and loss is recognized.

(k) Securities borrowing transactions

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

(l) 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.

(m) Property and equipment

(i) 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.

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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.

(ii) 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.

(iii) 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:

- 1) Office equipment 3 ~ 5 years
- 2) 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.

(n) Leases

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

(i) Lessee

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

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

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

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

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

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

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

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

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

The Company has listed right of use assets and leasing liabilities that are not categorized as investment properties as individual items in the balance sheet.

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

(o) 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 amortized on a straight-line basis over estimated useful life of three years, and in the meanwhile, the amortization would be recognized in gains or losses. The residual value, amortization period and amortization 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.

(p) Revenue recognition

The main revenue is brokerage fee revenue and is recognized based on an accrual basis.

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(r) 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 which 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.

(s) Income tax

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

- (t) Earnings per share (“EPS”)

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

- (u) Segment information

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, and the Regulations Governing the Preparation of Financial Reports by Securities Firms, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Impairment of investments under equity method:

At each reporting date, the Company reviews the carrying amounts of its investments under equity method to determine whether there is any indication of impairment. The recoverable amount of the CGUs is determined based on the calculation of the value in use. The calculation needs to estimate the expected future cash flow of the CGUs and select the appropriate discount rate.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash	\$ 60	60
Demand deposits	536,439	353,834
Time deposits	3,697,468	3,811,673
Futures margin- excess margin	502,426	287,066
Commercial paper	9,994	93,986
Total	<u><u>\$ 4,746,387</u></u>	<u><u>4,546,619</u></u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(b) Financial assets and liabilities, bonds purchased under resale agreements

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

	December 31, 2021	December 31, 2020
Open-ended funds and money- market instruments	\$ 20,000	30,000
Open-ended funds and money- market instruments valuation adjustment	566	72
Trading securities- proprietary trading	112,159	103,070
Trading securities- proprietary trading valuation adjustment	(379)	(662)
Securities invested by securities broker	15,000	48,166
Securities invested by securities broker valuation adjustment	(1,990)	934
Call options- non-hedging	59,268	36,964
Futures margin- proprietary fund- non-hedging	67,770	48,755
Leverage derivatives- non-hedging	81,844	63,380
Equity derivatives- non-hedging	2,483	-
Total	<u>\$ 356,721</u>	<u>330,679</u>

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remained constantly), the impact on after-tax comprehensive income for the years ended December 31, 2021 and 2020, will increase \$1,454 and \$1,816, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remained constantly, there will be the same amount but opposite direction of influence.

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

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income		
Listed stocks	\$ 25,582	99,266
OTC stocks	-	18,252
	25,582	117,518
Valuation adjustment	2,686	1,686
Total	<u>\$ 28,268</u>	<u>119,204</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company did not intend to hold for trading purposes.

During the year ended December 31, 2021 and 2020, the dividends of \$6,563 and \$75, related to equity investment at fair value through other comprehensive income held on the years then ended, were recognized.

During the year ended December 31, 2021 and 2020, due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Company sold shares of stocks for a fair value \$439,095 and \$0, respectively, and cumulative dispose gains for the year ended December 31, 2021 and 2020, amounted to \$30,164 and \$0, respectively, were transferred from other equity items to retained earnings.

(iii) Bonds purchased under resale agreements

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds purchased under resale agreements	\$ <u>84,013</u>	<u>244,530</u>
Resale price under the agreements	\$ <u>84,021</u>	<u>244,545</u>
Interest rates	<u>0.20%~0.21%</u>	<u>0.16%~0.22%</u>
Date of repurchase	<u>2022.01.03~2022.01.14</u>	<u>2021.01.05~2021.01.15</u>

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

Equity instruments at fair value through other comprehensive income:

<u>Investee Company</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Ownership ratio</u>	<u>Amount</u>	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Futures Exchange Co., Ltd	0.0042 %	\$ <u>1,581</u>	0.0042 %	<u>1,349</u>

The Company holds shares of Taiwan Futures Exchange for long-term strategic purposes and not for trading, therefore, the Company had classified these equity instruments as FVOCI.

During the year ended December 31, 2021 and 2020, the dividends of \$50 and \$39, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized. No strategic investments were disposed of during the year ended December 31, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Put options - non-hedging	\$ 51,130	59,500
Leverage derivatives- non-hedging	16,671	1,772
Equity derivatives- non-hedging	<u>5</u>	<u>-</u>
	<u>\$ 67,806</u>	<u>61,272</u>

- (c) Non-current assets held-for-sale

On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company, at the disposal amount of USD\$1,123 thousands and HK\$5,520 thousands. All shares would be transferred on February 15 ,2022. Thus, the investments accounted for using equity method were reclassified as assets to held-for-sale. On December 31, 2021, the assets classified as held-for-sale and the other related comprehensive income amounted to \$50,112 and \$2,129, respectively.

- (d) Investments under equity method

Investments under equity method on the reporting date were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary	\$ 862,458	924,632
Associate	<u>-</u>	<u>49,281</u>
	<u>\$ 862,458</u>	<u>973,913</u>

- (i) Subsidiaries

The accounting figures of investee, which is controlled by the Company, are combined into the financial statements; please refer to the financial report of 2021.

For the years ended December 31, 2021 and 2020, the Company's share of gains or losses of the subsidiaries were as follows:

	<u>For the years ended December 31, 2021</u>	<u>2020</u>
Audited by the certified public accountants	<u>\$ (32,648)</u>	<u>(15,165)</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Associate

The Company acquired 49% of the outstanding in True Partner Advisor Hong Kong Ltd. shares for consideration of US \$1,123 thousands on October 2, 2015, in which the Company has significant influence. Below is the relevant information:

<u>Name of associate</u>	<u>Relationship with the Company</u>	<u>Principal place of business /Register country of company</u>	<u>Ownership equity and % of right to vote</u>	
			<u>December 31, 2021</u>	<u>December 31, 2020</u>
True Partner Advisor Hong Kong Ltd.	Its main business is assets management, and it's the Company's strategic alliances to expand assets managing business.	Hong Kong	49.00 %	49.00 %

On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company, thus, the investments accounted for using equity method were reclassified as assets to held-for-sale, please refer to note 6(c).

Financial information of the individually immaterial associate under equity method is summarized as follows. The information is included in the financial statement of the Company:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of interest in associate	\$ <u>-</u>	<u>49,281</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Company's share of total comprehensive income in the investee's:		
Profit from continuing operations	\$ 894	2,304
Other comprehensive losses	<u>-</u>	<u>(705)</u>
Total comprehensive income	<u>\$ 894</u>	<u>1,599</u>

(iii) Collateral and pledge

As of December 31, 2021 and 2020, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(e) Property and equipment

The cost and accumulated depreciation of the property and equipment of the Company were as follows:

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:			
Balance at January 1, 2021	\$ 105,643	22,226	127,869
Additions	8,430	1,167	9,597
Disposal	<u>(38,343)</u>	<u>(9,938)</u>	<u>(48,281)</u>
Balance at December 31, 2021	<u>\$ 75,730</u>	<u>13,455</u>	<u>89,185</u>
Balance at January 1, 2020	\$ 101,607	19,030	120,637
Additions	16,068	3,739	19,807
Disposal	<u>(12,032)</u>	<u>(543)</u>	<u>(12,575)</u>
Balance at December 31, 2020	<u>\$ 105,643</u>	<u>22,226</u>	<u>127,869</u>
Accumulated depreciation:			
Balance at January 1, 2021	\$ 62,381	14,624	77,005
Depreciation	19,912	3,991	23,903
Disposal	<u>(38,343)</u>	<u>(9,938)</u>	<u>(48,281)</u>
Balance at December 31, 2021	<u>\$ 43,950</u>	<u>8,677</u>	<u>52,627</u>
Balance at January 1, 2020	\$ 52,153	10,763	62,916
Depreciation	22,260	4,404	26,664
Disposal	<u>(12,032)</u>	<u>(543)</u>	<u>(12,575)</u>
Balance at December 31, 2020	<u>\$ 62,381</u>	<u>14,624</u>	<u>77,005</u>
Carrying amounts:			
Balance at December 31, 2021	<u>\$ 31,780</u>	<u>4,778</u>	<u>36,558</u>
Balance at December 31, 2020	<u>\$ 43,262</u>	<u>7,602</u>	<u>50,864</u>

As of December 31, 2021 and 2020, the Company did not provide any property and equipment as collateral and pledge.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(f) Right-of-use assets

The Company leases buildings and equipment. Information about leases for which the Company as a lessee was presented below:

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2021	\$ 66,838	11,591	78,429
Additions	-	3,899	3,899
Derecognition	(11,104)	(8,107)	(19,211)
Balance at December 31, 2021	<u>\$ 55,734</u>	<u>7,383</u>	<u>63,117</u>
Balance at January 1, 2020	\$ 34,811	8,977	43,788
Additions	54,903	2,614	57,517
Derecognition	(22,876)	-	(22,876)
Balance at December 31, 2020	<u>\$ 66,838</u>	<u>11,591</u>	<u>78,429</u>
Accumulated depreciation:			
Balance at January 1, 2021	\$ 20,817	6,087	26,904
Depreciation	19,488	2,976	22,464
Derecognition	(11,104)	(5,712)	(16,816)
Balance at December 31, 2021	<u>\$ 29,201</u>	<u>3,351</u>	<u>32,552</u>
Balance at January 1, 2020	\$ 19,270	2,916	22,186
Depreciation	19,607	3,171	22,778
Derecognition	(18,060)	-	(18,060)
Balance at December 31, 2020	<u>\$ 20,817</u>	<u>6,087</u>	<u>26,904</u>
Carrying amounts:			
Balance at December 31, 2021	<u>\$ 26,533</u>	<u>4,032</u>	<u>30,565</u>
Balance at December 31, 2020	<u>\$ 46,021</u>	<u>5,504</u>	<u>51,525</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(g) Customers margin accounts/futures traders' equity

As of December 31, 2021 and 2020, the differences between customers' margin accounts and futures traders' equity were reconciled as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Customers margin accounts		
Cash in bank	\$ 27,061,948	28,883,652
Balance of the futures clearing house	7,275,159	5,371,661
Balance of other futures commission merchants	3,413,140	3,970,142
Marketable securities	<u>4,304</u>	<u>598</u>
Balance of customers margin accounts	<u>37,754,551</u>	<u>38,226,053</u>
Plus adjustment items:		
Commission cost	\$ 3,439	2,352
Others	29	6
Deduction adjustment items:		
Brokerage fee revenue	(12,631)	(11,079)
Futures transaction tax	(1,652)	(2,289)
Interest income	(523)	(789)
Temporary credits	(635)	(1,465)
Remittance amount of the customers after the market closed	(7,535)	(11,879)
Others	<u>-</u>	<u>(4)</u>
Balance of futures traders' equity	<u>\$ 37,735,043</u>	<u>38,200,906</u>

(h) Receivable - futures margin

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Receivable - futures margin - current	\$ 258	330
Less: Loss allowance	<u>258</u>	<u>330</u>
Subtotal	<u>-</u>	<u>-</u>
Receivable - futures margin - non-current	6,762	7,471
Less: Loss allowance	<u>6,762</u>	<u>7,471</u>
Subtotal	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>-</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

The movement in the allowance for receivable- futures margin was as follows:

	For the years ended December 31,	
	2021	2020
Balance on January 1	\$ 7,801	30,981
Impairment losses recognized (reversed)	(236)	413
Amounts written off	(545)	(23,593)
Balance on December 31	<u>\$ 7,020</u>	<u>7,801</u>

(i) Intangible assets

The cost, amortization, and impairment losses of intangible assets were as follows:

	The seats of foreign futures exchanges (Note)	Computer software	Total
Cost:			
Balance at January 1, 2021	\$ 44,325	25,180	69,505
Additions	-	5,133	5,133
Scrap	-	(6,220)	(6,220)
Balance at December 31, 2021	<u>\$ 44,325</u>	<u>24,093</u>	<u>68,418</u>
Balance at January 1, 2020	\$ 44,325	24,435	68,760
Additions	-	8,203	8,203
Scrap	-	(7,458)	(7,458)
Balance at December 31, 2020	<u>\$ 44,325</u>	<u>25,180</u>	<u>69,505</u>
Amortization and impairment losses:			
Balance at January 1, 2021	\$ -	13,768	13,768
Amortization	-	8,786	8,786
Scrap	-	(6,220)	(6,220)
Balance at December 31, 2021	<u>\$ -</u>	<u>16,334</u>	<u>16,334</u>
Balance at January 1, 2020	\$ -	11,778	11,778
Amortization	-	9,448	9,448
Scrap	-	(7,458)	(7,458)
Balance at December 31, 2020	<u>\$ -</u>	<u>13,768</u>	<u>13,768</u>
Carrying value:			
Balance at December 31, 2021	<u>\$ 44,325</u>	<u>7,759</u>	<u>52,084</u>
Balance at December 31, 2020	<u>\$ 44,325</u>	<u>11,412</u>	<u>55,737</u>

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.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(j) Lease liabilities

The Company's lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 18,164</u>	<u>22,238</u>
Non-current	<u>\$ 12,611</u>	<u>29,447</u>

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

The amounts recognized in profit or loss were as follows :

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	<u>\$ 459</u>	<u>399</u>
Expenses relating to short-term leases	<u>\$ 2,686</u>	<u>2,243</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 303</u>	<u>303</u>

The amounts recognized in the statement of cash flows for the Company were as follows :

	For the years ended December 31,	
	2021	2020
Total cash outflow for leases	<u>\$ 26,768</u>	<u>25,497</u>

(i) Real estate leases

The Company leases buildings for its office space. The leases of office space typically run for 1 to 5 years.

(ii) Other leases

The Company leases equipment with contract terms of 1 to 5 years.

(k) Employee benefits

(i) Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	<u>\$ (16,473)</u>	<u>(24,328)</u>
Fair value of plan assets	<u>17,274</u>	<u>16,841</u>
Recognized liabilities for defined benefit obligations	<u>\$ 801</u>	<u>(7,487)</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

The Company made defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$17,274 as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligation

The movement in present value of the defined benefit obligation for the Company in 2021 and 2020 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ 24,328	24,616
Current service costs and interest	1,229	472
Benefits paid	(8,177)	(2,073)
Remeasurement of net defined benefit obligation		
- Experience gain or loss	(1,062)	522
- Actuarial loss (gain) arising from changes in financial assumptions	(53)	791
- Actuarial loss (gain) arising from changes in demographics assumptions	208	-
Defined benefit obligation at December 31	<u>\$ 16,473</u>	<u>24,328</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2021 and 2020 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 16,841	17,897
Interest revenue	69	122
Benefits paid	-	(2,073)
Remeasurement of net defined benefit obligation		
- Return on plan assets (except net interests of period)	252	604
Contributions to the plan assets	<u>112</u>	<u>291</u>
Fair value of plan assets at December 31	<u><u>\$ 17,274</u></u>	<u><u>16,841</u></u>

4) Expense recognized in profit or loss

The expenses recognized in profit or loss of the Company in 2021 and 2020 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current service cost	\$ 1,129	307
Net interest of net defined benefit obligation	<u>31</u>	<u>43</u>
	<u><u>\$ 1,160</u></u>	<u><u>350</u></u>

5) Remeasurement of net defined benefit obligation recognized in other comprehensive income

For the years ended December 31, 2021 and 2020, the accumulated remeasurement of net defined benefit obligation recognized in other comprehensive income was as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Accumulated amount on January 1	\$ (12,839)	(12,130)
Recognized during the period	<u>1,159</u>	<u>(709)</u>
Accumulated amount on December 31	<u><u>\$ (11,680)</u></u>	<u><u>(12,839)</u></u>

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	For the years ended December 31,	
	2021	2020
Discount rate	0.46 %	0.41 %
Future salary growth rate	3.00 %	3.00 %

The expected contribution to the defined benefit plan for the next year is \$112. The weighted average duration of the defined benefit obligation is 1 years.

7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

For the years ended December 31, 2021 and 2020, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	Effects to defined benefit obligations	
	Increase 0.5%	Decrease 0.5%
December 31, 2021		
Discount rate	\$ (326)	314
Future salary increasing rate	273	(264)
December 31, 2020		
Discount rate	(525)	446
Future salary increasing rate	409	(398)

The sensitivity analysis presented above is based on the condition that other variables are unchanged. In practice, the changes of many assumptions are correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability.

The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Defined contribution plans

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

The Company contributed \$13,797 and \$12,876 under defined contribution plan to the Bureau of the Labor Insurance in the year 2021 and 2020, respectively.

(l) Income taxes

(i) Income tax expense

- 1) The amounts of income tax expense (benefit) for the year ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Current income tax expense	\$ 109,505	155,935
Deferred income tax expense	1,073	6,484
Total	\$ 110,578	162,419

- 2) The amounts of income tax benefit (expense) recognized in other comprehensive income of the Company in 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Exchange difference on translation of foreign operations	\$ 414	(178)

	For the years ended December 31,	
	2021	2020
Net income before income tax	\$ 600,617	784,585
Income tax using the Company's domestic tax rate	120,123	156,917
Tax-exempt income	(10,060)	(5,966)
Adjustments to prior year's income tax	(3,994)	7,035
Surtax on undistributed earnings	-	49
Others	4,509	4,384
Total	\$ 110,578	162,419

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax liabilities

As of December 31, 2021 and 2020, the details of the Company's unrecognized deferred tax liabilities were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 7,450</u>	<u>(3,542)</u>

The dividend policies of the Company's subsidiaries, CSC Futures (HK) Ltd. was prescribed not to appropriate the retained earning until December 31, 2021. Also, the Company does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

2) Recognized deferred income tax assets and liabilities

As of December 31, 2021 and 2020, the details of the Company's recognized deferred tax assets and liabilities were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Recognized deferred tax assets:		
Exchange differences on translation of foreign operations	<u>\$ -</u>	<u>414</u>
Recognized deferred tax liabilities:		
Unrealized gains on foreign investments under Equity Method	\$ -	2,930
Unrealized gains on derivative financial instruments	13,530	12,321
Unrealized gains on non-current assets held for sale	2,794	-
Total	<u>\$ 16,324</u>	<u>15,251</u>

(iii) Income tax assessment status

The Company's income tax returns through 2019 were assessed by the Tax Authority.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(m) Capital and other equity

(i) Common stock

As of December 31, 2021 and 2020, the company had authorized capital both of \$2,500,000, with par value of \$10 per share; the issued common stock were 210,438 thousands shares.

A resolution was passed during the board meeting held on 28 November 2019 for the issuance of 34,000 thousands ordinary shares for cash, with par value of \$10 per share. It was agreed during the board meeting held on 25 February, 2020 to issue at \$34.4 per share, amounting to \$2,104,376 after issue of share capital. The Company has received approval on 30 January, 2020 from the Financial Supervisory Commission with ruling No. 1090300222 for this capital increase, with 26 March, 2020 as the date of capital increase, related issuance costs have been deducted from the stock surplus.

(ii) Capital surplus

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

	December 31, 2021	December 31, 2020
Share premium		
Capital addition-Share premium	\$ 1,635,556	1,845,993
Capital addition-Employee stock option	24,134	24,134
Difference arising from disposal of the subsidiaries' share price and its carry value	2,476	2,476
Changes in ownership interests in subsidiaries	995	995
Right of inclusion options exercised	460	398
	<u>\$ 1,663,621</u>	<u>1,873,996</u>

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

The above-mentioned capital addition reserves a portion of shares for subscription by employees. The fair value of the stock options granted was \$0, and the Company used the Black-Scholes valuation model to recognize the above capital addition employee stock options with compensation cost \$0, and adjusted the capital surplus at the same time. The evaluation model are as follows:

Share price at grant date	\$ 31.95
Exercise price per share	34.40
Expected Volatility	15.55 %
Expected life days	5 days
Risk-free interest rate	0.256 %

(Continued)

CAPITAL FUTURES CORPORATION
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Expected volatility based on weighted-average historical volatility, it is then adjusted for expected changes due to publicly available information; expected risk-free rate is based on government bonds.

The above information of employee options as follows:

	For the year ended December 31, 2020	
	Weighted average exercise price(NTD)	Number of options
Outstanding at January 1	\$ -	-
Granted shares	34.40	1,032
Exercised shares	34.40	(1,032)
Expired shares	34.40	-
Outstanding at December 31		-

(iii) Retained earnings

1) Legal reserve

When companies incur no loss, they are able to distribute new shares or cash dividends through legal reserve under the resolution of stockholders' meeting, but companies can only distribute the part that the reserve exceeds 25% of the paid in capital.

2) Special reserve

In accordance with Article 41 of the Securities and Exchange Law, 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 1010048029 issued by the Financial Supervisory Commission on November 1, 2012, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative deduction in stockholders' equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

In accordance with Ruling No. 10500278285 issued by the Financial Supervisory Commission on August 5, 2016, 0.5% to 1.0% of the current year's earnings after tax should be set aside as special reserve for year 2016 to 2018. From year 2017, the aforementioned special reserve can be reversed within an amount equal to the expenditures stemming from employee re training, re assignments, or relocations made necessary by the introduction of financial technology. An accumulated amount of \$10,378 was accounted for from the year 2016 to 2018.

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

3) Undistributed earnings

According to the Company's Articles of Incorporation, after-tax earnings should first offset accumulated deficit, and then 10% of the remainder should be appropriated as legal reserve. However, when the legal reserve has reached the paid-up capital, is not within this limit. And then 20% of the remainder should be appropriated as special reserve due to the need of Company's operation and the law, if there's earning plus undistributed earnings of beginning of the year, the Company's earnings distribution was proposed by board of directors and is subject to the resolution of the shareholders' meeting.

The Company's fiscal year 2020 earnings distribution and cash dividends from capital surplus resolved by the shareholders' meeting on May 20, 2021 and fiscal year 2019 earnings distribution resolved by the shareholders' meeting on June 19, 2020, were as follows:

	For the years ended December 31,			
	2020		2019	
	Amount	Per share (dollar)	Amount	Per share (dollar)
Cash dividends	<u>\$ 603,955</u>	<u>2.87</u>	<u>399,831</u>	<u>1.90</u>

According to the resolution of board meeting on March 11, 2021, the Company's 2021 proposal of earnings distribution for owners were as follows:

	For the years ended December 31,	
	2021	
	Amount	Per share
Cash dividend	<u>\$ 336,700</u>	<u>1.60</u>

The information about the appropriations proposed by the board meeting and approved by stockholders' meeting is available at the Market Observation Post System website.

(n) Earnings per share

The basic earnings per share and diluted earnings per share for the years ended December 31, 2021 and 2020 were calculated as follows:

(i) Basic earnings per share

	For the years ended December 31,	
	2021	2020
Net income attributable to common shareholders of the Company	<u>\$ 490,039</u>	<u>622,166</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>210,438</u>	<u>202,541</u>
Basic earnings per share (dollar)	<u>\$ 2.33</u>	<u>3.07</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Diluted earnings per share

	For the years ended December 31,	
	2021	2020
Net income attributable to common shareholders of the Company	\$ <u>490,039</u>	<u>622,166</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	210,438	202,541
Effect of potentially dilutive common stock - Employee remuneration (thousands of shares)	185	234
Weighted-average outstanding shares of diluted earnings per share (thousands of shares)	<u>210,623</u>	<u>202,775</u>
Diluted earnings per share (dollar)	\$ <u>2.33</u>	<u>3.07</u>

(o) Items of the statements of comprehensive income

(i) Brokerage fee revenue

	For the years ended December 31,	
	2021	2020
Consignment trading handling fee revenue- Domestic futures	\$ 1,144,110	1,058,872
Consignment trading handling fee revenue- Foreign futures	<u>753,837</u>	<u>907,639</u>
	<u>\$ 1,897,947</u>	<u>1,966,511</u>

(ii) Net gains (losses) on derivative instruments

	For the years ended December 31,	
	2021	2020
Non-hedging		
Net gains (losses) on futures contracts		
Gains on futures contracts	\$ 258,646	235,486
Losses on futures contracts	<u>(280,995)</u>	<u>(241,099)</u>
	<u>\$ (22,349)</u>	<u>(5,613)</u>
Net gains (losses) on option contracts		
Gains on option contracts	\$ 302,431	183,967
Losses on option contracts	<u>(167,255)</u>	<u>(202,372)</u>
	<u>\$ 135,176</u>	<u>(18,405)</u>
Net gains (losses) on leverage derivatives		
Gains on leverage derivatives	\$ 600,409	530,918
Losses on leverage derivatives	<u>(510,603)</u>	<u>(468,316)</u>
	<u>\$ 89,806</u>	<u>62,602</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

	For the years ended December 31,	
	2021	2020
Net gains (losses) on equity derivatives		
Gains on equity derivatives	\$ 12,293	-
Losses on equity derivatives	(10,279)	-
	<u>\$ 2,014</u>	<u>-</u>
Non-hedging		
Total gains on derivative financial instruments	\$ 1,173,779	950,371
Total losses on derivative financial instruments	(969,132)	(911,787)
	<u>\$ 204,647</u>	<u>38,584</u>
(iii) Futures commission expenses		
	For the years ended December 31,	
	2021	2020
Re-consigned futures trading	\$ 222,041	272,981
Futures introducing broker business	171,609	185,190
	<u>\$ 393,650</u>	<u>458,171</u>
(iv) Employee benefit, depreciation and amortization expenses		
	For the years ended December 31,	
	2021	2020
Employee benefit expenses		
Salary expense	\$ 360,043	361,754
Labor and health insurance expense	26,659	23,303
Pension expense	14,957	13,226
Director remuneration	26,087	18,883
Others	12,609	7,569
Depreciation expense	46,367	49,442
Amortization expense	8,786	9,448
	<u>\$ 495,508</u>	<u>483,625</u>
(v) Other operating expenses		
	For the years ended December 31,	
	2021	2020
Postage expense	\$ 44,465	43,328
Taxes	76,789	68,706
Rental expense	3,034	2,546
Information technology expense	140,613	128,417
Professional service fee	30,668	17,138
Others	62,300	67,672
	<u>\$ 357,869</u>	<u>327,807</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(vi) Other gains and losses

	For the years ended December 31,	
	2021	2020
Interest income	\$ 172,216	358,577
Dividend income	2,542	39
Net gains (losses) on non-operating financial instruments at fair value through profit or loss	(2,430)	1,104
Net losses on foreign exchange	(22,461)	(7,417)
Net gains (losses) on disposal of investments	12,007	32,767
Gains (losses) on lease modification	(1,018)	41
Other non-operating revenue - other	10,451	12,766
Other non-operating expense - other	(1,669)	(262)
	<u>\$ 169,638</u>	<u>397,615</u>

(vii) Remuneration to employees, directors and supervisors

According to the Company's Articles of Incorporation, the Company should aside 0.6%-2.0% of annual profit to be distributed as employees' bonus, and aside not higher than 3% of annual profit to be distributed as remuneration to directors and supervisors. However, the Company's accumulated losses should first be covered. People to receive shares or cash include the employees of subsidiaries meeting certain specific requirements.

For the year ended December 31, 2021 and 2020, the estimated amounts of remuneration to employee were \$7,196 and \$9,071, and to directors and supervisors by the Company were \$7,196 and \$9,071, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and directors and supervisors multiple the earnings allocation percentage as specified in the Company's articles. It was recognized as operating expense for the years ended December 31, 2021 and 2020. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

The estimated amounts of remuneration to employee and director and supervisors by the Company for fiscal years of 2020 and 2019 were both \$9,071 and \$8,714, respectively. There was no difference between accounting estimates and board's resolutions. Related information would be available at the Market Observation Post System website.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(p) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represent the maximum credit exposure. As of December 31, 2021 and 2020 the maximum credit exposure amounted to \$43,282,088 and \$44,022,014, respectively.

2) Concentration of credit risk

The exposure of credit risk by geographic region in December 31, 2021 as shown in below, mainly focusing on Taiwan (accounted for 92.13%), secondly in Asia (accounted for 7.15% excluded Taiwan), thirdly in North America (accounted for 0.40%). The proportion of investment by geographic region did not change significantly compared to the same period last year.

Area	December 31, 2021	December 31, 2020
Taiwan	\$ 39,876,599	39,952,893
Asia (excluded Taiwan)	3,095,589	3,936,871
North America	172,956	115,277
Europe	113,010	1,506
Oceania	23,934	15,467
Total	<u>\$ 43,282,088</u>	<u>44,022,014</u>

3) Impairment losses

The Company's aging analysis of receivables at reporting date is as follows:

	December 31, 2021		December 31, 2020	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
Current	\$ 41,320	7,020	162,492	7,257
Past due 0~30 days	-	-	-	-
Past due 31~120 days	-	-	-	-
Past due 121~360 days	-	-	544	544
Past due more than 360 days	-	-	-	-
	<u>\$ 41,320</u>	<u>7,020</u>	<u>163,036</u>	<u>7,801</u>

Allowance for doubtful debts under receivables is recorded for the bad debt expense or impairment losses. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2021 and 2020, the loss allowance of receivables were recognized \$7,020 and \$7,801, respectively.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

4) Credit risk of receivables

Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). The Company regards a financial asset as a default when the client of brokerage business is unable to fulfill the margin call or settlement obligation or accrued receivables past due, as well as other receivable of stock default that the company as securities interactive business, which the counterparty is unable to pay the Company. Thus, the Company regarded the financial assets as default and recognized impairment losses. The movement of loss allowance for the years ended December 31, 2021 and 2020 was as follows:

For the years ended December 31, 2021						
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL - credit impaired			Total
			Accounts receivable	Receivable- futures margin	Other receivables	
Balance on January 1	\$ -	-	-	7,801	-	7,801
Reversal of impairment losses	-	-	-	(236)	-	(236)
Amounts written off	-	-	-	(545)	-	(545)
Balance on December 31	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>7,020</u>	<u>-</u>	<u>7,020</u>
For the years ended December 31, 2020						
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL - credit impaired			Total
			Accounts receivable	Receivable- futures margin	Other receivables	
Balance on January 1	\$ -	-	-	30,981	-	30,981
Impairment losses	-	-	-	413	-	413
Amounts written off	-	-	-	(23,593)	-	(23,593)
Balance on December 31	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>7,801</u>	<u>-</u>	<u>7,801</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contract cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 year</u>	<u>2-5 year</u>	<u>More than 5 year</u>
December 31, 2021							
Financial liabilities at fair value through profit or loss	\$ 67,806	67,806	67,806	-	-	-	-
Futures traders' equity	37,735,043	37,735,043	37,735,043	-	-	-	-
Leverage contract trading- customers' equity	630,830	630,830	630,830	-	-	-	-
Accounts payable	55,764	55,764	55,764	-	-	-	-
Receipts under custody	4,877	4,877	4,877	-	-	-	-
Other payables	133,112	133,112	133,112	-	-	-	-
Lease liabilities	<u>30,775</u>	<u>31,082</u>	<u>9,314</u>	<u>9,082</u>	<u>11,056</u>	<u>1,630</u>	<u>-</u>
	<u>\$ 38,658,207</u>	<u>38,658,514</u>	<u>38,636,746</u>	<u>9,082</u>	<u>11,056</u>	<u>1,630</u>	<u>-</u>
December 31, 2020							
Financial liabilities at fair value through profit or loss	\$ 61,272	61,272	61,272	-	-	-	-
Futures traders' equity	38,200,906	38,200,906	38,200,906	-	-	-	-
Leverage contract trading- customers' equity	352,056	352,056	352,056	-	-	-	-
Accounts payable	150,863	150,863	150,863	-	-	-	-
Receipts under custody	5,032	5,032	5,032	-	-	-	-
Other payables	139,292	139,292	139,292	-	-	-	-
Lease liabilities	<u>51,685</u>	<u>52,404</u>	<u>11,354</u>	<u>11,338</u>	<u>18,750</u>	<u>10,962</u>	<u>-</u>
	<u>\$ 38,961,106</u>	<u>38,961,825</u>	<u>38,920,775</u>	<u>11,338</u>	<u>18,750</u>	<u>10,962</u>	<u>-</u>

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2021		
	<u>Foreign currency (dollar)</u>	<u>Exchange rate</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 637,933,878.61	27.6800	17,658,010
EUR	7,464,136.77	31.3200	233,777
GBP	2,865,625.70	37.3000	106,888
JPY	888,459,592.00	0.2405	213,675
HKD	189,628,360.07	3.5490	672,991
AUD	1,276,131.30	20.0800	25,625
CHF	96,069.16	30.1800	2,899
SGD	599,383.68	20.4600	12,263
CNY	9,516,321.96	4.3440	41,339
NZD	121,046.26	18.8900	2,287
CAD	210,587.59	21.6200	4,553
ZAR	79,953.20	1.7330	139
<u>Non-monetary items</u>			
USD	5,998,835.66	27.6800	166,048
AUD	579.00	20.0800	12
<u>Investments under equity method</u>			
HKD	233,486,001.13	3.5490	828,642

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

	December 31, 2021		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 623,274,076.37	27.6800	17,252,226
EUR	7,457,624.85	31.3200	233,573
GBP	2,728,445.44	37.3000	101,771
JPY	873,419,351.00	0.2405	210,057
HKD	189,568,749.84	3.5490	672,779
AUD	1,204,843.25	20.0800	24,193
CHF	40,130.61	30.1800	1,211
SGD	204,671.90	20.4600	4,188
CNY	4,824,763.83	4.3440	20,959
CAD	3,625.57	21.6200	78
ZAR	11,568.75	1.7330	20
<u>Non-monetary items</u>			
USD	327,341.50	27.6800	9,061
JPY	1,407,485.00	0.2405	339
CAD	65,713.48	21.6200	1,421
GBP	1,782.13	37.3000	66
CNY	1,196,134.98	4.3440	5,196
CHF	5,411.35	18.8900	102
ZAR	68,993.76	1.7330	120
SGD	418.80	20.4600	9
CHF	12,012.67	30.1800	362

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

	December 31, 2020		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 656,609,674.11	28.4800	18,700,244
EUR	6,973,904.20	35.0200	244,226
GBP	2,548,784.25	38.9000	99,148
JPY	858,955,020.00	0.2763	237,329
HKD	182,120,396.39	3.6730	668,928
AUD	1,740,498.65	21.9500	38,204
CHF	52,100.08	32.3100	1,683
SGD	297,280.53	21.5600	6,409
CNY	51,526,112.71	4.3770	225,530
NZD	42,605.66	20.5800	877
CAD	5,658.20	22.3500	126
ZAR	65,684.14	1.9490	128
<u>Non-monetary items</u>			
USD	3,609,523.78	28.4800	102,799
GBP	2,022.14	38.9000	79
CHF	312.31	32.3100	10
NZD	1,123.43	20.5800	23
<u>Investments under equity method</u>			
HKD	253,984,434.52	3.6730	932,885

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

	December 31, 2020		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 640,468,959.04	28.4800	18,240,556
EUR	6,967,025.45	35.0200	243,985
GBP	2,440,405.12	38.9000	94,932
JPY	861,987,212.00	0.2763	238,167
HKD	179,183,943.73	3.6730	658,143
AUD	1,699,687.84	21.9500	37,308
CHF	52,778.65	32.3100	1,705
SGD	383,373.87	21.5600	8,266
CNY	5,126,685.28	4.3770	22,440
NZD	389.98	20.5800	8
CAD	815.44	22.3500	18
<u>Non-monetary items</u>			
USD	12,089.44	28.4800	344
JPY	1,023,292.00	0.2763	283
CAD	3,807.98	22.3500	85
AUD	177.67	21.9500	4
SGD	151.66	21.5600	3
CNY	239,997.19	4.3770	1,051
ZAR	904.88	1.9490	2

The Company disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$26,371 and \$11,365 for the year ended December 31, 2021 and 2020, respectively.

2) Sensitivity analysis

The currency risk of the Company arises mainly from cash and cash equivalents, customers' margin accounts, financial assets at fair value through profit or loss and futures traders' equity, which are denominated in foreign currency. Foreign exchange gain or loss occurs as foreign currency was translated to TWD currency. For the years ended December 31, 2021 and 2020, with all other variable factors remain constant, a strengthening (weakening) 1% of the TWD against the above major foreign currency, would cause after-tax comprehensive income result in a decrease or an increase by \$11,451 and \$13,690, respectively. The analytical basis was the same in both years.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(iv) Analysis in interest rates

For the years ended December 31, 2021 and 2020, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income result in an increase or a decrease by \$6,842 and \$6,913. This is mainly due to the Company's time deposits in variable rate, guarantee deposited for business operations in variable rate and settlement fund in variable rate.

(v) Fair value and hierarchy information

1) Fair value information

a) General description

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

b) Definition of fair value hierarchy

i) Level 1

The input of Level 1 is the public quote of the same financial instrument in an active market. An active market is a market that meets all the conditions listed below: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. Listed stock, OTC stock, beneficiary certificates, as well as equity and derivative instruments with public quote in an active market possessed by the Company belong to Level 1.

ii) Level 2

The input of Level 2 refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price).

iii) Level 3

The input of Level 3 is not based on observable market data or obtained from the counterparty.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

- 2) Based on fair value measurement
- a) Hierarchy information of fair value

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

		December 31, 2021			
<u>Assets and Liabilities items</u>	<u>Total</u>	<u>Public quote of the same financial instrument in an active market (Level 1)</u>	<u>Observable price except public quote in an active market (Level 2)</u>	<u>Based neither on direct market data nor from the counter party (Level 3)</u>	
<u>Fair value evaluated on a recurring basis</u>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 33,576	33,576	-	-	
Stock investment	111,780	111,780	-	-	
Financial assets at fair value through other comprehensive income	29,849	28,268	-	1,581	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 211,365	127,038	84,327	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	67,806	51,130	16,676	-	
		December 31, 2020			
<u>Assets and Liabilities items</u>	<u>Total</u>	<u>Public quote of the same financial instrument in an active market (Level 1)</u>	<u>Observable price except public quote in an active market (Level 2)</u>	<u>Based neither on direct market data nor from the counter party (Level 3)</u>	
<u>Fair value evaluated on a recurring basis</u>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 79,172	79,172	-	-	
Stock investment	102,408	102,408	-	-	
Financial assets at fair value through other comprehensive income	120,553	119,204	-	1,349	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 149,099	85,719	63,380	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	61,272	59,500	1,772	-	

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

b) Valuation techniques

i) Non-derivative financial instruments

The valuation of non-derivative financial instruments are based on transparent offer price as fair value if there is existence of active market, i.e. TSE, OTC and investment Trust and investment Adviser. The equity of non-transparent offer price shall be evaluated by valuation techniques by using the Market approach-public company comparable with the discount of lack equity-liquidity.

ii) Derivative financial instruments

The valuation of derivative financial instruments in the active market are mainly measured settlement price of exchange institution as fair value. The fair value of the remaining financial instruments are obtained by financial valuation models or referencing counterparty quotes. Fair value obtained through the calculations of financial valuation models include, but are not limited to, fair value references of substantive factors and characteristics from similar financial instruments, those obtained from the cash flow discounting method or those obtained by other financial valuation techniques. Fair values obtained through financial valuation techniques are derived from market information on the reporting date, and utilizes the fair values derived from the calculations of financial valuation models.

iii) Transfer between Level 1 and Level 2

There is no transfer between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

iv) Movements of financial assets at fair value classified into Level 3

(In Thousands Dollars)

Item	For the years ended December 31, 2021							
	Beginning Balance	Gains and losses on valuation		Addition		Reduction		Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 1,349	-	232	-	-	-	-	1,581

Item	For the years ended December 31, 2020							
	Beginning Balance	Gains and losses on valuation		Addition		Reduction		Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 1,375	-	(26)	-	-	-	-	1,349

(Continued)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

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

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

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

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Correlation between inputs and fair value</u>
Financial assets at fair value through other comprehensive income equity instruments without an active market	Market approach	<ul style="list-style-type: none"> • Price-to-Book Ratio • Discount for lack of marketability 	<ul style="list-style-type: none"> • The higher price to-book-ratio is, the higher fair value is. • The higher discount for lack of marketability is, the lower the fair value is.

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

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

	<u>Change in fair value recognized in other comprehensive income</u>	
	<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>16</u>	<u>(16)</u>
December 31, 2020		
Financial assets fair value through other comprehensive income	\$ <u>13</u>	<u>(13)</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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

c) Financial instruments not measured at fair value

For financial instruments not measured at fair value, such as cash and cash equivalents, bonds purchased under resale agreements, customers' margin accounts, accounts receivable, deposits, future traders' equity, leverage contract traders' equity, account payables and receipts under custody. The carrying amount is a reasonable approximation of the fair value. Therefore, the Company does not disclose the fair value.

(q) Financial risk management

(i) General description

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

- 1) Credit risk
- 2) Liquidity risk
- 3) 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 consolidated financial statements.

(ii) 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's Office and responsible for developing and monitoring Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(iii) Credit risk

Credit risk is the risk that the Company engaged in financial trading exposed, including issuers credit issue, traders credit issue and the subject assets credit risk. And 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, futures commission merchant can close position in accordance with the prior agreement of both parties due to the system designed such as advance customers margin, intraday in-time clearing and when customers fail to meet its contractual obligations of margin calls. Therefore, the influence is not significant to the credit risk of the Company. Moreover, most brokerage customers are the general investors and professional institutions. The object sources of investors and the amount of investment are widely dispersed, and thus, there is no situation such as concentration of credit risk.

Approaches taken to manage credit risk at current stage are as follows:

- 1) Credit inquiry and assessment before trade: inquire client's credit and ascertain the legality before transaction
- 2) Credit rating management: treat trades with special credit particularly.
- 3) Credit supervision after transaction: regularly inspect client's profit and loss of positions. Evaluate and monitor credit enhancement (including collaterals) on a regular basis.
- 4) 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 VaR.

(iv) Liquidity risk

Liquidity risks are market liquidity risk and capital liquidity risk

1) 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 an unexpected event occurs, it's not easy to obtain trading opportunities or significant spread risk. Due to small trading volume, some domestic futures contracts have this liquidity risk. Therefore, when the proprietary segment of the Company engages in arbitrage trading, it should consider the liquidity risk of goods. Futures commodity liquidity can depend on daily trading volume and open interest (OI) to measure. The more the daily trading volume and open interest as well as the greater liquidity are, the relatively lower the liquidity risk is.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

2) Capital liquidity risk:

Capital liquidity risk is the one that the Company fails to meet its contractual obligations when increasing margins is required by settlement or trading. Therefore, the Company should control and manage the allocation of capital in order to avoid the risk of capital liquidity and financial losses of the Company when proprietary segment of the Company engages in futures trading.

Liquidity risk management of the Company includes :

- 1) Market liquidity risk management: To avoid loss caused by market liquidity risk, the Company stipulates capital amount budgeted for proprietary trade department in the annual operating plan. Also, a daily report on the Adjusted Net Capital (ANC) ratio is filed to the competent authority. As for other departments and proprietary trade, the risk control office supervises daily trade by comparing actual cash flow and the authorized amount.
- 2) 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.

(v) 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 results in risky events happen.

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 Measurement on Market Risk was as follows:

- 1) Statistic-based measurement: the Value at Risk (VaR) of linear products (stocks) is measured by the 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 try finding out 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)

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

- 2) Sensitivity analysis measures the sensitivity of the positions to 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.
- 3) 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 aims at the weighted index or targeted stock price within $\pm 15\%$ change.

(r) Capital management

The Company's objectives for managing capital are to safeguard the capacity to continue to operate and achieve the Company's operating principles, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders or issue new shares. The Company adopts a risk-adjusted return on capital to allocate the Company's capital reasonably and effectively.

As of December 31, 2021, the Company didn't change the method of capital management.

(s) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow for the year ended December 31, 2021 and 2020, were as follows:

- (i) For right-of-use assets, please refer to note 6(f).

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 51,685	(23,779)	2,869	-	-	30,775
Total liabilities from financing activities	\$ <u>51,685</u>	<u>(23,779)</u>	<u>2,869</u>	<u>-</u>	<u>-</u>	<u>30,775</u>

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 21,687	(22,951)	52,949	-	-	51,685
Total liabilities from financing activities	\$ <u>21,687</u>	<u>(22,951)</u>	<u>52,949</u>	<u>-</u>	<u>-</u>	<u>51,685</u>

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

Capital Securities Corporation is the parent company and the ultimate controlling party of the Company. It owns 56.58% of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Capital Securities Corporation	The parent company
Capital International Technology Co., Ltd	Subsidiary
CSC Futures (HK) Ltd.	Subsidiary
Capital True Partner Technology Co., Ltd.	Sub-subsidiary
Capital Futures Technology (Shanghai) Co., Ltd.	Sub-subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by Associate
Other related parties	Key management personnel

(c) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 60,772	61,184
Post-employment benefits	5,727	1,074
Total	<u>\$ 66,499</u>	<u>62,258</u>

(d) Significant transactions with related parties

(i) The amounts of futures trading between the Company and related parties for the year ended December 31, 2021 and 2020 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Brokerage fee revenue</u>		
Capital Securities Corporation	\$ 10,612	4,876
CSC Future (HK) Ltd.	117,469	70,227
Funds issued by Capital Investment Trust Corp.	123	546
Other Related-party	277	912
Total	<u>\$ 128,481</u>	<u>76,561</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<u>Futures traders' equity</u>		
Capital Securities Corporation	\$ 1,406,887	824,368
CSC Futures (HK) Ltd.	4,994,128	3,717,106
Funds issued by Capital Investment Trust Corp.	269,049	335,742
Other Related-party	763	182
	<u>\$ 6,670,827</u>	<u>4,877,398</u>
	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<u>Customers margin account- other futures</u>		
<u>commission merchants</u>		
CSC Futures (HK) Ltd.	<u>\$ 272,859</u>	<u>289,113</u>

Transaction terms are the same as those with general clients.

Related parties deposit margins to the Company for futures proprietary trading, and the Company paid the interest of excess margin annually.

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Interest expense</u>		
Capital Securities Corporation	\$ 78	149
CSC Futures (HK) Ltd.	1,534	2,881
Funds issued by Capital Investment Trust Corp.	27	39
Total	<u>\$ 1,639</u>	<u>3,069</u>

(ii) Accounts payable and receivable:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<u>Accounts receivable</u>		
Capital Securities Corporation	<u>\$ 3,011</u>	<u>2,679</u>
<u>Accounts payable</u>		
Capital Securities Corporation	<u>\$ 11,448</u>	<u>14,679</u>
<u>Other receivables (Note 1)</u>		
Capital Securities Corporation	<u>\$ 3,846</u>	<u>3,841</u>
<u>Other payables</u>		
Capital Securities Corporation (Note 2)	\$ 344	4,762
CSC Futures (HK) Ltd. (Note 3)	6,562	7,421
Capital True Partner Technology Co., Ltd.	2,308	1,368
Total	<u>\$ 9,214</u>	<u>13,551</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(Note 1) Receivables from future interactive brokers, receivables for information service fee, and interest from bonds purchased under resale agreements.

(Note 2) Payables for allocated expenses and interests to the parent company.

(Note 3) Payables for Service charge discounts and interests.

(Note 4) Payables for professional service fee.

(iii) Bonds purchased under resale agreements

The Company conducted investment with Capital Securities Corporation for bonds purchased under resale agreements shows as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds purchased under resale agreements	<u>\$ 84,013</u>	<u>244,530</u>
Resale price under the agreements	<u>\$ 84,021</u>	<u>244,545</u>
Interest rates	<u>0.20%~ 0.21%</u>	<u>0.16%~ 0.22%</u>
Date of repurchase	<u>2022.01.03~2022.01.14</u>	<u>2021.01.05~2021.01.15</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	<u>\$ 213</u>	<u>329</u>

(iv) Leases

The Company signed three-year lease contracts and rented the office and parking spaces from Capital Securities Corporation. As of December 31, 2021 and 2020, the total value of effective contracts were both \$51,091, respectively. For the year ended December 31, 2021 and 2020, the Company recognized the amount of \$376 and \$250 as interest expense. As of December 31, 2021 and 2020, lease liabilities amounted to \$26,730 and \$43,385, respectively, and refundable deposits were amounted to both\$4,450, respectively.

(v) Rental expenses

The Company entered into lease agreements with related parties and recognized rental expense for applicable short-term or low-value leases as follow:

	<u>For the years ended December 31,</u>	
<u>Related parties</u>	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	<u>\$ 905</u>	<u>646</u>

The pricing of the rent between the Company and its related parties are determined according to market conditions and paid on a monthly basis.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(vi) Securities commission income

The Company entered into contracts with related parties to engage in securities trading business as permitted by the competent authorities, and details are as follow:

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>27,152</u>	<u>9,738</u>

(vii) Interest income (Rent deposit interest)

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>35</u>	<u>44</u>

(viii) Securities brokerage charge

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ 170,416	183,659
CSC Futures (HK) Ltd.	<u>6,105</u>	<u>6,893</u>
	\$ <u>176,521</u>	<u>190,552</u>

(ix) Information technology expenses

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>47,986</u>	<u>50,391</u>

(x) Stock service fees

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>562</u>	<u>502</u>

(xi) Human resource and legal service fees

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>300</u>	<u>300</u>

(xii) Securities transaction fees

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>114</u>	<u>-</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(xiii) Discretionary service commission fees

Related parties	For the years ended December 31,	
	2021	2020
Capital Securities Corporation	\$ <u>110</u>	<u>16</u>

(xiv) Stationery and printing fees

Related parties	For the years ended December 31,	
	2021	2020
Capital Securities Corporation	\$ <u>35</u>	<u>80</u>

(xv) Repair and maintenance-expense

Related parties	For the years ended December 31,	
	2021	2020
Capital International Technology Co., Ltd.	\$ <u>3,226</u>	<u>2,419</u>

(xvi) Professional service fees

Related parties	For the years ended December 31,	
	2021	2020
Capital True Partner Technology Co., Ltd.	\$ <u>26,183</u>	<u>13,241</u>

(8) Pledged assets:None

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company. All shares would be transferred on February 15, 2022.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(12) Derivative instrument transactions:

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

December 31, 2021

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract:						
	TAIEX Futures	Long	74	\$ 262,510	267,889	
	TAIEX Futures	Short	3	(10,733)	(10,795)	
	Mini Taiex Futures	Short	292	(263,581)	(265,111)	
	Electronic Sector Index Futures	Short	25	(86,631)	(87,575)	
	Financial Insurance Index Futures	Long	33	55,909	56,540	
	Mini Financial Futures	Short	98	(41,516)	(41,983)	
	Mini Electronic Futures	Long	155	66,410	67,871	
	Mini Electronic Futures	Short	2	(840)	(874)	
	Subtotal			(18,472)		
Options contract:						
	TAIEX Options (Call)	Long	2,177	\$ 29,013	37,581	
	TAIEX Options (Call)	Short	2,154	(24,743)	(30,982)	
	TAIEX Options (Put)	Long	3,086	29,440	15,935	
	TAIEX Options (Put)	Short	2,753	(29,808)	(16,231)	
	TAIEX Weekly Options (Call)	Long	325	1,840	1,504	
	TAIEX Weekly Options (Call)	Short	442	(1,733)	(1,136)	
	TAIEX Weekly Options (Put)	Long	352	816	719	
	TAIEX Weekly Options (Put)	Short	186	(926)	(977)	
	Electronic Sector Index Options(Call)	Long	107	851	1,457	
	Electronic Sector Index Options(Call)	Short	68	(572)	(766)	
	Electronic Sector Index Options(Put)	Long	124	917	562	
	Electronic Sector Index Options(Put)	Short	176	(1,610)	(778)	
	Finance Insurance Index Options(Call)	Long	127	475	732	
	Finance Insurance Index Options(Call)	Short	88	(169)	(253)	
	Finance Insurance Index Options(Put)	Long	196	1,446	778	
	Finance Insurance Index Options(Put)	Short	50	(95)	(7)	
	Subtotal			5,142		
Total				\$ (13,330)		

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

December 31, 2020

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract:						
	TAIEX Futures	Long	53	\$ 152,446	154,812	
	TAIEX Futures	Short	9	(24,292)	(25,137)	
	Mini Taiex Futures	Long	354	254,049	259,165	
	Mini Taiex Futures	Short	10	(6,770)	(7,040)	
	Stock Futures	Short	1	(391)	(392)	
	Subtotal			<u>375,042</u>		
Options contract:						
	TAIEX Options (Call)	Long	858	\$ 9,293	27,885	
	TAIEX Options (Call)	Short	1,494	(23,968)	(51,486)	
	TAIEX Options (Put)	Long	1,376	12,285	6,320	
	TAIEX Options (Put)	Short	748	(11,981)	(7,066)	
	TAIEX Weekly Options (Call)	Long	144	1,007	1,836	
	TAIEX Weekly Options (Call)	Short	231	(688)	(753)	
	TAIEX Weekly Options (Put)	Long	222	1,085	923	
	TAIEX Weekly Options (Put)	Short	98	(274)	(195)	
	Subtotal			<u>(13,241)</u>		
Total				<u>\$ 361,801</u>		

- (b) As of December 31, 2021 and 2020, the nominal amount of open positions of leverage derivatives contracts were as follows:

Item	December 31, 2021	December 31, 2020
Leverage derivatives- long	<u>\$ 3,800,382</u>	<u>1,321,887</u>
Leverage derivatives- short	<u>\$ 3,787,547</u>	<u>1,282,847</u>
Equity derivatives- long	<u>\$ 131,113</u>	<u>-</u>
Equity derivatives- short	<u>\$ 131,101</u>	<u>-</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(13) Restrictions and enforcement of the Company's various financial ratios under Futures Trading Act:

- (a) 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		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity		6.27	6,359,664	7.32	≥ 1	Satisfactory to requirement
	(Total liabilities– futures traders' equity)	6,248,364 996,339		869,294			
17	Current Assets	43,681,868	1.13	43,978,617	1.13	≥ 1	"
	Current Liabilities	38,702,447		39,018,015			
22	Stockholders' equity	6,248,364	560.39 %	6,359,664	570.37 %	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Post-adjustment net capital		54.88 %		66.09 %	≥ 20%	"
	Total customer margin deposits required for open positions of customers	4,910,332 8,947,102		4,868,930 7,366,955		≥ 15%	

(14) Specific inherent risks in operating as futures dealer:

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

(15) Other:None

(Continued)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

(16) Other disclosures:

(a) Information on significant transactions:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum balance of the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CSC Futures (HK) Ltd.	F190402	Account receivables -Customer	No	38,425	38,425	-	5%	1	12,950		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F611702	Account receivables -Customer	No	384,245	384,245	384,245	1.38%~ 2.63%	1	194,973		-		-	384,245	851,899
1	CSC Futures (HK) Ltd.	F613059	Account receivables -Customer	No	82,338	82,338	-	1.13%~ 3.13%	1	37,634		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F612688	Account receivables -Customer	No	76,849	13,723	6,862	3.13%	1	2,934		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F612687	Account receivables -Customer	No	76,849	-	-	3.13%	1	475		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F612851	Account receivables -Customer	No	82,338	54,892	-	3.13%	1	7,802		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F613091	Account receivables -Customer	No	41,169	41,169	9,112	3.13%	1	1,048		-		-	170,380	851,899

Remark: Besides those approved by the board of directors, each loan limit by an individual is 20% amount of the net assets of CSC Futures (HK) Ltd. on the financial statements. The loan limit of total credit lines is calculated by net value of CSC Futures (HK) Ltd. and in line with the rules of liquid capital of Securities & Futures Commission of Hong Kong. CSC Futures(HK) Ltd. obtained its money lender's license in June 2016 and engaged in lending business according to local laws and regulations in Hong Kong.

Note 1: Type of Numbering

(1) 0 represents Parent company

(2) Invested company is being numbered by company type from 1, same company should have same number.

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short-term financing

(ii) Guarantees and endorsements for other parties:None

(iii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(iv) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(v) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more:None

(vi) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None

(b) Information on investees: (excluding information on investees in Mainland China)

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Date of establishment	FSC Rule No.	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Revenue of investee	Net income (losses) of investee	Share of profits/losses of investee	Cash dividend	Note
						December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value					
Capital Futures Corporation	CSC Futures (HK) Ltd.	Hong Kong	1998.12.9	Gin Guan Zheng Zhi No. 1010027412 letter	Futures dealing business and other businesses permitted by local law of Hong Kong	862,631	862,631	214,000	97.27 %	828,642	360,895	(26,253)	(25,536)	-	Subsidiary
Capital Futures Corporation	Capital International Technology Co., Ltd.	Taiwan	2014.12.29	Gin Guan Zheng Zhi No. 1030038387 letter	Management consulting and information service business	50,000	50,000	5,000	100.00 %	33,816	3,072	(7,112)	(7,112)	-	Subsidiary
Capital Futures Corporation	True Partner Advisor Hong Kong Ltd.	Hong Kong	2010.5.31	Gin Guan Zheng Zhi No. 1040027513 letter	Assets Management	36,701	36,701	245	49.00 %	50,112	132,349	3,776	894	-	Associate (Note 1)

Note 1: On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company. All shares would be transferred on February 15, 2022. Thus, the investments accounted for using equity method were reclassified as assets to held-for-sale.

(Continued)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

(c) Information on overseas branches and representative offices: None

(d) Information on investment in Mainland China:

(i) Investment in Mainland China and related information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Direct or indirect share holdings(%) by the company	Highest percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Capital True Partner Technology Co., Ltd.	Management consulting and information service business	5,013	(C)	24,372	-	-	24,372	2	51.00%	51.00%	B (2)	18,512	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management consulting and information service business	18,863	(C)	18,863	-	-	18,863	(4,051)	100.00%	100.00%	(4,051) B (2)	11,633	-

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

- A. Directly invest in a Company in Mainland China.
- B. Through investing in an existing Company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).
- C. Through a subsidiary to invest in a Company in Mainland China.

Note 2: Investment gains and losses recognized during the period

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

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

- (1) The recognition of investment gains or losses is based on the financial statements audited by international certified public accountant cooperated with certified public accountant of the Republic of China.
- (2) The recognition of investment gains or losses is based on the financial statements audited by certified public accountant of the Company.
- (3) The recognition of investment gains or losses is based on the financial statements provided by the investee without audited by certified public account.

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

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
43,235	43,235	80,000

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

(e) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Capital Securities Corporation		119,066,014	56.58 %

Note 1: The information on the major shareholders in this table is based on the last business day of the end of each quarter by CCB. The total number of ordinary shares and special shares of the company that have been delivered without physical registration (including treasury shares) is calculated by the shareholders of the company up to 5%. There may be differences or differences due to the calculation basis of the preparation between share capital recorded in the company's financial report and the company's actual non-physical registration of shares.

Note 2: If the information above belongs to the trust on behalf of the shareholders, it is disclosed by the individual and trustor who opened the trust account by the trustee. As for shareholders to declare shares who hold more than 10% of their shares in accordance with the Securities and Exchange Act, its shareholding includes personal holding of shares plus the shares delivered to the trust with decision right etc. Please refer to the Public Information Observatory for information on insider shareholding declarations.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(17) Segment information:

Please refer to the consolidated financial report for the year ended December 31, 2021.

Capital Futures Corporation
Statement of cash and cash equivalents
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash :		
Petty cash		\$ 60
Demand deposits		
NTD		432,563
Foreign currencies	The foreign currencies and exchange rates included are as follows:	103,876
	USD 3,360,275.34 @ 27.6800	
	JPY 21,685.00 @ 0.2405	
	EUR 6,000.00 @ 31.3200	
	HKD 101.26 @ 3.5490	
	CHF 41.57 @ 30.1800	
	SGD 418,183.15 @ 20.4600	
	AUD 1,698.54 @ 20.0800	
	CNY 478,526.50 @ 4.3440	
Cash equivalents :		
Time deposits		
NTD	The maturity date is December 31, 2021 to December 30, 2022, the interest rate is between 0.200%~0.800%	3,542,500
Foreign currencies	The maturity date is January 7, 2022 to April 8, 2022 , the interest rate is between 0.300%~2.800%	154,968
	CNY 7,000,000.00 @ 4.3440	
	USD 4,500,000.00 @ 27.6800	
Futures excess (under) margin		
NTD		303,526
Foreign currencies	The foreign currencies and exchange rates included are as follows:	198,900
	USD 6,823,502.45 @ 27.6800	
	ZAR 79,953.20 @ 1.7330	
	GBP 141,359.44 @ 37.3000	
	AUD 67,315.38 @ 20.0800	
	CAD 210,587.59 @ 21.6200	
	JPY 18,439,223.00 @ 0.2405	
	NZD 115,187.44 @ 18.8900	
	CHF 62,656.56 @ 30.1800	
	SGD 3,138.21 @ 20.4600	
	CNY (2,269,011.44)@ 4.3440	
Commercial paper	The maturity date is January 3, 2022, the interest rate is 0.15%	9,994
Total		<u>\$ 4,746,387</u>

Capital Futures Corporation
Statement of financial assets at fair value through profit or loss – current
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units (in thousands)	Par value (Dollars)	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes is attributable to the changes in credit risk	Note
							Unit price(Dollars)	Total amount		
<u>Beneficiary certificates</u>										
Open-ended funds and money- market instruments										
	Yuanta Taiwan High-yield Leading Company Fund	327	-	-		\$ 5,000	15.84	5,180		
	Yuanta Real Multi-Asset Fund	1,545	-	-		15,000	9.96	15,386		
Securities invested by securities broker										
	Fubon NYSE Factset Global Genomics and Immuno Biopharma ETF	1,000	-	-		15,000	13.01	13,010		
<u>Listed stocks</u>										
	TSEC	435	10	4,350		18,788	42.50	18,488		
	Other(Note)	1,912	10	19,120		76,411		75,290		
<u>OTC stocks</u>										
Trading securities- proprietary trading										
	Other(Note)	57	10	570		4,138		4,040		
<u>Foreign stocks</u>										
Trading securities- proprietary trading										
	Other(Note)	33	-	-		<u>12,822</u>		<u>13,962</u>		
Total						147,159		<u>145,356</u>		
Valuation adjustment						<u>(1,803)</u>				
						<u>\$ 145,356</u>				
Call options								59,268		Table 1
Futures margin-proprietary fund- non-hedging								67,770		Table 2
Leverage derivatives								81,844		
Equity derivatives								<u>2,483</u>		
Total								<u>356,721</u>		

Note: The amount of each item is less than 5% of the total.

Capital Futures Corporation

Statement of call options

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Table 1

<u>Name of financial instrument</u>	<u>Description</u>	<u>Number of contracts</u>	<u>Contract size or paid for (received from) premium</u>	<u>Fair Value</u>	<u>Unrealized gain (loss)</u>	<u>Note</u>
Call options						
Call						
		2,177	\$ 29,013	37,581	8,568	
		325	1,840	1,504	(336)	
		107	851	1,457	606	
		127	475	732	257	
			<u>32,179</u>	<u>41,274</u>	<u>9,095</u>	
Put						
		3,086	29,440	15,935	(13,505)	
		352	816	719	(97)	
		124	917	562	(355)	
		196	1,446	778	(668)	
			<u>32,619</u>	<u>17,994</u>	<u>(14,625)</u>	
Total			<u>\$ 64,798</u>	<u>59,268</u>	<u>(5,530)</u>	

Capital Futures Corporation
Statement of futures margin proprietary fund – non
– hedging
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Table 2

Futures clearing house (Other futures commission merchant)	Description	Currency	Foreign currency (Dollars)	Exchange rate	Amount (NTD)	Note
Phillip Futures Pte Ltd.		USD	\$ 2,147,491.22	27.6800	\$ 59,443	
LMAX		USD	172,257.75	27.6800	4,768	
CMC Markets UK Plc		USD	128,583.93	27.6800	3,559	
Total					\$ 67,770	

Capital Futures Corporation

Statement of financial assets at fair value through other comprehensive income – current

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares (in thousands)	Par value (Dollars)	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Fair Value		Note
								Unit price (Dollars)	Total amount	
Equity Instrument :										
<u>Listed stocks</u>										
Taiwan Semiconductor Manufacturing Co., Ltd.		45	10	450	-	\$ 24,963	Not applicable	615.00	27,675	
Other(Note)		11	10	110	-	<u>619</u>	"	-	<u>593</u>	
Total						<u>25,582</u>			<u><u>28,268</u></u>	
Valuation Adjustment						<u>2,686</u>				
Total						<u><u>\$ 28,268</u></u>				

Note: The amount of each item is less than 5% of the total.

Capital Futures Corporation
Statement of bonds purchased under resale
agreements
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Client name	Trading conditions			Bonds		Amount	Note
	Start date	Maturity date	Rate	Type	Par Value		
Capital Securities Corporation	2021.12.15	2022.01.14	0.20 %	B61424	\$ 42,000	42,007	
"	2021.12.29	2022.01.03	0.21 %	B87001	17,000	17,000	
"	2021.12.21	2022.01.03	0.20 %	B638B9、B66607	13,000	13,000	
"	2021.12.27	2022.01.03	0.21 %	B903WC、B85409	8,000	8,000	
"	2021.12.27	2022.01.10	0.21 %	B85409	4,000	4,006	
						<u>\$ 84,013</u>	

Statement of customers margin accounts

Item	Current Period		Previous period	
	Amount	%	Amount	%
Cash in banks	\$ 27,061,948	72	28,883,652	76
Marketable securities	4,304	-	598	-
Balance of the futures clearing house	7,275,159	19	5,371,661	14
Balance of other futures commission merchants	3,413,140	9	3,970,142	10
Total	<u>\$ 37,754,551</u>	<u>100</u>	<u>38,226,053</u>	<u>100</u>

Notes : 1. Cash in banks : The balance of the margin and premium of futures traders in the "customer margin accounts" opened by the futures broker in each bank ◦

2. Marketable Securities : Futures brokers conduct futures brokerage business and collect marketable securities from futures traders to cover transaction margin and premium in accordance with regulations ◦

3. Balance of futures clearing house : The settlement balance after the futures broker with clearing membership has transferred the margin and premium from the futures trader to the futures clearing institution ◦

4. Balance of other futures commission merchants : The settlement balance of margin and premium of futures brokers who are not clearing members after transferring them to futures brokers who are clearing members.

Capital Futures Corporation
Statement of customers margin accounts – cash in
bank
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Bank</u>	<u>Account</u>	<u>Currency</u>	<u>Foreign currency (Dollars)</u>	<u>Exchange rate</u>	<u>Amount (NTD)</u>	<u>Note</u>
Yuanta Bank	000020372005678899	NTD	-	-	\$ 2,738,094	
Sunny Bank	000000120450002567	NTD	-	-	2,450,108	
Entie Commercial Bank	000004050600287700	USD	90,000,418.27	27.6800	2,491,212	
Taichung Bank	000000092278050538	USD	78,142,428.63	27.6800	2,162,982	
Sunny Bank	000000120450002550	NTD	-	-	1,902,702	
Entie Commercial Bank	000004012600287100	NTD	-	-	1,603,292	
Far Eastern International Bank	000002700100004155	NTD	-	-	1,517,791	
Sunny Bank	000012005800005658	USD	54,231,603.84	27.6800	1,501,131	
Taishin Bank	000000068750059107	USD	56,148,110.39	27.6800	1,554,180	
Shin Kong Commercial Bank	000000462101005381	NTD	-	-	1,401,678	
Entie Commercial Bank	000004850688688900	USD	49,060,480.42	27.6800	1,357,994	
Taishin Bank	000000068750070335	USD	46,102,859.85	27.6800	1,276,127	
Other (note)		USD	29,448,860.17	27.6800	815,145	
		JPY	258,205,898.00	0.2405	62,099	
		HKD	108,292,845.93	3.5490	384,331	
		CNY	4,248,824.91	4.3440	18,457	
		GBP	1,321,096.19	37.3000	49,277	
		EUR	1,672,170.75	31.3200	52,372	
		AUD	962,309.32	20.0800	19,323	
		CHF	19,269.61	30.1800	582	
		SGD	11,985.00	20.4600	245	
		NTD	-	-	3,702,826	
Total					<u>\$ 27,061,948</u>	

Note : If the balance of each account exceeds 5% of the total, it would be disclosed separately, otherwise it would be disclosed together.

Capital Futures Corporation
Statement of customers margin accounts –
marketable securities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Type of securities as margin collateral	Number of shares (in thousands)	Par value			Valuation		Fair value	Note
		Amount in NTD or foreign currency amount	Exchange rate	Interest Rate	Collateral amount	Non-collateral amount		
1101 Taiwan Cement	2	\$ 20	-	-	-	67	96	
1102 Asia Cement	2	20	-	-	-	62	89	
1210 Greatwall Ent	3	30	-	-	-	112	160	
1216 Uni-President Enterprises	2	20	-	-	-	96	137	
1303 Nanya Technology	1	10	-	-	-	60	85	
1402 Far Eastern New Century	3	30	-	-	-	62	88	
1605 Walsin	30	300	-	-	-	557	795	
1718 China Man-Made Fiber	110	1,100	-	-	-	782	1,117	
1907 YFY Inc.	60	600	-	-	1,493	-	2,133	
2002 Sinosteel	4	40	-	-	-	99	141	
2412 Chunghwa Telecom	22	220	-	-	1,259	535	2,563	
2801 Chang Hwa	7	70	-	-	-	83	119	
2884 Esun Financial	6	60	-	-	-	118	168	
2885 Yuanta Financial	80	800	-	-	218	1,199	2,024	
2886 Mega Financial	3	30	-	-	-	75	107	
2888 Shin Kong Financial	310	3,100	-	-	1,334	1,064	3,426	
2890 SinoPac Financial	7	70	-	-	-	79	113	
2892 First Financial	5	50	-	-	-	86	123	
3045 Taiwan Mobile	8	80	-	-	-	560	800	
4904 Far EasTone	2	20	-	-	-	90	129	
9904 Pou Chen	2	20	-	-	-	46	66	
Total					\$ 4,304	5,832	14,479	

Note: According to the regulations of the Futures Exchange, the valuation of the stock is calculated at a 30% discount to the closing price of stock.

Capital Futures Corporation
Statement of customers margin accounts – balance
of futures clearing house

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Name of futures clearing house</u>	<u>Description</u>	<u>Currency</u>	<u>Foreign currency (Dollars)</u>	<u>Exchange rate</u>	<u>Amount (NTD) (Collateral valuation)</u>	<u>Note</u>
Taiwan Futures Exchange	Cash in banks	NTD	-	-	\$ 4,721,931	
	Open Position profit or loss	NTD	-	-	(174,158)	
	Cash in banks	USD	95,123,737.00	27.6800	2,633,025	
	Open Position profit or loss	USD	110.00	27.6800	3	
	Cash in banks	CNY	62,944.00	4.3440	273	
	Open Position profit or loss	CNY	(26,262.00)	4.3440	(114)	
	Cash in banks	JPY	303,139,200.00	0.2405	72,905	
	Cash in banks	HKD	6,000,000.00	3.5490	21,294	
Total					<u>\$ 7,275,159</u>	

Capital Futures Corporation
Statement of customers margin accounts – balance
of other futures commission merchants

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of other Futures Commission Merchants	Description	Currency	Foreign currency (Dollars)	Exchange rate	Amount (NTD)	Note
SG Securities (HK) Limited	Cash in banks	USD	71,414,837.13	27.6800	\$ 1,976,763	
	Open Position profit or loss	USD	(7,762,835.42)	27.6800	(214,875)	
	Cash in banks	CHF	14,101.42	30.1800	426	
	Cash in banks	JPY	4,267,719.00	0.2405	1,026	
	Cash in banks	GBP	151,098.96	37.3000	5,636	
	Open Position profit or loss	GBP	(1,481.25)	37.3000	(55)	
	Cash in banks	EUR	5,722,762.52	31.3200	179,237	
	Open Position profit or loss	EUR	63,203.50	31.3200	1,980	
	Cash in banks	AUD	237,261.22	20.0800	4,764	
	Open Position profit or loss	AUD	7,305.98	20.0800	147	
Phillip Futures Pte Ltd.	Cash in banks	USD	40,138,522.70	27.6800	1,111,034	
	Open Position profit or loss	USD	(6,671,361.40)	27.6800	(184,663)	
	Cash in banks	JPY	73,050,236.00	0.2405	17,569	
	Open Position profit or loss	JPY	25,845,500.00	0.2405	6,216	
	Cash in banks	SGD	165,312.32	20.4600	3,382	
	Open Position profit or loss	SGD	765.00	20.4600	16	
CSC Futures (HK) Ltd.	Cash in banks	USD	202,217.10	27.6800	5,597	
	Open Position profit or loss	USD	(1,000.00)	27.6800	(28)	
	Cash in banks	HKD	67,708,907.03	3.5490	240,299	
Nissan Century Securities Co., Ltd.	Open Position profit or loss	HKD	7,605,210.00	3.5490	26,991	
	Cash in banks	JPY	213,268,031.00	0.2405	51,291	
ADM Investor Services, Inc	Open Position profit or loss	JPY	(7,777,900.00)	0.2405	(1,871)	
	Cash in banks	USD	4,689,103.49	27.6800	129,794	
	Open Position profit or loss	USD	(134,893.65)	27.6800	(3,734)	
	Cash in banks	GBP	1,245,717.36	37.3000	46,465	
MCM	Open Position profit or loss	GBP	7,835.00	37.3000	292	
	Cash in banks	USD	404,727.20	27.6800	11,203	
Total	Open Position profit or loss	USD	(63,645.25)	27.6800	(1,762)	
					<u>\$ 3,413,140</u>	

Capital Futures Corporation
Statement of receivable- futures margins
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Client Code</u>	<u>Account</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Amount (NTD)</u>	<u>Note</u>
9052284	9052284	-	-	\$ 2,533	
9112883	9112883	-	-	2,080	
6555508	6555508	-	-	1,233	
9059203	9059203	-	-	580	
3974645	3974645	-	-	244	
Other		-	-	350	The amount of each item is less than 5% of the total.
Less: Loss allowance		-	-	<u>(7,020)</u>	
Total				<u>\$ -</u>	

Statement of accounts receivable

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties			
Taiwan Stock Exchange	Stock settlement	\$ 14,174	
Cathay Securities Corporation	Re-consigned stock settlement	2,920	
Other	Foreign exchange square position settlement, commission discount and discretionary management fee revenue, etc	753	The amount of each item is less than 5% of the total.
	Subtotal	<u>17,847</u>	
Related parties			
Capital Securities Corporation	Securities commission revenue- securities introducing broker	3,011	
Total		<u>\$ 20,858</u>	

Capital Futures Corporation
Statement of prepayments
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
System Corporation	Equipment and information fee	\$ 1,601	
Shanghai Aniu Corporation	Information expense	612	
Chicago Mercantile Exchange	Membership fee	382	
Other	Information, membership and insurance fees, etc.	687	The amount of each item is less than 5% of the total.
Total		<u>\$ 3,282</u>	

Statement of other receivables

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties			
Interests receivable		\$ 8,767	
Subsidy		600	
Other	Incentives, etc	229	The amount of each item is less than 5% of the total.
	Subtotal	<u>9,596</u>	
Related parties			
Receivables- apportioned futures introducing broker		3,771	
Other	Information expense	75	The amount of each item is less than 5% of the total.
	Subtotal	<u>3,846</u>	
Total		<u>\$ 13,442</u>	

Capital Futures Corporation

Statement of non-current assets classified as held for sale

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Equity investments held for sale	True Partner Advisor Hong Kong Ltd.	\$ <u><u>50,112</u></u>	Note

Note: A resolution that the Company disposed 49% of the equity shares in the associate, True Partner Advisor Hong Kong Ltd., was approved by the Board of Directors of the Company on November 11, 2021. The sale was approved by Financial Supervisory Commission with ruling Certificate No. 1100377878 on January 7, 2022.

Statement of other current assets

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Temporary debits	Advance on dividend tax	\$ <u><u>2</u></u>	

Capital Futures Corporation
Statement of changes in financial assets at fair value
through other comprehensive income –non-current
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Equity Securities

Financial Instruments	Beginning balance		Addition		Decrease		Ending balance		Accumulated impairment	Collateral/Pledge	Note
	Shares or units	Fair Value	Shares or units	Amount	Shares or units	Amount	Shares or units	Fair Value			
Taiwan Futures Exchange	<u>15,478</u>	<u>\$ 1,349</u>	<u>2,166</u>	<u>232</u>	<u>-</u>	<u>-</u>	<u>17,644</u>	<u>1,581</u>	N/A	No	

Note : The increase in the current period is due to the acquisition of stock dividends and the unrealized gain.

Capital Futures Corporation
Statement of changes in investments under equity method
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Name	Beginning balance		Addition		Decrease		Ending balance			Net equity		Collateral	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding ratio	Amount	Unit price	Total amount	/ Pledge	Note
CFC Futures(HK) Ltd.	214,000,000	\$ 883,604	-	-	-	(54,962)	214,000,000	97.27 %	828,642	3.87	828,642	No	Note 1 & 2
Capital International Technology Co., Ltd.	5,000,000	41,028	-	-	-	(7,212)	5,000,000	100.00 %	33,816	6.76	33,816	No	Note1 & 3
True Partner Capital Advisor Co., Ltd.	245,000	49,281	-	894	-	(50,175)	245,000	100.00 %	-	-	-	No	Note 1 & 4 & 5
		<u>\$ 973,913</u>		<u>894</u>		<u>(112,349)</u>			<u>862,458</u>				

Note1: Evaluated by equity method.

Note2: The decrease in the current period was due to the recognition of \$25,536 of the share of profit of subsidiaries, affiliates and joint ventures recognized under equity method and the recognition of \$29,426 of exchange differences on translation of foreign operations.

Note3: The decrease in the current period was due to the recognition of \$7,112 of the share of profit of subsidiaries, affiliates and joint ventures recognized under the equity method and the recognition of \$100 in other comprehensive income of subsidiaries, affiliates and joint ventures recognized under the equity method.

Note4: The increase in the current period was due to the recognition of \$894 of the share of profit of subsidiaries, affiliates and joint ventures recognized under equity method; the decrease in the current period was due to the recognition of \$595 of exchange differences on translation of foreign operations and the recognition of \$49,850 of reclassification of non-current assets held-for-sale.

Note5: On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company, All shares would be transferred in February 15 ,2022. Thus, the investments accounted for using equity method were reclassified as assets to held-for-sale.

Capital Futures Corporation
Statement of changes in property and equipment
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Collateral/ Pledge</u>	<u>Note</u>
Equipment						
Office equipment	\$ 105,643	8,430	(38,343)	75,730	No	
Leasehold improvements	<u>22,226</u>	<u>1,167</u>	<u>(9,938)</u>	<u>13,455</u>	"	
Total	<u>\$ 127,869</u>	<u>9,597</u>	<u>(48,281)</u>	<u>89,185</u>		

**Statement of changes in accumulated depreciation of
property and equipment**

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Note</u>
Equipment					
Office equipment	\$ 62,381	19,912	(38,343)	43,950	Note 1
Leasehold improvements	<u>14,624</u>	<u>3,991</u>	<u>(9,938)</u>	<u>8,677</u>	Note 2
Total	<u>\$ 77,005</u>	<u>23,903</u>	<u>(48,281)</u>	<u>52,627</u>	

Note 1: The estimated useful life is 3 to 5 years, and depreciation is calculated using the straight-line method.

Note 2: Depreciation is computed using the straight-line method over the estimated useful lives or shorter lease period.

Capital Futures Corporation
Statement of changes in right-of-use assets
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Buildings	\$ 66,838	-	(11,104)	55,734	
Equipment	11,591	3,899	(8,107)	7,383	
Total	\$ 78,429	3,899	(19,211)	63,117	

**Statement of changes in accumulated depreciation of
right-of-use assets**

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Buildings	\$ 20,817	19,488	(11,104)	29,201	
Equipment	6,087	2,976	(5,712)	3,351	
Total	\$ 26,904	22,464	(16,816)	32,552	

Statement of changes in intangible assets

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Computer software	\$ 11,412	5,133	8,786	7,759	Note 1
Foreign futures exchange seats	44,325	-	-	44,325	Note 2
Total	\$ 55,737	5,133	8,786	52,084	

Note 1: Computer software has an estimated useful life of 3 years and amortization is calculated using the straight-line method.

Note 2: Intangible assets with indefinite useful lives are tested for impairment on an annual basis.

Capital Futures Corporation
Statement of other non-current assets
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Guarantee deposited for business operations		\$ <u>140,000</u>	Time deposit
Settlement fund		<u>166,821</u>	
Net defined benefit asset		<u>801</u>	
Refundable deposits	Office deposit	5,183	
	Guild self-regulatory margin	1,740	
	Other	87	The amount of each item is less than 5% of the total.
	Subtotal	<u>7,010</u>	
Total		<u>\$ <u>314,632</u></u>	

Capital Futures Corporation

Statement of financial liabilities at fair value through profit or loss –current

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Name of Financial Instrument</u>	<u>Description</u>	<u>Shares or units</u>	<u>Par value</u>	<u>Total amount</u>	<u>Interest rate</u>	<u>Fair Value</u>		<u>Changes in fair value attributable to changes in credit risk</u>	<u>Note</u>
						<u>Unit price</u>	<u>Total amount</u>		
Put options							\$ 51,130		Table 1
Leverage derivatives							16,671		
Equity derivatives							<u>5</u>		
Total							<u>\$ 67,806</u>		

Capital Futures Corporation
Statement of put options
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Table 1

<u>Name of financial instrument</u>	<u>Description</u>	<u>Number of contracts</u>	<u>Contract size or paid for (received from) premium</u>	<u>Fair Value</u>	<u>Unrealized gain (loss)</u>	<u>Note</u>
Put options						
Call						
	TAIEX Options	2,154	24,743	30,982	(6,239)	
	TAIEX Weekly Options	442	1,733	1,136	597	
	Electronic Sector Index Options	68	572	766	(194)	
	Finance Insurance Index Options	88	169	253	(84)	
	Subtotal		<u>27,217</u>	<u>33,137</u>	<u>(5,920)</u>	
Put						
	TAIEX Options	2,753	29,808	16,231	13,577	
	TAIEX Weekly Options	186	926	977	(51)	
	Electronic Sector Index Options	176	1,610	778	832	
	Finance Insurance Index Options	50	95	7	88	
	Subtotal		<u>32,439</u>	<u>17,993</u>	<u>14,446</u>	
Total			<u>\$ 59,656</u>	<u>51,130</u>	<u>8,526</u>	

Capital Futures Corporation
Statement of futures traders' equity
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Client Code</u>	<u>Currency</u>	<u>Foreign currency (Dollars)</u>	<u>Exchange rate</u>	<u>Amount (NTD)</u>	<u>Note</u>
9970766	NTD	-	-	\$ 361,916	
	USD	95,658,113.96	27.6800	2,647,817	
9976375	NTD	-	-	580,075	
	USD	93,020,158.00	27.6800	2,574,798	
	JPY	2,579,387.00	0.2405	620	
	CNY	(92,949.50)	4.3440	(404)	
Other	NTD	-	-	18,914,476	The amount of each client is less than 5% of the total.
	USD	411,544,784.97	27.6800	11,391,560	
	EUR	7,456,542.45	31.3200	233,539	
	GBP	2,723,971.01	37.3000	101,604	
	JPY	866,973,670.00	0.2405	208,507	
	AUD	1,204,843.25	20.0800	24,193	
	HKD	189,563,125.60	3.5490	672,760	
	CNY	4,358,453.28	4.3440	18,933	
	SGD	178,023.12	20.4600	3,642	
	CHF	33,371.03	30.1800	1,007	
Total				<u>\$ 37,735,043</u>	

Capital Futures Corporation
Statement of accounts payable
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Taiwan Futures Exchange	Transaction fees and clearing and settlement expenses	\$ 38,192	
Taiwan Stock Exchange	Stock settlement and transaction fees	3,846	
Other	Foreign exchange spot payments, commission expenses, securities transaction tax, etc	2,278	The amount of each client is less than 5% of the total.
	Subtotal	<u>44,316</u>	
Related parties:			
Capital Securities Corporation	Commission expenses	<u>11,448</u>	
Total		<u>\$ 55,764</u>	

Capital Futures Corporation
Statement of other payables
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Bonus payable	Year-end bonus and performance bonus, etc	\$ 75,111
Information expenses payable		8,900
Employees' remuneration payable		7,196
Directors and supervisors' remuneration payable		7,196
Business tax payable		7,155
Other	Phone bill, discount on handling fee, performance bonus, etc	18,340
Subtotal		<u>123,898</u>
Related parties:		
Discount on handling fee payable		6,501
Professional service fee payable		2,308
Other	Interest expense and apportionment of various expenses, etc	405
Subtotal		<u>9,214</u>
Total		<u>\$ 133,112</u>

Statement of provisions – current

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Employees' non-leave bonus payable		<u>\$ 5,618</u>	

Capital Futures Corporation
Statement of lease liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Ending balance</u>	<u>Note</u>
Buildings		2020.1.1~2023.07.31	1.05%~1.35%	\$ 26,730	
Equipment		2019.1.1~2026.11.17	0.81%~1.35%	4,045	
				<u>\$ 30,775</u>	

Note: Those due within one year have been reclassified as current liabilities.

Statement of other current liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Temporary credits	Cash flow in after the market closed and others	<u>\$ 9,768</u>	

Statement of deferred income tax liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Unrealized gains on non-current assets held for sale		\$ 2,794	
Unrealized gains on derivative financial instruments		13,530	
Total		<u>\$ 16,324</u>	

Capital Futures Corporation
Statement of gains (losses) on derivative instruments
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<u>Gains on derivative instruments:</u>			
Futures contract gain — non-hedged and realized	The benefits arising from futures trading for trading purposes	\$ 258,645	
Futures contract gain — non-hedged and unrealized	"	1	
Option trading gain — non-hedged and realized	The benefits arising from option trading for trading purposes	285,372	
Option trading gain — non-hedged and unrealized	"	17,059	
Leverage derivatives trading gain — non-hedged and realized	The benefits arising from leverage derivative trading for trading purposes	580,953	
Leverage derivatives trading gain — non-hedged and unrealized	"	19,456	
Equity derivatives trading gain — non-hedged and realized	The benefits arising from equity derivative trading for trading purposes	9,810	
Equity derivatives trading gain — non-hedged and unrealized	"	2,483	
Subtotal		<u>1,173,779</u>	
<u>Losses on derivative instruments:</u>			
Futures contract loss — non-hedged and realized	The loss arising from futures trading for trading purposes	279,062	
Futures contract loss — non-hedged and unrealized	"	1,933	
Option trading loss — non-hedged and realized	The loss arising from option trading for trading purposes	162,487	
Option trading loss — non-hedged and unrealized	"	4,768	
Leverage derivatives trading loss — non-hedged and realized	The loss arising from leverage derivative trading for trading purposes	494,712	
Leverage derivatives trading loss — non-hedged and unrealized	"	15,891	
Equity derivatives trading loss — non-hedged and realized	The loss arising from equity derivative trading for trading purposes	10,274	
Equity derivatives trading loss — non-hedged and unrealized	"	5	
Subtotal		<u>969,132</u>	
Total		<u>\$ 204,647</u>	

Capital Futures Corporation
Statement of gains (losses) on sale of trading
securities
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Revenue from sale of securities</u>	<u>Costs from sale of securities</u>	<u>Gains (losses) on sale of securities</u>	<u>Note</u>
Trading- TSE:				
Stocks	\$ 3,325,293	3,281,557	43,736	
Trading- OTC:				
Stocks	1,419,820	1,438,163	(18,343)	
Trading in foreign markets:				
Stocks	524,749	511,275	13,474	
Total	<u>\$ 5,269,862</u>	<u>5,230,995</u>	<u>38,867</u>	

Statement of futures commission expenses

<u>Item</u>	<u>Payment Party</u>	<u>Amount</u>	<u>Note</u>
Re-consigned futures trading	SG Securities (HK) Limited	\$ 166,106	
	Phillip Futures Pte Ltd.	32,153	
	ADM Investor Services, Inc	14,463	
	CSC Futures (Hong Kong) Limited	6,105	
	Nissan Century Securities Co., Ltd.	1,746	
	LMAX	757	
	PHIUK	503	
	MF Global Singapore PTE. LTD.	104	
	Newedge Australia PTY LTD	66	
	CMC	36	
	INTERACTIVE BROKERS LLC	2	
	Futures introducing broker business	Capital Securities Corporation	170,416
Primasia Securities Company Limited		1,186	
Land Bank of Taiwan		7	
Total		<u>\$ 393,650</u>	

Capital Futures Corporation
Statement of employee benefit, depreciation,
amortization, and other operating expenses
For the year ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)

Item	2021.12.31	2020.12.31	Note
Employee benefit expenses			
Salary expense	\$ 360,043	361,754	
Labor and health insurance expense	26,659	23,303	
Pension expense	14,957	13,226	
Directors' remuneration	26,087	18,883	
Other employee benefits expense	12,609	7,569	
Depreciation expense	46,367	49,442	
Amortization expense	8,786	9,448	
Other operating expense	<u>357,869</u>	<u>327,807</u>	
	<u>\$ 853,377</u>	<u>811,432</u>	

Additional information on the number of employees of the company for 2021 and 2020 were as follows :

	2021.12.31	2020.12.31
Employees	<u>303</u>	<u>296</u>
Number of directors- non-employees	<u>6</u>	<u>6</u>
Average employee benefit expense	<u>\$ 1,395</u>	<u>1,399</u>
Average employee salary expense	<u>\$ 1,212</u>	<u>1,247</u>
Adjustments to average employee salaries and wages	<u>(2.81)%</u>	
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

Remuneration policy (including directors, supervisors, managers and employees):

The remuneration of the Company's directors is based on their participation and contribution to the Company's operations and is authorized to be determined by the Board of Directors in accordance with the industry standard. The remuneration of the Company's managers and employees shall be determined by reference to the industry norm, taking into account the reasonableness of the relationship between the individual's performance, the degree of participation and contribution to the Company's operations, the responsibilities, the Company's operating performance and future risks. Compensation for directors and managers shall be reviewed by the Remuneration Committee and approved by the Board of Directors.

Capital Futures Corporation
Statement of financial costs
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense	Excess margin and payment to foreign futures institution, etc.	\$ <u><u>4,996</u></u>	

Statement of expected credit impairment loss (gain)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Receivables- futures margin	Breach of Futures traders	\$ <u><u>(236)</u></u>	Note1

Note 1: In accordance with the Ministry of Finance's 881030 Taiwan Financial Securities (7) Regulation No. 91625, when a debit balance is created on the futures trader's equity and a default is reported, the default amount should be recorded as a margin receivable on futures transactions and the expected credit impairment loss should be recorded in full. If the defaulters repay the defaulted amount in subsequent years, the Company will record the expected credit impairment benefit.

Capital Futures Corporation
Statement of other gains and losses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest income		\$ 172,216	
Dividend income		2,542	
Net gains on disposal of investments		12,007	
Other income	Incentives and subsidy, etc.	<u>10,451</u>	
Subtotal		<u>197,216</u>	
Net losses on foreign exchange		(22,461)	
Net losses on non-operating financial Instruments at fair value through profit or loss		(2,430)	
Net losses on lease modification		(1,018)	
Other expenses	Investment transaction fee and transaction tax expense	(1,669)	
Subtotal		<u>(27,578)</u>	
Total		<u><u>\$ 169,638</u></u>	

CAPITAL FUTURES CORPORATION

Other Disclosures in Financial Reports

For the Year Ended December 31, 2021



安侯建業聯合會計師事務所
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Capital Futures Corporation Review Report of Other Disclosures in Financial Reports

To the Board of Directors of Capital Futures Corporation:

We have audited the financial statements of Capital Futures Corporation for the year ended December 31, 2021. We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China, and issued the audit report thereon on March 11, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached “Other Disclosures in Financial Reports” (Other Disclosures) is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants. We have reviewed the information included in the Other Disclosures in accordance with article 34 paragraph 2 of Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

Based on our review, the Other Disclosures in Financial Reports of Capital Futures Corporation for the year ended December 31, 2021 are in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants. The financial information disclosed is consistent with the basic financial statements and does not need any modification.

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

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2022

Notes to Readers

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

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

Reviewed only, not in accordance with auditing standards generally accepted in the Republic of China

CAPITAL FUTURES CORPORATION

Other Disclosures in Financial Reports

For the year ended December 31, 2021

(1) Information on business conditions

(a) Significant business matters for the last 5 years

(i) Acquisition or merger: None

(ii) Demerger: None

(iii) Investments in affiliated enterprises

(In Thousands of New Taiwan Dollars/Thousands of shares)

Name of investee	2021		2020		2019		2018		2017	
	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
CSC Futures (HK) Ltd.	828,642	214,000	883,604	214,000	940,119	214,000	1,007,474	214,000	923,527	214,000
Capital International Technology Co., Ltd.	33,816	5,000	41,028	5,000	42,249	5,000	46,283	5,000	46,088	5,000
True Partner Capital Advisor Co., Ltd.	50,112	245	49,281	245	47,860	245	45,719	245	41,535	245

(iv) Reorganization: None

(v) Acquisition or disposal of major assets: None

(vi) Significant changes in operation method or business activity: None

(Continued)

(b) Remuneration to directors, supervisors, the president, vice presidents, and Chairmen of the board and presidents rehired as consultants after retiring from the futures commission merchants or its affiliated enterprises and related information

(i) Remuneration to Directors (including Independent Directors)(Individual disclosures)

(In Thousands of New Taiwan Dollars)

Title	Name	Director's remuneration								Relevant remuneration received by Directors who are also employees								Ratio of total remuneration (A+B+C+D+E+F+G) to net income(%)				Paid to Directors from Non-consolidated affiliates				
		Compensation (A)		Severance pay and Pension (B)		Compensation to Directors (C)		Allowances (D)		Ratio of total remuneration (A+B+C+D) to net income(%)				Salaries, bonuses, special allowances etc (E)		Severance pay and Pension (F)		Profit Sharing-Employee Bounes (G)								
		The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company		All companies included in the consolidated statements		The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company		All companies included in the consolidated financial statements			The Company		All companies included in the consolidated statements	
										Total	%	Total	%					Cash	Stock	Cash	Stock		Total	%	Total	%
Director	Capital Securities Corporation	-	-	-	-	3,925	3,925	240	240	4,165	0.85 %	4,165	0.85 %	-	-	-	-	-	-	-	-	4,165	0.85 %	4,165	0.85 %	No
Director	Capital Securities Corporation Representative: SUN, TIEN-SHAN(Note 2)	8,922	8,922	4,772 (Note3)	4,772 (Note3)	-	-	25	3,275	13,719	2.80 %	16,969	3.46 %	900	900	-	-	-	-	-	-	14,619	2.98 %	17,869	3.65 %	No
Director	Capital Securities Corporation Representative: LEE, WEN-CHU(Note 4)	2,794	2,794	29	29	-	-	15	15	2,838	0.58 %	2,838	0.58 %	391	391	-	-	92	-	92	-	3,321	0.68 %	3,321	0.68 %	No
Director	Capital Securities Corporation Representative: LIOU, JING-CUN	-	-	-	-	-	-	160	160	160	0.03 %	160	0.03 %	-	-	-	-	-	-	-	-	160	0.03 %	160	0.03 %	7,696
Director	Capital Securities Corporation Representative: WANG, JYUN-JHHH	-	-	-	-	-	-	40	40	40	0.01 %	40	0.01 %	-	-	-	-	-	-	-	-	40	0.01 %	40	0.01 %	54,302

1. The policy, system, standard and structure of remuneration to independent directors and the relevance between the amount of payment and responsibilities, risk, time engaged and other factors:
The remuneration to independent directors of the Company was based on the market and the salary standard of the same trade concerned, and was based on the principle of being in line with the industry's usual standards. Besides, it also considered the performance of each independent director, the degree of their participation in the Company's operation, contributions, responsibilities, degree of achievement of the Company's operating goals and the financial position of the Company.

2. The remuneration to independent directors was reviewed by the Remuneration and Compensation Committee and resolved by the Board of Directors. The Remuneration and Compensation Committee regularly evaluated the remuneration to independent directors, and reviewed the remuneration system based on the operating condition and relevant regulations in order to pursue the balance between the Company's sustainable operation and risk management.

Compensation received by director for providing service to any Company included in the consolidated financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: NT \$0.

Note 1: The compensation paid to drivers amounted to NT\$1,081 for the year ended December 31, 2021

Note 2: Resigned on 2021.08.26

Note 3: The actual amount of retirement benefits paid in 2021 was \$12,900 thousand; The amount of contribution to be expensed as retirement pension was \$4,772 thousand.

Note 4: Elected and on board on 2021.08.26

(ii) Remuneration to Directors (including Independent Directors)(Summarized by level)

(In Thousands of New Taiwan Dollars)

Title	Name	Director's remuneration								Relevant remuneration received by Directors who are also employees								Ratio of total remuneration (A+B+C+D+E+F+G) to net income(%)				Paid to Directors from Non-consolidated affiliates				
		Compensation (A)		Severance pay and Pension (B)		Compensation to Directors (C)		Allowances (D)		Ratio of total remuneration (A+B+C+D) to net income(%)				Salaries, bonuses, special allowances etc (E)		Severance pay and Pension (F)		Profit Sharing-Employee Bounes (G)								
		The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company		All companies included in the consolidated statements		The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company		All companies included in the consolidated financial statements			The Company		All companies included in the consolidated statements	
										Total	%	Total	%					Cash	Stock	Cash	Stock		Total	%	Total	%
Director	HONG YE Investment Corporation	-	-	-	-	1,308	1,308	160	160	1,468	0.30 %	1,468	0.30 %	-	-	-	-	-	-	-	-	1,468	0.30 %	1,468	0.30 %	None
Independent Director	CHUANG, CHIH-SHEN(Note 5)	1,440	1,440	-	-	1,962	1,962	295	295	3,697	0.75 %	3,697	0.75 %	-	-	-	-	-	-	-	-	3,697	0.75 %	3,697	0.75 %	None
Independent Director	WU, YONG-SHENG(Note 6)																									
Independent Director	CHEN,KUO-TAY																									
Independent Director	HISIAO, NAI-CHING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

1. The policy, system, standard and structure of remuneration to independent directors and the relevance between the amount of payment and responsibilities, risk, time engaged and other factors:
The remuneration to independent directors of the Company was based on the market and the salary standard of the same trade concerned, and was based on the principle of being in line with the industry's usual standards. Besides, it also considered the performance of each independent director, the degree of their participation in the Company's operation, contributions, responsibilities, degree of achievement of the Company's operating goals and the financial position of the Company.

2. The remuneration to independent directors was reviewed by the Remuneration and Compensation Committee and resolved by the Board of Directors. The Remuneration and Compensation Committee regularly evaluated the remuneration to independent directors, and reviewed the remuneration system based on the operating condition and relevant regulations in order to pursue the balance between the Company's sustainable operation and risk management.

Compensation received by director for providing service to any Company included in the consolidated financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: NT\$0.

Note 1: Resigned on 2021.05.20

Note 2: Elected and on board on 2021.05.20

(Continued)

Remuneration bracket table

Range of remuneration paid to directors	Name of directors			
	Sum of the First 4 items (A+B+C+D)		Sum of the First 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the consolidated statements (H)	The Company	Parent company and all reinvested enterprises (I)
Under NTS 1,000,000	Capital Securities Corporation Representative : LIU, CHING-TSUN、 Capital Securities Corporation Representative : WANG, JIUNN-CHIH、 Hong Ye Investment Corporation Representative : LEE, YI-HUI、 CHUANG, CHIH-CHEN、WU, YONG-SHENG	Capital Securities Corporation Representative : LIU, CHING-TSUN、 Capital Securities Corporation Representative : WANG, JIUNN-CHIH、 Hong Ye Investment Corporation Representative : LEE, YI-HUI、 CHUANG, CHIH-CHEN、WU, YONG-SHENG	Capital Securities Corporation Representative : LIU, CHING-TSUN、 Capital Securities Corporation Representative : WANG, JIUNN-CHIH、 Hong Ye Investment Corporation Representative : LEE, YI-HUI、 CHUANG, CHIH-CHEN、WU, YONG-SHENG	Hong Ye Investment Corporation Representative : LEE, YI-HUI、 CHUANG, CHIH-CHEN、WU, YONG-SHENG
NT\$1,000,000(included)~ NT\$2,000,000(excluded)	Hong Ye Investment Corporation、CHEN, KUO-TAY、HSIAO, NAI-CHING	Hong Ye Investment Corporation、CHEN, KUO-TAY、HSIAO, NAI-CHING	Hong Ye Investment Corporation、CHEN, KUO-TAY、HSIAO, NAI-CHING	Hong Ye Investment Corporation、CHEN, KUO-TAY、HSIAO, NAI-CHING
NT\$2,000,000(included)~ NT\$3,500,000(excluded)	Capital Securities Corporation Representative : LEE,WEN-CHU	Capital Securities Corporation Representative : LEE,WEN-CHU	Capital Securities Corporation Representative : LEE,WEN-CHU	Capital Securities Corporation Representative : LEE,WEN-CHU
NT\$3,500,000(included)~ NT\$5,000,000(excluded)	Capital Securities Corporation	Capital Securities Corporation	Capital Securities Corporation	Capital Securities Corporation
NT\$5,000,000(included)~ NT\$10,000,000(excluded)	-	-	-	Capital Securities Corporation Representative : LIU, CHING-TSUN
NT\$10,000,000(included)~ NT\$15,000,000(excluded)	Capital Securities Corporation Representative : SUN, TIEN-SHAN	-	Capital Securities Corporation Representative : SUN, TIEN-SHAN	-
NT\$15,000,000(included)~ NT\$30,000,000(excluded)	-	Capital Securities Corporation Representative : SUN, TIEN-SHAN	-	Capital Securities Corporation Representative : SUN, TIEN-SHAN
NT\$30,000,000(included)~ NT\$50,000,000(excluded)	-	-	-	-
NT\$50,000,000(included)~ NT\$100,000,000(excluded)	-	-	-	Capital Securities Corporation Representative : WANG,JIUNN-CHIH
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

(Continued)

(iii) Supervisor's Remuneration: The Audit Committee was established on May 20, 2015 in replacement of the supervisors, thus there was no information on the supervisors' remuneration for the year ended December 31, 2021.

(iv) Remuneration to the President and Executive Vice Presidents

(In Thousands of New Taiwan Dollars)

Title	Name	Salary (A)		Severance pay and Pension (B)		Bonus and special allowances (C)		Profit-sharing-Employee bonuses (D)				Ratio of total compensation (A+B+C+D) to net income (%)				Compensation received from non-consolidated affiliates
		The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company		All companies included in the consolidated statements		The Company		All companies included in the consolidated statements		
								Cash	Stock	Cash	Stock	Total	Ratio	Total	Ratio	
Chief Strategy Officer	SUN, TIEN-SHAN(Note 1)															
Chief Strategy Officer	LEE, WEN-CHU(Note 2)															
The President	LEE, WEN-CHU(Note 3)															
The President	MAO, JEN-HUA(Note 4)															
Executive Vice President	MAO, JEN-HUA(Note 5)															
Senior Executive Officer	YANG, YAU-YU															
Senior Executive Officer	YI, JIAN-XIONG(Note 6)															
Executive Vice President	CHEN, WEN-TSAY	18,225	18,225	927	927	18,954	18,954	1,015	-	1,015	-	39,121	7.98 %	39,121	7.98 %	None
Vice President	LIN, LI-JUAN															
Vice President	KUO, SHU-ZHEN															
Vice President	HUANG, WEI-BEN															
Vice President	CHEN, WEI-TING (Note 7)															
Vice President	YANG, RUI-LING															
Vice President	CHEN, CHI-HAU															

Note 1: Resigned on 2021.08.27

Note 2: On board on 2021.09.08

Note 3: Resigned on 2021.09.08

Note 4: On board on 2021.09.08

Note 5: Resigned on 2021.09.08

Note 6: On board on 2021.09.01

Note 7: On board on 2021.04.01

(Continued)

Remuneration bracket table

Range of remuneration	Name of the president and vice presidents	
	The Company	All companies included in the consolidated statements (E)
Under NT\$ 1,000,000	SUN, TIEN-SHAN, YI, JIAN- XIONG	SUN, TIEN-SHAN, YI, JIAN- XIONG
NT\$1,000,000(included)~ NT\$2,000,000(excluded)	CHEN, WEI- TING	CHEN, WEI- TING
NT\$2,000,000(included)~ NT\$3,500,000(excluded)	YANG, YAU-YU, LIN, LI-JUAN, KUO, SHU-ZHEN	YANG, YAU-YU, LIN, LI-JUAN, KUO, SHU-ZHEN
NT\$3,500,000(included)~ NT\$5,000,000(excluded)	CHEN, WEN-TSAY, HUANG, WEI-BEN, YANG, RUI-LING, CHEN, CHI-HAU	CHEN, WEN-TSAY, HUANG, WEI-BEN, YANG, RUI-LING, CHEN, CHI-HAU
NT\$5,000,000(included)~ NT\$10,000,000(excluded)	LEE, WEN-CHU, MAO, JEN-HUA	LEE, WEN-CHU, MAO, JEN-HUA
NT\$10,000,000(included)~ NT\$15,000,000(excluded)	-	-
NT\$15,000,000(included)~ NT\$30,000,000(excluded)	-	-
NT\$30,000,000(included)~ NT\$50,000,000(excluded)	-	-
NT\$50,000,000(included)~ NT\$100,000,000(excluded)	-	-
Over NT\$100,000,000	-	-
Total	12	12

- (iv) Remuneration to the five highest-paid supervisors of the listed or OTC securities firms : Not applicable
- (v) Chairmen of the board and presidents rehired as consultants of securities firms after retirement: None

(Continued)

- (c) Number of employees of non-supervisors positions, annual average employee benefit expenses, and differences from the previous year

	(In Thousands of New Taiwan Dollars)		
	2021	2020	Difference
Number of non-supervisor employees	247	247	-
Non-supervisor employees' annual average employee benefit expenses	1,199	1,125	74

- (d) Labor-management relations

- (i) Details regarding agreements made between employers and employees and the implementation

1) Employee welfare

The Company registered the establishment of Employee Welfare Committee with the authority in order to provide employees with benefit benefits such as wedding and funeral subsidies, education scholarship for children, subsidy for social activities, and tourism activities. Its funding sources are the welfare fund and its results from the proportion of capital received on establishment, staff salaries and revenues, etc. Overall, the Employee Welfare Committee operates with adequate budget and has been able to carry out its plans.

2) Employees education and training

In an attempt to build a strong talent base and improve management performance, the Company has been organizing a broad variety of training including: orientation, specialization training, management reserve training, management growth training, and seminars hosted by renowned experts and scholars on the topic of finance. The Company trained its sales force intensively using nation-wide video conferencing and broadcast to help them develop professional qualities and skills. Besides, in order to strengthen learning effect, the Company made several e-learning courses and used e-systems to let employees to learn and grow anytime, anywhere.

3) Pension system

The Company established its Employee Pension Fund Supervisory Committee for the security of employees' lifestyle after retirement, the Company provides for pension provision within 2% of the total salary approved by the auditing authority on a monthly basis in accordance with the retirement scheme of employees. Thereby maintain a sustainable and harmonic relationship between employees and the employer.

Since the enactment of Labor Standards Act, the Company has been making pension fund contributions into a dedicated account held with Bank of Taiwan under the committee's name. All employees who meet the criteria specified in the pension policy are eligible to participate. Following the enactment of Labor Pension Act, employees are given the choice to opt for the new pension system or stay with the old plan. For those who opted for the new system, the Company has been contributing an amount equal to 6% of employees' monthly salaries into their personal pension fund accounts.

(Continued)

4) Other major agreements: None.

(ii) Losses arising as a result of employment disputes in the last year

In addition to complying with labor-related laws and regulations and leniently handling labor-management affairs, the company's labor and management coexist in harmony, and there is no loss caused by labor disputes.

(iii) Violation against Labor Standards Act: None

(e) Information Security Management

(i) Information security management implementation situation

Under the Information Security Maintenance Section of the Network Information Division, the Company has an information security supervisor and information security personnel. The head of the information unit is responsible for the implementation and review of information security-related work.

The head of the information unit, in his capacity as the "top manager in charge of information security," reports on the overall implementation of information security at the board of directors' meetings. The head of the information unit, in his or her capacity as the "top executive in charge of information security," reports on the overall information security implementation at the board of directors' meeting, and jointly issues an annual statement of overall information security implementation with the chairman, president, and Internal auditing officer.

The Company participates in the management system of the Company's operation continuity, information service and information security management, formulates information security policies, operation continuity, information service management policies and personal data protection policies, performs off-site backup, promotes information security awareness, intrusion penetration testing and vulnerability scanning. We also conduct risk assessment of each information asset and analyze the possible information security risks.

The Company implements risk assessment and management, asset classification and control, personnel security, physical and environmental security, network security management, computer system and operation security management, and perform information security assessment during annual self-evaluation of internal We also perform information security assessment during the annual self-assessment of our internal control system.

(ii) If it is not possible to reasonably estimate the loss, possible impact, and response measures due to a major information security incident in the most recent year, the Company should state the fact that it is not possible to reasonably estimate the impact. If it is not reasonably estimable, it should state the fact that it is not reasonably estimable: No significant impact.

(f) Internal control system

(i) Statement of the internal control system: Please see the attachment.

(ii) If the internal control system was reviewed by an external CPA, the result of such review must be disclosed: The Company did not engage an external CPA to review its internal control system this year.

(Continued)

(2) Financial Summary**(a) Summary of balance sheet and comprehensive income statement****(i) Summary of balance sheet**

(In Thousands of New Taiwan Dollars)

Item	Year	Financial information for the last 5 years (Note1)				
		2021	2020	2019	2018	2017
Current assets		43,681,868	43,978,617	38,683,882	38,113,857	30,719,057
Property and equipment		36,558	50,864	57,721	44,122	43,566
Other non-current assets		1,261,320	1,400,383	1,413,548	1,459,085	1,377,152
Current liabilities	Before dividend	38,702,447	39,018,015	35,119,902	34,567,504	27,485,827
	After dividend	39,039,147	39,621,970	35,519,733	35,167,392	27,946,169
Non-current liabilities		28,935	52,185	22,253	17,468	16,216
Capital stock		2,104,376	2,104,376	1,764,376	1,764,376	1,603,979
Retained earnings	Before dividend	2,596,173	2,468,329	2,246,703	2,247,246	1,872,755
	After dividend	2,259,473	2,074,811	1,846,872	1,647,358	1,412,413
Total assets		44,979,746	45,429,864	40,155,151	39,617,064	32,139,775
Total liabilities	Before dividend	38,731,382	39,070,200	35,142,155	34,584,972	27,502,043
	After dividend	39,068,082	39,674,155	35,541,986	35,184,860	27,962,385
Total equity	Before dividend	6,248,364	6,359,664	5,012,996	5,032,092	4,637,732
	After dividend	5,911,664	5,755,709	4,613,165	4,432,204	4,177,390

Note 1: All financial information for the last 5 years has been audited.

(ii) Summary of comprehensive income statement

(In Thousands of New Taiwan Dollars)

Item	Year	Financial information for the last 5 years (Note 1)				
		2021	2020	2019	2018	2017
Income		2,201,615	2,132,715	1,735,635	2,373,305	1,904,683
Expenses		1,738,882	1,732,884	1,496,715	1,861,029	1,450,376
Share of the profit (loss) of subsidiaries, associates and joint ventures under equity method		(31,754)	(12,861)	(50,309)	60,171	79,774
Non-operating income and expense, "Other gains and losses"		169,638	397,615	558,336	377,809	292,808
Income before tax		600,617	784,585	746,947	950,256	826,889
Net income (Loss)		490,039	622,166	600,009	835,205	731,015
Earnings per share (in New Taiwan dollars) (Note 2)		2.33	3.07	3.40	4.73	4.25

Note 1: All financial information for the last 5 years has been audited.

Note 2: Earnings per share are calculated on the basis of the weighted average number of shares in circulation, and if there is a surplus, capital surplus or staff dividend transferred to increase in capital, the increase is adjusted retroactively in proportion to the increase. No consideration is given to the issue period of the capital increase.

(Continued)

(iii) Name of financial statement auditors and audit opinions in the last 5 years

Year	Name of the CPAs	Auditor's opinion
2021	WU, CHENG YEN	Unqualified
	CHUNG, TAN TAN	
2020	LEE, FENG HUI	Unqualified
	CHUNG, TAN TAN	
2019	LEE, FENG HUI	Unqualified
	CHUNG, TAN TAN	
2018	LEE, FENG HUI	Unqualified
	CHUNG, TAN TAN	
2017	LEE, FENG HUI	Unqualified
	CHUNG, TAN TAN	

(b) Financial analysis

Item	Year	Financial ratios analysis for the most recent five years (Note 1)				
		2021	2020	2019	2018	2017
Capital structure analysis (%)	Debit ratio	86	86	88	87	86
	Long-term capital to property and equipment ratio	17,171	12,606	8,723	11,445	10,683
Liquidity analysis (%)	Current ratio	113	113	110	110	112
	Quick ratio	113	113	110	110	112
Profitability analysis(%)	Return on total assets (%)	1.08	1.45	1.50	2.33	2.52
	Return on equity (%)	7.77	10.94	11.95	17.27	18.73
	Operating income to paid-in capital ratio	21.99	19.00	13.54	29.03	28.32
	Pre-tax income to paid-in capital ratio	28.54	37.28	42.33	53.86	51.55
	Net Margin (%)	22.26	29.17	34.57	35.19	38.38
	Earnings per share (NT\$) (Note 2)	2.33	3.07	3.40	4.73	4.25
Cash Flow (%)	Cash flow ratio	1.86	1.77	2.05	2.50	2.18
	Cash adequacy ratio	139.81	126.63	115.20	112.41	90.99
	Cash flow reinvestment ratio	1.83	4.46	2.37	7.88	5.21
Special requirement indicator (%)	Equity to adjusted total liabilities ratio	627	732	768	1,034	764
	Equity to minimum paid in capital	560	570	450	451	416
	Post-adjustment net capital to total customer margin deposits required for open positions of customers	55	66	55	58	58

Note 1: All financial information for the last 5 years has been audited.

Note 2: Earnings per share are calculated on the basis of the weighted average number of shares in circulation, and if there is a surplus, capital surplus or staff dividend transferred to increase in capital, the increase is adjusted retroactively in proportion to the increase. No consideration is given to the issue period of the capital increase.

(Continued)

Variations in the last 2 years:

- (i) Long-term capital to property and equipment ratio: The net property and equipment decrease, which increase the ratio in this period.
 - (ii) Profitability: The interest income decreased during the period, resulting in a decrease in income before income tax.
 - (iii) Cash reinvestment ratio: For details, review the analysis of cash flow in recent two years which is in Note f(i).
- (c) Financial difficulties that the company and affiliated enterprises have encountered in the most recent fiscal year, and the impact on the company's financial condition: None
- (d) Financial position analysis

(In Thousands of New Taiwan Dollars)

Item	Year	2021	2020	Difference	
				Amount	%
Current assets		43,681,868	43,978,617	(296,749)	(0.67)
Property and equipment		36,558	50,864	(14,306)	(28.13)
Other non-current assets		1,261,320	1,400,383	(139,063)	(9.93)
Current liabilities		38,702,447	39,018,015	(315,568)	(0.81)
Non-current liabilities		28,935	52,185	(23,250)	(44.55)
Capital stock		2,104,376	2,104,376	-	-
Retained earnings		2,596,173	2,468,329	127,844	5.18
Total assets		44,979,746	45,429,864	(450,118)	(0.99)
Total liabilities		38,731,382	39,070,200	(338,818)	(0.87)
Total equity		6,248,364	6,359,664	(111,300)	(1.75)

Explanation to major variations:

- (i) Property and equipment: Property and equipment decreased due to amortization over time.
 - (ii) Non-current liabilities: Lease liabilities decreased during the period as a result of lease contracts being paid or expiring on a periodic basis.
- (e) Financial performance analysis

(In Thousands of New Taiwan Dollars)

Item	Year	2021	2020	Difference	
				Amount	%
Income		2,201,615	2,132,715	68,900	3.23
Expenses		1,738,882	1,732,884	5,998	0.35
Share of profit of associates and joint ventures under equity method		(31,754)	(12,861)	(18,893)	(146.90)
Other gains and losses		169,638	397,615	(227,977)	(57.34)
Income before tax		600,617	784,585	(183,968)	(23.45)
Net income (Loss)		490,039	622,166	(132,127)	(21.24)

(Continued)

Explanation to major variations:

- (i) Share of profit of associates and joint ventures under equity method: Comparing to last period, the amount decreases due to the increase in losses incurred by CSC Futures (HK) Ltd. in this period.
 - (ii) Other gains and losses: Comparing to last period, the amount decreases due to the decrease in interest revenue in this period.
- (f) Case flow analysis
- (i) Cash flow analysis for the last 2 year

Item	Year		Change percentage
	2021	2020	
Cash flow ratio	1.86	1.77	5.08
Cash flow adequacy ratio	139.81	126.63	10.61
Cash reinvestment ratio	1.83	4.46	(58.97)

Explanation to major variations:

- 1) Cash reinvestment ratio: Comparing to last period, the ratio decreases due to paying more dividend in this period.
- (ii) Liquidity analysis for the next year

(In Thousands of New Taiwan Dollars)

Cash beginning balance	Net cash flow provided by operating activities	Projected annual Cash outflow	Expected cash surplus (deficit)	Leverage of cash deficits	
				Investment plans	Financing plans
4,746,387	682,035	431,545	4,996,877	-	-

- (g) Review and analysis of sources impacting major capital expenditures to financial performance: None
- (h) Review and analysis of investment
- (i) Investment planned for recent year: None
 - (ii) Causes of profit or loss incurred on investments in the current year

During the period, CSC Futures (HK) Ltd. was affected by China's policy and the rampant mutated virus, resulting in a decrease in revenue compared to the previous period. The operating costs were higher due to the epidemic prevention and other factors. In addition to actively developing new product sources, the Company continues to strengthen the management of operating costs.

The losses of Capital International Technology Co., Ltd. increase due to the decline in profits from its investment business in this period. In addition to strengthening the development capacity of the new system of the investee company, the Company also continue to strengthen the management of operating costs.

- (iii) Investment plans for the coming year: None

(Continued)

(i) Risk analysis

(i) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures:

1) Impacts of interest rate changes on the Company and responsive measures

- a) With healthy financial structure, stable cash flow and no external borrowings, the Company does not have interest rate risk of borrowing. Affected by COVID-19, countries have adopted interest rate cut or fiscal policies to promote economic recovery since February, 2020. However, in 2021, as the job market improves and inflation changes from stable to controlled, the U.S. Federal Reserve says it will stop buying bonds in March 2023 and may start raising interest rates. The Federal Reserve said it will stop buying bonds in March 2023 and may start to raise interest rates. As a result, the low interest rate environment has come to an end. The Company was also affected by the low interest rates which led to a decline in interest income, net interest income decreased from \$358,577 in 2020 to \$172,216 in 2021, a significant decrease of 51.97%.
- b) In addition to healthy financial structure, the Company maintains close contact with banking institutions to keep track on the dynamics of the financial market.

2) Impacts of exchange rate on the Company and responsive measures

The Company's main source of income is transaction fee of consignment trading. The transaction fee by foreign currency is recognized as revenue at regular time, which is based on regulation of customers margin management. The Company's exchange losses of USD amounted to \$29,468 due to the sharp appreciation of the NTD.

3) Impacts of inflation on the Company and responsive measures

In 2021, due to the long-term supply-demand imbalance and supply chain imbalance, raw materials and shipping quotes will soar, causing inflation to gradually exceed the Federal Reserve's long-term target of 2%. However, payroll costs in Taiwan have not yet increased significantly and therefore have not had a negative impact on the Company.

(ii) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures

The Company has established relevant standards and regulations for engaging in high-risk, high-leverage investments and derivative commodity transactions. All transactions are handled in accordance with the above-mentioned standards and regulations. The Company has no rules and regulations for fund loans to others and endorsements, and no related incidents have occurred.

(Continued)

- (iii) Financial impacts and responsive measures in the event of changes in local and foreign policies regulations

There is a research department and a legal compliance office, which are responsible for paying attention to and researching information and legal changes in important domestic and foreign markets, and promptly putting forward measures to respond to important domestic and foreign policy and legal changes.

- (iv) Financial impacts and responsive measures in the event of technological or industrial changes

The securities and futures market is developing rapidly, the financial market is pulsating to be in line with the international market, all businesses must have an international macro, and financial products are becoming more and more diversified, as well as information technology. Facing the ever-changing international financial market, the Company's primary focus is to reserve international information technology capabilities and build a global trading electronic platform. It continues to pursue excellence, innovation and leadership, and to provide high-value-added financial services that exceed customer expectations. It has become a long-term partner for customers.

- (v) Crisis management, impacts, and response measures in the event of a change in corporate image

In response to the reputation risk caused by the image change, the audit office and legal compliance and legal affairs office provide professional advice on the possible threats to the corporate value. Moreover, the Company is a leader in the futures industry regardless of its financial expertise and profitability. The competitive image has been deeply recognized by the market, and in the future, it will continue to give priority to "people's interests" and continue to serve the public.

- (vi) Expected benefits in relation to mergers and acquisitions: None

- (vii) Expected benefits associated with plant expansions: None

- (viii) Risks and responsive measures associated with concentrated business operations:

The Company actively expands various brokerage businesses at home and abroad, and continues to strengthen integration with subsidiaries to diversify the Company's business and profit concentration risks.

- (ix) Impacts, risks and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest

The largest shareholder of the Company is Capital Securities Corporation, which holds approximately 56% of the shares. Since its establishment, there has been no substantial equity transfer, and involved in every event of cash capital increase, so the equity bargaining chip is stable.

- (x) Impacts, risks and responsive measures associated with a change of management

The Company adheres to the business philosophy of sustainable development. While planning the business strategy, we will stick to our vision and beliefs, and also consider the possible impact on the society and the natural environment. We will give priority to "people's interests" and hope to work together to make a contribution in the capital market.

- (xi) Major litigation and non-contentious cases that significantly impacted shareholders' equity or security prices

The Company's audit office and legal compliance and legal affairs office jointly undertake the Company's overall financial and operational activities, and is responsible for checking compliance with various regulations and laws.

- (xii) Other significant risks and response: None

- (j) Crisis management mechanisms

The risk management office is the supervisory unit for the implementation of risk control affairs and regularly reports to the board of directors; If a major event is expected to occur, the relevant personnel shall be called in advance to discuss the pre-response measures, and at the same time, report to the chairman of the board and require all units to implement it.

- (k) Other important matters: None

(3) CPA information

- (a) Information on Accountants' Fees

(In Thousands of New Taiwan Dollars)

Accounting firm	Name of accountant	Inspection period	Audit fee	Non-audit fee	Total	Note
KPMG	Wu, Cheng Yen Chung, Tan Tan	Year 2021	2,050	193	2,243	

- (i) Non-audit remuneration to external auditors, accounting firms and related businesses that amount to one-quarter or higher of audit remuneration: None
- (ii) Any replacement of accounting firm that resulted in the reduction of audit remuneration paid, as compared to the previous year: None
- (iii) Any reduction in audit remuneration by more than 10% compared to the previous year: None

(Continued)

(b) Alternation of CPA

(i) About the Former CPA

Date of change	2021.03.25		
Reasons and explanation of changes	KPMG was conducted in accordance with Statement of Auditing Standards No. 46, "Quality Control for Public Accounting Firms. In order to comply with Statement of Auditing Standards No. 46, "Quality Control for Public Accounting Firms," Article 68, effective from the first quarter of 2021, the financial statement accountants were changed from Lee, Feng Hui, CPA, and Chung, Tan Tan, CPA, to Wu, Cheng Yen, CPA, and Chung, Tan Tan, CPA.		
State whether the appointment is terminated or rejected by the consignor or CPAs	Status	CPA	Consignor
	Appointment terminated automatically	✓	
	Appointment rejected (discontinued)		
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Is there any disagreement in opinion with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Other
	No	✓	
Explanation			
Other revealed matters (The disclosure should be made in accordance with Article 33(2)(1)(d) to (1)(g) of the Guidelines Governing the Preparation of Financial Reports by Futures Commissioners.)	None		

(ii) About successor CPA

Name of the accounting firm	KPMG
Name of CPA	Wu, Cheng Yen, Chung, Tan Tan
Date of appointment	2021.03.25
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None
Successor CPA's written opinion of disagreement toward the former CPA	None

(c) The Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the auditor's firm or any of its affiliated company in the last year: None

Capital Futures Corporation

Chairman:LEE, WEN-CHU

Manager:MAO, JEN-HUA

Chief accountant:LIN, LI-JUAN

CAPITAL FUTURES CORPORATION
Financial Statements of Securities Dealing Department
For the Years Ended December 31, 2021 and 2020

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(English Translation of Financial Statements of Securities Dealing Department Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION**Securities Dealing Department's Statements of Comprehensive Income****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Income:					
410000	Net gains on sale of trading securities	\$ 38,867	75	113,688	108
421300	Dividend revenue	9,769	19	3,537	3
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss	283	1	(7,140)	(7)
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements-short sales	6,531	13	(1,304)	(1)
421610	Net gains on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	-	-	1,109	1
428000	Other operating losses	(3,910)	(8)	(3,948)	(4)
		<u>51,540</u>	<u>100</u>	<u>105,942</u>	<u>100</u>
Expenses:					
502000	Brokerage fees- proprietary trading	552	1	475	-
521200	Financial costs	6	-	5	-
521640	Loss from securities borrowing transactions	-	-	70	-
528000	Other operating expenditure	836	2	1,095	1
531000	Employee benefits expense	6,944	14	11,471	11
532000	Depreciation and amortization expense	720	1	1,070	1
533000	Other operating expenses	17,642	34	15,945	15
		<u>26,700</u>	<u>52</u>	<u>30,131</u>	<u>28</u>
Net operating income		<u>24,840</u>	<u>48</u>	<u>75,811</u>	<u>72</u>
Non-operating income and expenses:					
602000	Other gains and losses	2,801	6	2,350	2
		<u>2,801</u>	<u>6</u>	<u>2,350</u>	<u>2</u>
902001	Net income before income tax	27,641	54	78,161	74
701000	Less: Income tax expenses	-	-	-	-
Net income		<u>27,641</u>	<u>54</u>	<u>78,161</u>	<u>74</u>
805000	Other comprehensive income:				
805500	Components that may not be reclassified subsequently to profit or loss:				
805540	Unrealized gains from investments in equity instruments at fair value through other comprehensive income	31,164	60	1,686	1
805599	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Subtotal of components that may not be reclassified subsequently to profit or loss		<u>31,164</u>	<u>60</u>	<u>1,686</u>	<u>1</u>
805000	Other comprehensive income	<u>31,164</u>	<u>60</u>	<u>1,686</u>	<u>1</u>
902006	Total comprehensive income	<u>\$ 58,805</u>	<u>114</u>	<u>79,847</u>	<u>75</u>

See accompanying notes to financial statements of securities dealing department.

(English Translation of Financial Statements of Securities Dealing Department Originally Issued in Chinese)
CAPITAL FUTURES CORPORATION

Notes to the Financial Statements of Securities Dealing Department

For the years ended December 31, 2021 and 2020

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

(1) Company history

Securities Dealing Department of Capital Futures Corporation (the “Department”) was approved by the Securities and Futures Bureau of the Financial Supervisory Commission to conduct securities-related proprietary business on July 7, 2015 and started its operations on September 1, 2015.

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

The financial statements of the Department were authorized for issuance by the Board of Directors on March 11, 2022.

(3) New standards, amendments and interpretations adopted:

The new standards, amendments and interpretations of the Department apply in line with parent-Company-only financial report. Please refer to the parent-Company-only financial report.

(4) Summary of significant accounting policies:

The financial statements of the Department have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

The accounting policies of the Department are consistent with the parent-Company-only financial report, please refer to the parent-Company-only financial report.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Demand deposits	\$ 519,358	324,917
Time deposits	289,100	325,739
Total	\$ 808,458	650,656

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(b) Financial assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Trading securities- proprietary trading	112,159	103,070
Trading securities- proprietary trading valuation adjustment	(379)	(662)
Total	<u>\$ 111,780</u>	<u>102,408</u>

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remained the same), the impact on after-tax comprehensive income for the years ended December 31, 2021 and 2020 will increase \$1,118 and \$1,024, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remained the same, there will be the same amount but opposite direction of influence.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity investments at fair value through other comprehensive income		
Listed stocks	\$ 25,582	99,266
OTC stocks	-	18,252
	25,582	117,518
Valuation adjustment	2,686	1,686
Total	<u>\$ 28,268</u>	<u>119,204</u>

The Department designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Department did not intend to hold for trading purposes.

During the years ended December 31, 2021 and 2020, the dividends of \$6,563 and \$75, respectively, related to equity investment at fair value through other comprehensive income held on the years then ended, were recognized.

During the years ended December 31, 2021 and 2020, due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Department sold shares of stocks for a fair value \$439,095 and \$0, respectively, and cumulative dispose gains for the years ended December 31, 2021 and 2020, amounted to \$30,164 and \$0, respectively, were transferred from other equity items to retained earnings.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(c) Other non-current assets

	December 31, 2021	December 31, 2020
Guarantee deposited for business operations	\$ 10,000	10,000
Settlement fund	8,559	7,761
Total	\$ 18,559	17,761

(d) Financial Instruments

(i) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2021 and 2020, the maximum credit exposure amounted to \$984,447 and \$1,020,295, respectively.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contract cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 year</u>	<u>2-5 year</u>	<u>More than 5 year</u>
December 31, 2021							
Accounts payable	\$ 3,891	3,891	3,891	-	-	-	-
Other payables	2,250	2,250	2,250	-	-	-	-
Lease liabilities	427	430	139	134	157	-	-
Total	\$ 6,568	6,571	6,280	134	157	-	-
December 31, 2020							
Accounts payable	\$ 92,559	92,559	92,559	-	-	-	-
Other payables	8,622	8,622	8,622	-	-	-	-
Lease liabilities	716	726	148	148	273	157	-
Total	\$ 101,897	101,907	101,329	148	273	157	-

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(iii) Currency risk

1) Exposure to foreign currency risk

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

December 31, 2021			
	<u>Foreign currency (dollar)</u>	<u>Exchange rate</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 3,404,631.92	27.6800	94,240
HKD	101.26	3.5490	-
CNY	45.30	4.3440	-
<u>Non-monetary items</u>			
USD	504,420.00	27.6800	13,962
<u>Financial liabilities</u>			
<u>Monetary items</u>			
SGD	321.70	20.4600	7
December 31, 2020			
	<u>Foreign currency (dollar)</u>	<u>Exchange rate</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 4,802,785.97	28.4800	136,783
HKD	2,878,003.27	3.6730	10,571
CNY	7,089,206.62	4.3770	31,029
<u>Non-monetary items</u>			
USD	608,600.00	28.4800	17,333
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	337.50	28.4800	10
SGD	1,523.24	21.5600	33

For the years ended December 31, 2021 and 2020, the foreign exchange losses (including realized and unrealized) were \$3,910 and \$3,948, respectively.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(iv) Sensitivity analysis

The currency risk of the Department arises mainly from cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivable, other receivables, other payables and lease liabilities which are denominated in foreign currency. As of years ended December 31, 2021 and 2020, with all other variable factors remained constantly, a strengthening (weakening) 1% of the TWD against the USD, would cause after-tax comprehensive income result in a decrease or an increase by \$866 and \$1,565, respectively. The analytical basis was the same in both years.

(v) Analysis in interest rates

For the years ended December 31, 2021 and 2020, with all other variable factors remained constantly, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income resulting in an increase or a decrease by \$68 and \$110. This is mainly due to the Department's settlement fund in variable rate.

(vi) Fair value and hierarchy information

1) Fair value information

The fair value information of the Department is consistent with parent-Company-only financial report. Please refer to the parent-Company-only financial report.

2) Based on fair value measurement

a) Hierarchy information of fair value

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

<u>Assets and Liabilities items</u>	<u>December 31, 2021</u>			
	<u>Total</u>	<u>Public quote of the same financial instrument in an active market (Level 1)</u>	<u>Observable price except public quote in an active market (Level 2)</u>	<u>Based neither on direct market data nor from the counter party (Level 3)</u>
<u>Fair value evaluated on a recurring basis</u>				
<u>Non-derivative assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss				
Stock investment	\$ 111,780	111,780	-	-
Financial assets at fair value through other comprehensive income				
Stock investment	28,268	28,268	-	-

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

December 31, 2020				
Assets and Liabilities items	Total	Public quote of the same financial instrument in an active market (Level 1)	Observable price except public quote in an active market (Level 2)	Based neither on direct market data nor from the counter party (Level 3)
<u>Fair value evaluated on a recurring basis</u>				
<u>Non-derivative assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss				
Stock investment	\$ 102,408	102,408	-	-
Financial assets at fair value through other comprehensive income				
Stock investment	119,204	119,204	-	-

b) Valuation techniques

The evaluation techniques of the Department in terms of fair value are in consistent with parent-Company-only financial report. Please refer to the parent-Company-only financial report.

3) Financial instruments not measured at fair value

For financial instruments not measured at fair value, such as cash and cash equivalents, accounts receivable, deposits and accounts payable. The carrying amount is a reasonable approximation of the fair value. Therefore, the Department did not disclose the fair value.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Capital Securities Corporation is the parent company and the ultimate controlling party of the Company. It owns 56.58% of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Capital Securities Corporation	The parent company
Capital International Technology Co., Ltd.	A Subsidiary

(c) Key management personnel compensation : None.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(d) Significant transactions with related parties

(i) Leases

The Department signed lease contracts from Capital Securities Corporation for the rental of office premises. As of December 31, 2021 and 2020, the total value of effective contracts were all \$807. For the years ended December 31, 2021 and 2020, the Department recognized the amount of \$6 and \$4 as interest expense. As of December 31, 2021 and 2020, lease liabilities were amounted to \$422 and \$686, respectively.

(ii) Rental expenses

The Department entered into lease agreements with related parties and recognized rental expense for applicable short-term or low-value leases as follow:

	For the years ended December 31,	
Related parties	2021	2020
Capital Securities Corporation	\$ 96	40

The rental rate between the Department and the related parties are determined based on the market price and are paid on a monthly basis.

(iii) Information technology expenses

	For the years ended December 31,	
Related parties	2021	2020
Capital Securities Corporation	\$ 960	1,019

(iv) Repair and maintenance expenses

	For the years ended December 31,	
Related parties	2021	2020
Capital International Technology Co., Ltd.	\$ 65	48

(8) Pledged assets:None

(9) Significant commitments and contingencies:None

(10) Losses due to major disasters:None

(11) Significant subsequent events:None

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(12) Other:

- (a) Specific inherent risks in operating as securities dealer:

The main risk exposure of the Department is market price risk. The market price of the securities held by the Department is measured at fair value, i.e., the market price of the securities held is subject to fluctuations of the weighted index. Based on risk management, the Department uses appropriate hedging strategies to reduce risk exposure.

(13) Other disclosures:

- (a) Information on significant transactions:None
(b) Information on investees:None
(c) Information on overseas branches and representative offices:None
(d) Information on investment in Mainland China:None
(e) Major shareholders:None

(14) Segment information:

This Department only engages in securities proprietary business as a single industry, therefore it is not applicable.

**Securities Dealing Department of
Capital Futures Corporation**

Statement of cash and cash equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash :		
Demand deposits		
NTD		\$ 428,038
Foreign currencies	The foreign currencies and exchange rates included are as follows:	
	USD 3,299,146.76 @ 27.6800	91,320
	HKD 101.26 @ 3.5490	-
	CNY 45.30 @ 4.3440	-
Cash equivalents :		
Time deposits		
NTD	The maturity date is February 15, 2022 to May 14, 2022, the interest rate is 0.760%	289,100
		<u>\$ 808,458</u>

**Securities Dealing Department of
Capital Futures Corporation**

Statement of financial assets at fair value through profit or loss- current

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units (in thousands)	Par value (Dollars)	Total amount	Interest rate	Acquisition Cost	Fair Value		Fair value changes is attributable to the changes in credit risk	Note
							Unit price (Dollars)	Total amount		
<u>Listed stocks</u>										
Trading securities- proprietary trading										
China Motor Corporation		160	10	1,600	-	\$ 11,103	63.40	10,144		
Shin Kong Financial Holding Co.,Ltd.		1,300	10	13,000	-	14,605	11.05	14,365		
Arcadyan Technology Corporation		95	10	950	-	12,004	127.50	12,112		
Lemtech Holdings Co., Limited		95	10	950	-	15,915	160.00	15,200		
TSEC Corporation		435	10	4,350	-	18,788	42.50	18,488		
Hotai Finance Co., Ltd.		100	10	1,000	-	9,130	92.20	9,220		
Other(Note)		162	10	1,620	-	13,654	-	14,249		
<u>OTC stocks</u>										
Trading securities- proprietary trading										
Other(Note)		57	10	570	-	4,138	-	4,040		
<u>Foreign stocks</u>										
Trading securities- proprietary trading										
United Micro Electronics-ADR(UMC.US)		30	-	-	-	8,651	322.20	9,666		
Other(Note)		3	-	-	-	4,171	-	4,296		
Total						112,159		<u>111,780</u>		
Valuation adjustment						(379)				
Total						<u>\$ 111,780</u>				

Note: The amount of each item is less than 5% of the total.

**Securities Dealing Department of
Capital Futures Corporation**

Statement of financial assets at fair value through other comprehensive income- current

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares (in thousands)	Par value (Dollars)	Total amount	Interest rate	Acquisition Cost	Accumulated impairment	Fair value		Note
								Unit price (Dollars)	Total amount	
Equity Instrument :										
<u>Listed stocks</u>										
	Taiwan Semiconductor Manufacturing Co., Ltd.	45	10	450	-	\$ 24,963	Not Applicable	615.00	27,675	
	Other(Note)	11	10	110	-	<u>619</u>	"	-	<u>593</u>	
Total						25,582			<u><u>28,268</u></u>	
Valuation adjustment						<u>2,686</u>				
Total						<u><u>\$ 28,268</u></u>				

Note: The amount of each item is less than 5% of the total.

**Securities Dealing Department of
Capital Futures Corporation**

Statement of accounts receivable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non related parties :			
Taiwan Stock Exchange	Stock settlement	\$ 14,174	
Cathay Securities Corporation	Re-consigned stock settlement	<u>2,920</u>	
Total		<u><u>\$ 17,094</u></u>	

Statement of prepayments

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Tokio Marine Nawa Insurance Co., Ltd	Insurance expense	\$ 2	
Other (Note)	Miscellaneous fees	<u>1</u>	
Total		<u><u>\$ 3</u></u>	

Note: The amount of each item is less than 5% of the total.

**Securities Dealing Department of
Capital Futures Corporation**

Statement of other receivables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Dividends receivable		\$ 189	
Interests receivable		98	
Other (Note)		<u>1</u>	
Total		<u>\$ 288</u>	

Note: The amount of each item is less than 5% of the total.

Statement of changes in property and equipment

For the year ended December 31, 2021

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Collateral/ Pledge</u>	<u>Note</u>
Office equipment	\$ 3,597	103	359	3,341	No	
Leasehold improvements	<u>374</u>	-	-	<u>374</u>	"	
Total	<u>\$ 3,971</u>	<u>103</u>	<u>359</u>	<u>3,715</u>		

**Securities Dealing Department of
Capital Futures Corporation**

**Statement of changes in accumulated depreciation of
property and equipment**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning balance	Addition	Decrease	Ending balance	Note
Office equipment	\$ 2,817	370	359	2,828	Note 1
Leasehold improvements	356	10	-	366	Note 2
Total	\$ 3,173	380	359	3,194	

Note 1: The estimated useful life is 3 to 5 years, and depreciation is calculated using the straight-line method.

Note 2: Depreciation is computed using the straight-line method over the estimated useful lives or shorter lease period.

Statement of changes in right-of-use assets

Item	Beginning balance	Addition	Decrease	Ending balance	Note
Buildings	\$ 1,047	-	252	795	
Equipment	85	-	33	52	
Total	\$ 1,132	-	285	847	

**Securities Dealing Department of
Capital Futures Corporation**

**Statement of changes in accumulated depreciation of
right-of-use assets**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning balance	Addition	Decrease	Ending balance	Note
Buildings	\$ 362	265	252	375	
Equipment	55	26	33	48	
Total	\$ 417	291	285	423	

Statement of changes in intangible asset

Item	Beginning balance	Addition	Decrease	Ending balance	Collateral/ Pledge	Note
Computer software	\$ 109	38	96	51	No	Note 1

Note 1: Computer software has an estimated useful life of 3 years and amortization is calculated using the straight-line method.

**Securities Dealing Department of
Capital Futures Corporation**

Statement of other non-current assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Guarantee deposited for business operations		\$ 10,000	Time deposit
Settlement fund		<u>8,559</u>	
Total		<u><u>\$ 18,559</u></u>	

Statement of accounts payable

Client Name	Description	Amount	Note
Non-related parties :			
Taiwan Stock Exchange	Stock settlement and transaction fees	\$ 3,846	
Other	Depository service fees and securities exchange tax	45	The amount of each client is less than 5% of the total.
Total		<u><u>\$ 3,891</u></u>	

**Securities Dealing Department of
Capital Futures Corporation**

Statement of other payables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Bonus payable	Year-end bonus and performance bonus	\$ 1,351
Other	Various advances, etc.	729
	Other	170
		<u>\$ 2,250</u>

Statement of lease liabilities

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount Rate</u>	<u>Ending balance</u>	<u>Note</u>
Buildings		2020.8.1~2023.7.31	1.05%	\$ 422	Note
Equipment		2020.3.1~2022.2.28	1.35%	5	"
				<u>\$ 427</u>	

Note: Those due within one year have been reclassified as current liabilities.

**Securities Dealing Department of
Capital Futures Corporation**

**Statement of gains (losses) on sale of trading
securities**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Revenue from sale of securities</u>	<u>Costs from sale of securities</u>	<u>Gains (losses) on sale of securities</u>	<u>Note</u>
Trading- TSE:				
Stocks	\$ <u>3,325,293</u>	<u>3,281,557</u>	<u>43,736</u>	
Trading- OTC:				
Stocks	<u>1,419,820</u>	<u>1,438,163</u>	<u>(18,343)</u>	
Trading in foreign markets :				
Stocks	<u>524,749</u>	<u>511,275</u>	<u>13,474</u>	
Total	<u>\$ <u>5,269,862</u></u>	<u><u>5,230,995</u></u>	<u><u>38,867</u></u>	

**Securities Dealing Department of
Capital Futures Corporation**

**Statement of employee benefit, depreciation,
amortization and other operating expenses**

For the year ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>2021</u>	<u>2020</u>	<u>Note</u>
Employee benefit expenses			
Salary expense	\$ 5,857	10,716	
Labor and health insurance expense	638	350	
Pension expense	298	214	
Directors' remuneration	-	-	
Other employee benefits expense	151	191	
Depreciation expense	624	972	
Amortization expense	96	98	
Other operating expense	17,642	15,945	
	<u>\$ 25,306</u>	<u>28,486</u>	

Additional information on the number of employees of the Department for 2021 and 2020 were as follows :

	<u>2021</u>	<u>2020</u>
Employees	<u>6</u>	<u>4</u>
Number of directors- non-employees	<u>-</u>	<u>-</u>
Average employee benefit expense	<u>\$ 1,157</u>	<u>2,868</u>
Average employee salary expense	<u>\$ 976</u>	<u>2,679</u>
Adjustments to average employee salaries and wages	<u>(63.57)%</u>	
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

Remuneration policy (including directors, supervisors, managers and employees):

The remuneration of the Company's directors is based on their participation and contribution to the Company's operations and is authorized to be determined by the Board of Directors in accordance with the industry standard. The remuneration of the Company's managers and employees shall be determined by reference to the industry norm, taking into account the reasonableness of the relationship between the individual's performance, the degree of participation and contribution to the Company's operations, the responsibilities, the Company's operating performance and future risks. Compensation for directors and managers shall be reviewed by the Remuneration Committee and approved by the Board of Directors.

Securities Dealing Department of
Capital Futures Corporation
Statement of other gains and losses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest income	Interest on time deposits and guarantee deposits, etc.	\$ <u><u>2,801</u></u>	

CAPITAL FUTURES CORPORATION

Financial Statements of Managed Futures Enterprises Department

For the Years Ended December 31, 2021 and 2020

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(English Translation of Financial Statements of Managed Futures Enterprises Department Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION**Managed Futures Enterprises Department's Balance Sheets****December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020			
	Amount	%	Amount	%		Amount	%	Amount	%		
Assets					Liabilities and Equity						
Current assets:					Current liabilities:						
111100	Cash and cash equivalents (Note 6(a))	\$ 238	-	6,273	8	214140	Accounts payable to related parties (Note 7)	\$ -	-	6	-
114010	Bond investments under resale agreements (Note 6(b))	46,013	64	44,530	58	214170	Other payables	948	1	1,097	1
114130	Management fees receivable	64	-	63	-	216000	Lease liabilities- current	294	1	313	-
114150	Prepayments	6	-	2	-			1,242	2	1,416	1
114170	Other receivables	1	-	6	-	Non-Current liabilities:					
114180	Other receivables - related parties (Note 7)	4	-	6	-	226000	Lease liabilities- non-current	170	-	464	1
114600	Current income tax assets	9	-	4	-	Total liabilities					
		46,335	64	50,884	66			1,412	2	1,880	2
Non-current assets:					Equity attributable to owners of parent:						
125000	Property and equipment	280	-	451	-	301000	Common stock	100,000	138	100,000	129
125800	Right-of-use assets	461	1	775	1	304000	Accumulated deficit	(29,120)	(40)	(24,485)	(31)
127000	Intangible assets	36	-	105	-	Total equity					
129000	Other non-current assets	25,180	35	25,180	33			70,880	98	75,515	98
		25,957	36	26,511	34	Total liabilities and equity					
	Total assets	\$ 72,292	100	77,395	100			\$ 72,292	100	77,395	100

See accompanying notes to financial statements of managed futures enterprises department.

(English Translation of Financial Statements of Managed Futures Enterprises Department Originally Issued in Chinese)
CAPITAL FUTURES CORPORATION

Managed Futures Enterprises Department's Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Income:					
424800	Total management fee revenues	\$ 2,349	100	220	100
		<u>2,349</u>	<u>100</u>	<u>220</u>	<u>100</u>
Expense:					
521200	Financial costs	7	-	5	2
528000	Other operating expenditure(Note 7)	110	5	16	7
531000	Employee benefits expense (Note 6(c))	4,670	199	3,859	1,754
532000	Depreciation and amortization expense (Note 6(c))	621	26	609	277
533000	Other operating expenses (Note 6(d))	<u>1,695</u>	<u>72</u>	<u>1,589</u>	<u>723</u>
		<u>7,103</u>	<u>302</u>	<u>6,078</u>	<u>2,763</u>
	Net operating income (loss)	<u>(4,754)</u>	<u>(202)</u>	<u>(5,858)</u>	<u>(2,663)</u>
Non-operating income and expenses:					
602000	Other gains and losses	<u>119</u>	<u>5</u>	<u>569</u>	<u>259</u>
		<u>119</u>	<u>5</u>	<u>569</u>	<u>259</u>
902001	Net income before income tax	(4,635)	(197)	(5,289)	(2,404)
701000	Less: Income tax expenses	-	-	-	-
	Net income	(4,635)	(197)	(5,289)	(2,404)
805000	Other comprehensive income	-	-	-	-
902006	Total comprehensive income	<u>\$ (4,635)</u>	<u>(197)</u>	<u>(5,289)</u>	<u>(2,404)</u>

See accompanying notes to financial statements of managed futures enterprises department.

(English Translation of Financial Statements of Managed Futures Enterprises Department Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements of Managed Futures Enterprises Department

For the years ended December 31, 2021 and 2020

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

(1) Company history

Managed Futures Enterprises Department of Capital Futures Corporation (the “Department”) started its operations on September 29, 2010.

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

The financial statements of the Department were authorized for issuance by the Board of Directors on March 11, 2022.

(3) New standards, amendments and interpretations adopted:

The new standards, amendments and interpretations of the Department apply in line with parent-Company-only financial reports. Please refer to the parent-Company-only financial reports.

(4) Summary of significant accounting policies:

The financial statements of the Department have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and the related rules of Preparing Financial Reports of Managed Futures Enterprises.

The accounting policies of the Department are consistent with the parent-Company-only financial reports, please refer to the parent-Company-only financial reports.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements of the Department, in conformity with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and the related rules of Preparing Financial Reports of Managed Futures Enterprises, requires management to make judgments estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimations and assumptions. The management recognizes any changes in the accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Demand deposits	\$ 238	473
Time deposits	-	5,800
Total	\$ 238	6,273

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Managed Futures Enterprises Department

(b) Bonds purchased under resale agreements

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds purchased under resale agreements	\$ <u>46,013</u>	<u>44,530</u>
Resale price under the agreements	\$ <u>46,019</u>	<u>44,539</u>
Interest rates	<u>0.20%~0.21%</u>	<u>0.17%~0.22%</u>
Date of repurchase	<u>2022.1.10~2022.1.14</u>	<u>2021.1.15</u>

(c) Employee benefits, depreciation and amortization expenses:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Employee benefit expenses		
Salary expense	\$ 4,050	3,381
Labor and health insurance expense	356	270
Pension expense	174	125
Other employee benefit expense	90	83
Depreciation expense	530	528
Amortization expense	91	81
	<u>\$ 5,291</u>	<u>4,468</u>

(d) Other operating expenses

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Utilities expense	\$ 61	59
Postage expense	380	333
Taxes	121	14
Repair and maintenance expense	129	97
Information technology expense	658	760
Membership fee	98	102
Other expenses	248	224
	<u>\$ 1,695</u>	<u>1,589</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Managed Futures Enterprises Department

(e) Financial instruments

(i) Credit risks

The carrying amount of financial assets represent the maximum credit exposure. As of December 31, 2021 and 2020, the maximum credit exposure amounted to \$71,500 and \$76,052, respectively.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contract cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 year</u>	<u>2-5 year</u>	<u>More than 5 year</u>
December 31, 2021							
Lease liabilities	\$ 464	468	151	146	171	-	-
Other payables	948	948	948	-	-	-	-
Total	<u>\$ 1,412</u>	<u>1,416</u>	<u>1,099</u>	<u>146</u>	<u>171</u>	<u>-</u>	<u>-</u>
December 31, 2020							
Accounts payable	\$ 6	6	6	-	-	-	-
Lease liabilities	777	788	160	160	297	171	-
Other payables	1,091	1,091	1,091	-	-	-	-
Total	<u>\$ 1,874</u>	<u>1,885</u>	<u>1,257</u>	<u>160</u>	<u>297</u>	<u>171</u>	<u>-</u>

(iii) Currency risk

1) Exposure to foreign currency risk

The Department significant exposure to foreign currency risk of financial assets and liabilities were as follows:

	December 31, 2021		
	<u>Foreign Currency (dollar)</u>	<u>Exchange rate</u>	<u>New Taiwan Dollars</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 200.45	27.6800	6
SGD	380.59	20.4600	8

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Managed Futures Enterprises Department

	December 31, 2020		
	Foreign Currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 168.74	28.4800	5
SGD	1,587.59	21.5600	34

For the years ended December 31, 2021 and 2020, the foreign exchange gains (including realized and unrealized) were all \$1.

2) Sensitivity analysis

The currency risk of the Department arises mainly from other receivables and other payables which are denominated in foreign currency. As of December 31, 2021 and 2020, with all other variable factors remain constant, a strengthening (weakening) 1% of the TWD against the USD, would cause after-tax comprehensive income result in both an increase or a decrease by all \$0. The analytical basis was the same in both years.

(iv) Analysis in interest rates

For the years ended December 31, 2021 and 2020, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income result in an increase or a decrease by all \$200. This is mainly due to the Department's time deposits and guarantee deposited for business operations in variable rates and settlement fund in variable rate.

(v) Fair value

The management of the Department believes that the fair value information of the amortized cost of financial assets and financial liabilities is consistent with individual financial reports.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Capital Securities Corporation is the parent company and the ultimate controlling party of the Company. It owns 56.58% of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Capital Securities Corporation	The parent company

(c) Key management personnel compensation : None.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Managed Futures Enterprises Department

(d) Significant transactions with related parties

	December 31, 2021	December 31, 2020
<u>Other receivables</u>		
Capital Securities Corporation	\$ <u>4</u>	<u>6</u>
<u>Accounts payable</u>		
Capital Securities Corporation	\$ <u>-</u>	<u>6</u>
<u>Business commission</u>		
Capital Securities Corporation	\$ <u>110</u>	<u>16</u>
<u>Information technology expenses</u>		
Capital Securities Corporation	\$ <u>480</u>	<u>509</u>

The Department received \$88 and \$41 interest income from the parent company for bond purchased under resale agreements in 2021 and 2020, respectively. As of December 31, 2021 and 2020, respectively \$46,013 and \$44,530 have been undertaken for bond purchased under resale agreements, the maturity date is January 10, 2022 to January 14, 2022 and January 15, 2021, respectively. The interest rate is between 0.20%~0.21% and 0.17%~0.22%, respectively.

The Department signed lease contracts from Capital Securities Corporation for the rental of office premises. The total value of effective contracts is \$879. For the years ended December 31, 2021 and 2020, the Department recognized the amount of \$6 and \$4 as interest expense. As of December 31, 2021 and 2020, lease liabilities were amounted to \$460 and \$746, respectively.

- (8) **Pledged assets:None**
- (9) **Commitments and contingencies:None**
- (10) **Losses Due to Major Disasters:None**
- (11) **Subsequent Events:None**
- (12) **Derivative instrument transactions:None**

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Managed Futures Enterprises Department

(13) Restrictions and enforcement of the Company's various financial ratios under Futures Trading Act:

In accordance with Article 31 of the Managed Futures Enterprise and Financial Supervisory Commission No. 10100480292, this department operates the discretionary futures trading business, and the total amount of the commissioned transaction accounted for its net value shall meet the restrictions listed as follows:

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
31	The total amount of commissioned transactions <hr/> net value	40,000 <hr/> 70,880	0.56	41,000 <hr/> 75,515	0.54	≤ 10	Compliance

(14) Specific inherent risks in operating as futures dealer:

The Department mainly accepts discretionary entrustment to engage in futures trading business, and its main content is to engage in futures contracts and option transactions on behalf of clients. Before accepting discretionary entrustment to engage in futures trading, the Department should first explain the transaction-related matters to the client in detail, deliver the discretionary futures trading manual and the discretionary futures trading risk notice, inform the nature of futures trading and possible risks, and sign with the client. For futures trading, the contract is fully appointed. The Department has formulated a sound internal control to manage the transaction risks and credit risks that may be faced.

(15) Other:None

(16) Other disclosures:

- (a) Information on significant transactions:None
- (b) Information on investees:None
- (c) Information on overseas branches and representative offices:None
- (d) Information on investment in Mainland China:None
- (e) Major shareholders:None

(17) Segment information:

This department only engages in managed futures enterprises as a single industry, therefore it is not applicable.

(Continued)

**Managed Futures Enterprises Department of
Capital Futures Corporation**

Statement of cash and cash equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash :		
Demand deposits		
NTD		\$ <u>238</u>
Total		\$ <u><u>238</u></u>

Statement of bonds purchased under resale agreements

<u>Client Name</u>	<u>Trading conditions</u>			<u>Bonds</u>		<u>Amount</u>	<u>Note</u>
	<u>Start date</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Type</u>	<u>Par Value</u>		
Capital Securities Corporation	2021.12.15	2022.01.14	0.20 %	B61424	\$ 42,000	42,007	
"	2021.12.27	2022.01.10	0.21 %	B85409	4,000	4,006	
						<u>\$ 46,013</u>	

**Managed Futures Enterprises Department of
Capital Futures Corporation**

Statement of management fee receivable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties			
Other	Discretionary management fee receivable	\$ <u><u>64</u></u>	The amount of each item is less than 5% of the total.

Statement of prepayments

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
CME Group Inc.	Membership fee	\$ 4	
Other	Rent expense and insurance fee, etc.	2	The amount of each item is less than 5% of the total.
Total		\$ <u><u>6</u></u>	

Statement of other receivables

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties	Interest income	\$ 1	
Related parties	"	4	
		\$ <u><u>5</u></u>	

**Managed Futures Enterprises Department of
Capital Futures Corporation**

Statement of changes in property and equipment

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Collateral/ Pledge</u>	<u>Note</u>
Office equipment	\$ 1,100	45	196	949	No	
Leasehold improvements	635	-	49	586	"	
Total	\$ 1,735	45	245	1,535		

**Statement of changes in accumulated depreciation of
property and equipment**

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Office equipment	\$ 670	202	196	676	Note 1
Leasehold improvements	614	14	49	579	Note 2
Total	\$ 1,284	216	245	1,255	

Note1: The estimated useful life is 3 to 5 years, and depreciation is calculated using the straight-line method.

Note2: Depreciation is computed using the straight-line method over the estimated useful lives or shorter lease period.

**Managed Futures Enterprises Department of
Capital Futures Corporation**

Statement of changes in right-of-use assets

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Buildings	\$ 957	-	92	865	
Equipment	87	-	35	52	
	\$ 1,044	-	127	917	

**Statement of changes in accumulated depreciation of right-
of-use assets**

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Buildings	\$ 212	288	92	408	
Equipment	57	26	35	48	
	\$ 269	314	127	456	

Statement of changes in intangible assets

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Computer software	\$ 105	22	91	36	Note 1

Note 1: Computer software has an estimated useful life of 3 years and amortization is calculated using the straight-line method.

**Managed Futures Enterprises Department of
Capital Futures Corporation**

Statement of other non-current assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Guarantee deposited for business operations	Deposit in accordance with Article 17 of the Futures Brokerage Management Rules	\$ 25,000	
Refundable deposits	Guild self-regulatory margin	180	
Total		<u>\$ 25,180</u>	

Statement of other payables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Non-related parties :		
Year-end bonus		\$ 483
Other	Various advances	389
	Other	76
		<u>\$ 948</u>

**Managed Futures Enterprises Department of
Capital Futures Corporation
Statement of lease liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount Rate</u>	<u>Ending balance</u>	<u>Note</u>
Buildings		2020.8.1~2023.7.31	1.05%	\$ 460	
Equipment		2020.3.1~2022.2.28	1.35%	<u>4</u>	
				<u><u>\$ 464</u></u>	

Note: Those due within one year have been reclassified as current liabilities.

**Managed Futures Enterprises Department of
Capital Futures Corporation**

**Statement of employee benefit, depreciation,
amortization and other operating expenses**

For the year ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Item	2021	2020	Note
Employee benefit expenses			
Salary expense	\$ 4,050	3,381	
Labor and health insurance expense	356	270	
Pension expense	174	125	
Directors' remuneration	-	-	
Other employee benefit expense	90	83	
Depreciation expense	530	528	
Amortization expense	91	81	
Other operating expense	<u>1,695</u>	<u>1,589</u>	
	<u>\$ 6,986</u>	<u>6,057</u>	

Additional information on the number of employees of the Department for 2021 and 2020 were as follows:

	2021.12.31	2020.12.31
Employees	<u>4</u>	<u>5</u>
Number of directors- non-employees	<u>-</u>	<u>-</u>
Average employee benefit expense	\$ <u>1,168</u>	<u>772</u>
Average employee salary expense	\$ <u>1,013</u>	<u>676</u>
Adjustments to average employee salaries and wages	<u>49.85 %</u>	
Supervisor's remuneration	\$ <u>-</u>	<u>-</u>

Remuneration policy (including directors, supervisors, managers and employees):

The remuneration of the Company's directors is based on their participation and contribution to the Company's operations and is authorized to be determined by the Board of Directors in accordance with the industry standard. The remuneration of the Company's managers and employees shall be determined by reference to the industry norm, taking into account the reasonableness of the relationship between the individual's performance, the degree of participation and contribution to the Company's operations, the responsibilities, the Company's operating performance and future risks. Compensation for directors and managers shall be reviewed by the Remuneration Committee and approved by the Board of Directors.

**Managed Futures Enterprises Department of
Capital Futures Corporation**

Statement of other gains and losses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest income		\$ 118	
Other		1	The amount of each item is less than 5% of the total.
Total		<u>\$ 119</u>	

CAPITAL FUTURES CORPORATION

Statement of Internal Control System

Date: March 11, 2022

Based on the results of the self-assessment, the Company's internal control system for the year ended December 31, 2021 is as follows:

- (1) The Company recognizes that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and the Manager of the Company and that the Company has established such a system. The purpose is to provide reasonable assurance of operational effectiveness and efficiency (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency, compliance with relevant regulations and compliance with relevant laws and regulations.
- (2) An effective internal control system, no matter how well designed, can only provide reasonable assurance that the above three objectives are achieved; moreover, the effectiveness of the internal control system may change as circumstances and conditions change. However, the Company's internal control system has a self-monitoring mechanism and once deficiencies are identified, the Company will take corrective action.
- (3) The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the criteria for determining the effectiveness of the internal control system stipulated in the "Guidelines Governing the Establishment of Internal Control Systems in Securities and Futures Markets Services" (the "Guidelines"). The criteria for determining the effectiveness of an internal control system are based on the management control process, which is divided into five dimensions: 1) control environment, 2) risk assessment, 3) control operations, 4) information and communication, and 5) monitoring operations. Each component consists of a number of items. These components are described in the Guidelines section.
- (4) The Company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
- (5) Based on the results of the preceding evaluation, the Company believes that its internal control system (including the supervision and management of subsidiaries and the overall implementation of information security) as of December 31, 2021, including the understanding of the extent to which operational effectiveness and efficiency objectives are achieved, the design and implementation of the internal control system that is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective, except for the matters listed in the Appendix, and that it can reasonably ensure the achievement of the above objectives.

- (6) This prospectus will be the main content of the Company's annual report and public statement and will be made available to the public. If any of the above contents are made public If any of the above information is false or concealed, the Company will be subject to legal liability under Article 115 of the Futures Exchange Act, Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- (7) This statement was approved by the Board of Directors on March 11, 2022, and all seven directors present agreed to the contents of this statement and hereby declare.

CAPITAL FUTURES CORPORATION

The Chairman: Lee, Wen-Chu

The President: Mao, Jen-Hua

The Audit Director: Lian, Jing-Lian

The Top executives
responsible for
information security: Ho, Zhuo-Yi

Note 1: The date of the statement is the "fiscal year-end date".

CAPITAL FUTURES CORPORATION

Internal control system should be strengthened and improvement plan

(Base date: December 31, 2021)

Things that should be strengthened	Improvements	Estimated time to complete improvement
<p>The Company failed to assess the risk exposure of customers based on their financial strength and creditworthiness in order to approve the transaction limits; the risk notification form in the online account opening document was only confirmed by the customer with a single summary of all the contents; the Company failed to establish a verification logic and system configuration for internal staff transaction control operations; customer statements were sent to the salesperson's email address; and the Company failed to alert the customer when the customer's equity was below the unhedged amount according to the risk control system. The FSC imposed a fine of NT\$600,000 for failing to notify the customer of a high-risk account when the customer's equity was lower than the amount of unhedged margin. (February 3, 2021, FSC Fine No. 1090376092)</p>	<ol style="list-style-type: none"> 1. The Company's new account openings and applications for trading quota adjustments have been processed in accordance with the Company's revised trading quota classification and evaluation plan. In addition, the subsequent approval of trading quotas for new accounts and existing clients will be handled in accordance with the relevant operations of the Futures Industry Association of the ROC and the contents of the letter No. 1100001616 dated April 21, 110 from the Interim Trade Commission, and the implementation date will be one year from the date of the letter. 2. Increase the time for customers to stay and read the seven risk notices in the account opening documents before they click on the Confirm Consent button. 3. The Company has established a system and check logic for internal personnel transaction control operations, through which unit managers can obtain details of employee transactions and whether suspected conflicts of interest are involved. 4. The same list of customers and internal email addresses can be checked through the system, and disposal measures have been taken. 5. At present, there is a daily audit report, and those who do not keep their cell phone and email address are required to make corrections by the deadline; and those who do not keep their cell phone number for one year have been targeted to complete the corrections or suspend transactions. 	<p>Improved. The system adjustment is expected to be completed by April 20, 2022 in accordance with the new system and operational details established by the Futures Association.</p> <p>Improved.</p> <p>Improved.</p> <p>Improved.</p> <p>Improved.</p>

Note: The penalties for receiving a warning or a fine of NT\$240,000 or more from the competent authority in the current year are listed in the Appendix; and no information security deficiencies were found by the competent authority, stock exchange, over-the-counter trading center, or futures exchange.