

**CAPITAL FUTURES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Six Months Ended June 30, 2021 and 2020**

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

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Independent Auditors' Report

To the Board of Directors of Capital Futures Corporation

Opinion

We have audited the consolidated financial statements of Capital Futures Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of June 30, 2021, December 31, and June 30, 2020, and the consolidated statement of comprehensive income for the three months and six months ended June 30, 2021 and 2020, as well as the changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021, December 31, and June 30, 2020, and its consolidated financial performance for the three months and six months ended June 30, 2021 and 2020, as well as its consolidated cash flows for the six months ended June 30, 2021 and 2020 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, the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

Brokerage fee revenue recognized:

Related accounting policies of brokerage fee revenue recognized, please refer to note 4(o) revenue recognition of the consolidated financial statements as of and for the year ended December 31, 2020. Explanation of brokerage fee revenue, please refer to the consolidated financial report note 6(o)(i) comprehensive income statement brokerage fee revenue.

Explanation of key audit matters:

The Group'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 Group'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.

Other Matter

Capital Futures Corporation has prepared its individual financial statements as of and for the years ended June 30, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

August 26, 2021

Notes to Readers

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

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

Consolidated Balance Sheets

June 30, 2021, December 31, 2020, and June 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2021		December 31, 2020		June 30, 2020				June 30, 2021		December 31, 2020		June 30, 2020			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Assets																	
Current assets:																	
111100	Cash and cash equivalents (Note 6(a))	\$ 4,741,177	11	5,259,993	11	5,333,759	11	211100	Short-term borrowings (Note 6(i))	\$ 138,072	-	-	-	-	-		
112000	Financial assets at fair value through profit or loss-current (Note 6(b))	596,124	2	450,635	1	645,901	2	212000	Financial liabilities at fair value through profit or loss-current (Note 6(b))	77,806	-	61,349	-	8,736	-		
113200	Financial assets at fair value through other comprehensive income-current (Note 6(b))	118,795	-	119,204	-	-	-	214080	Futures traders' equity (Note 6(f))	38,362,832	85	39,140,989	85	40,131,427	85		
114010	Bonds purchased under resale agreements (Note 6(b))	47,573	-	244,530	1	117,007	-	214100	Leverage contract trading - customers' equity	449,378	1	352,056	1	363,661	1		
114070	Customers margin accounts (Note 6(f))	38,415,816	84	39,174,200	85	40,164,964	85	214130	Accounts payable	78,048	-	136,981	-	60,852	-		
114080	Receivable - futures margin (Note 6(g))	-	-	-	-	1,144	-	214140	Accounts payable- related parties (Note 7)	14,087	-	14,679	-	13,692	-		
114100	Security borrowing margin	38,556	-	-	-	10,516	-	214150	Advance receipts	3,440	-	3,773	-	2,741	-		
114130	Accounts receivable	160,785	-	131,775	-	26,255	-	214160	Receipts under custody	6,328	-	5,078	-	4,362	-		
114140	Accounts receivable- related parties (Note 7)	3,397	-	2,735	-	889	-	214170	Other payables	112,123	-	142,850	-	508,592	1		
114150	Prepayments	6,607	-	7,279	-	17,931	-	214180	Other payables- related parties (Note 7)	4,382	-	4,881	-	25,453	-		
114170	Other receivables	340,400	1	76,756	-	120,817	-	214600	Current income tax liabilities	66,249	-	61,758	-	66,297	-		
114180	Other receivables- related parties (Note 7)	4,480	-	3,841	-	4,589	-	215100	Provisions- current	6,864	-	5,577	-	6,224	-		
114300	Leverage contract trading-customers' margin accounts	448,035	1	352,962	1	368,326	1	216000	Lease liabilities- current (Note 6(j))	27,141	-	27,882	-	18,437	-		
114600	Current income tax assets	228	-	238	-	228	-	219000	Other current liabilities	16,433	-	15,248	-	13,479	-		
119000	Other current assets	2	-	5	-	2	-			39,363,183	86	39,973,101	86	41,223,953	87		
		44,921,975	99	45,824,153	99	46,812,328	99	Non-current liabilities:									
Non-current assets:																	
123200	Financial assets at fair value through other comprehensive income- non-current (Note 6(b))	1,662	-	1,349	-	1,237	-	226000	Lease liabilities- non-current (Note 6(j))	34,362	-	30,597	-	5,509	-		
124100	Investments under equity method (Note 6(c))	49,588	-	49,281	-	49,546	-	228000	Deferred income tax liabilities	15,059	-	15,251	-	11,443	-		
125000	Property and equipment (Note 6(d))	57,177	-	63,272	-	60,791	-	229000	Other non-current liabilities	8,011	-	7,487	-	6,713	-		
125800	Right-of-use assets (Note 6(e))	61,488	-	58,504	-	23,997	-			57,432	-	53,335	-	23,665	-		
127000	Intangible assets (Note 6(h))	74,991	-	79,546	-	83,106	-	906003	Total liabilities	39,420,615	86	40,026,436	86	41,247,618	87		
128000	Deferred income tax assets	506	-	414	-	265	-	Equity attributable to owners of parent:									
129000	Other non-current assets	341,663	1	336,876	1	326,556	1	301010	Common stock (Note 6(m))	2,104,376	5	2,104,376	5	2,104,376	4		
		587,075	1	589,242	1	545,498	1	302000	Capital surplus (Note 6(m))	1,663,621	4	1,873,996	4	1,873,598	4		
906001	Total assets	\$ 45,509,050	100	46,413,395	100	47,357,826	100	304010	Legal reserve	626,803	2	564,658	1	564,658	1		
								304020	Special reserve	1,446,574	3	1,280,666	3	1,280,666	3		
								304040	Unappropriated earnings (Note 6(m))	324,930	-	623,005	1	310,318	1		
								305000	Other equity	(104,253)	-	(87,037)	-	(52,435)	-		
										6,062,051	14	6,359,664	14	6,081,181	13		
										306000	Non-controlling interests	26,384	-	27,295	-	29,027	-
										906004	Total equity	6,088,435	14	6,386,959	14	6,110,208	13
										906002	Total liabilities and equity	\$ 45,509,050	100	46,413,395	100	47,357,826	100

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Comprehensive Income

For the three months and six months ended June 30, 2021 and 2020

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

	For the three months ended June 30,				For the six months ended June 30,				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
Income:									
401000	Brokerage fee revenue (Note 6(o))	\$ 462,224	72	443,984	78	931,813	72	1,013,041	85
410000	Net gains (losses) on sale of trading securities	15,055	2	24,318	4	29,842	2	5,504	-
421300	Dividend revenue	1,568	-	389	-	2,767	-	1,123	-
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss	4,884	1	5,060	1	5,943	1	(3,268)	-
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements-short sales	1,440	-	-	-	1,440	-	(944)	-
421610	Net gains (losses) on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	2,264	-	(17)	-	2,474	-	1,091	-
424100	Futures commission revenue (Note 6(o))	94,394	14	86,958	15	191,626	15	147,736	12
424200	Securities commission revenue	7,930	1	1,947	-	12,521	1	3,968	-
424400	Net gains (losses) on derivative instruments- futures (Note 6(o))	38,605	6	(12,628)	(2)	58,017	4	(10,447)	(1)
424500	Net gains (losses) on derivative instruments - OTC (Note 6(o))	17,577	3	12,906	2	38,079	3	26,912	2
424800	Management fee revenue	781	-	7	-	1,721	-	26	-
424900	Consulting fee revenue	4,361	1	3,328	1	9,946	1	6,084	1
428000	Other operating revenue	1,353	-	4,250	1	10,162	1	8,628	1
		<u>652,436</u>	<u>100</u>	<u>570,502</u>	<u>100</u>	<u>1,296,351</u>	<u>100</u>	<u>1,199,454</u>	<u>100</u>
Expenses:									
501000	Brokerage fees	89,576	14	95,992	17	186,959	15	170,679	14
502000	Brokerage fees - proprietary trading	1,299	-	292	-	1,436	-	2,176	-
521200	Financial costs	1,682	-	761	-	2,779	-	5,515	-
425300	Expected credit impairment losses and reversal gains (Note 6(p))	(62)	-	1,616	-	(126)	-	1,533	-
524100	Futures commission expenses (Note 6(o))	130,164	20	127,395	22	262,969	20	288,841	24
524300	Clearing and settlement expenses	50,497	8	43,537	8	96,399	8	89,576	8
528000	Other operating expenditure	1,272	-	857	-	2,643	-	1,956	-
531000	Employee benefit expenses (Note 6(o))	125,259	19	121,299	22	244,599	19	246,773	21
532000	Depreciation and amortization expenses (Note 6(o))	19,602	3	19,425	3	39,254	3	38,439	3
533000	Other operating expenses (Note 6(o))	108,063	17	93,667	17	207,179	16	188,904	16
		<u>527,352</u>	<u>81</u>	<u>504,841</u>	<u>89</u>	<u>1,044,091</u>	<u>81</u>	<u>1,034,392</u>	<u>86</u>
		<u>125,084</u>	<u>19</u>	<u>65,661</u>	<u>11</u>	<u>252,260</u>	<u>19</u>	<u>165,062</u>	<u>14</u>
Net operating income									
Non-operating income and expenses:									
601000	Shares of profit of associates and joint ventures under equity method (Note 6(c))	270	-	821	-	771	-	1,826	-
602000	Other gains and losses (Note 6(o))	31,085	5	118,739	21	100,733	8	234,734	20
		<u>31,355</u>	<u>5</u>	<u>119,560</u>	<u>21</u>	<u>101,504</u>	<u>8</u>	<u>236,560</u>	<u>20</u>
902001	Net income before income tax	156,439	24	185,221	32	353,764	27	401,622	34
701000	Less: Income tax expenses (Note 6(l))	29,691	5	40,110	7	67,814	5	91,859	8
	Net income	<u>126,748</u>	<u>19</u>	<u>145,111</u>	<u>25</u>	<u>285,950</u>	<u>22</u>	<u>309,763</u>	<u>26</u>
805000	Other comprehensive income:								
805500	Components that may not be reclassified subsequently to profit or loss:								
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	19,462	3	161	-	41,219	3	(138)	-
805599	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>19,462</u>	<u>3</u>	<u>161</u>	<u>-</u>	<u>41,219</u>	<u>3</u>	<u>(138)</u>	<u>-</u>
805600	Components that may be reclassified subsequently to profit or loss:								
805610	Exchange differences on translation of foreign operations	(21,089)	(3)	(19,532)	(3)	(21,892)	(1)	(7,158)	(1)
805699	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(l))	(88)	-	(73)	-	(92)	-	(28)	-
	Subtotal of components that may be reclassified subsequently to profit or loss	<u>(21,001)</u>	<u>(3)</u>	<u>(19,459)</u>	<u>(3)</u>	<u>(21,800)</u>	<u>(1)</u>	<u>(7,130)</u>	<u>(1)</u>
805000	Other comprehensive income	<u>(1,539)</u>	<u>-</u>	<u>(19,298)</u>	<u>(3)</u>	<u>19,419</u>	<u>2</u>	<u>(7,268)</u>	<u>(1)</u>
902006	Total comprehensive income	<u>\$ 125,209</u>	<u>19</u>	<u>125,813</u>	<u>22</u>	<u>305,369</u>	<u>24</u>	<u>302,495</u>	<u>25</u>
Net income attributable to:									
913100	Shareholders of the parent	\$ 126,666	19	144,483	25	286,244	22	308,770	26
913200	Non-controlling interests	82	-	628	-	(294)	-	993	-
		<u>\$ 126,748</u>	<u>19</u>	<u>145,111</u>	<u>25</u>	<u>285,950</u>	<u>22</u>	<u>309,763</u>	<u>26</u>
Comprehensive income attributable to:									
914100	Shareholders of the parent	\$ 125,708	19	125,747	22	306,280	24	301,756	25
914200	Non-controlling interests	(499)	-	66	-	(911)	-	739	-
		<u>\$ 125,209</u>	<u>19</u>	<u>125,813</u>	<u>22</u>	<u>305,369</u>	<u>24</u>	<u>302,495</u>	<u>25</u>
975000	Basic earnings per share (Dollar) (Note 6(n))	<u>\$ 0.60</u>		<u>0.69</u>		<u>1.36</u>		<u>1.59</u>	
985000	Diluted earnings per share (Dollar) (Note 6(n))	<u>\$ 0.60</u>		<u>0.69</u>		<u>1.36</u>		<u>1.59</u>	

See accompanying notes to consolidated financial statements.

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

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**Consolidated Statement of Changes in Equity****For the six months ended June 30, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

Equity attributable to owners of parent

	Stock		Retained earnings			Other equity		Total equity attributable to owners of parent	Non-controlling interests	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			
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	28,288	5,041,284
Net income for the six months ended June 30, 2020	-	-	-	-	308,770	-	-	308,770	993	309,763
Other comprehensive income	-	-	-	-	-	(6,876)	(138)	(7,014)	(254)	(7,268)
Total comprehensive income	-	-	-	-	308,770	(6,876)	(138)	301,756	739	302,495
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	59,991	-	(59,991)	-	-	-	-	-
Special reserve	-	-	-	119,981	(119,981)	-	-	-	-	-
Cash dividends	-	-	-	-	(399,831)	-	-	(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	-	1,166,260
Balance at June 30, 2020	\$ 2,104,376	1,873,598	564,658	1,280,666	310,318	(53,553)	1,118	6,081,181	29,027	6,110,208
Balance at January 1, 2021	\$ 2,104,376	1,873,996	564,658	1,280,666	623,005	(89,953)	2,916	6,359,664	27,295	6,386,959
Net income for the six months ended June 30, 2021	-	-	-	-	286,244	-	-	286,244	(294)	285,950
Other comprehensive income	-	-	-	-	-	(21,183)	41,219	20,036	(617)	19,419
Total comprehensive income	-	-	-	-	286,244	(21,183)	41,219	306,280	(911)	305,369
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	62,145	-	(62,145)	-	-	-	-	-
Special reserve	-	-	-	124,291	(124,291)	-	-	-	-	-
Cash dividends	-	-	-	-	(393,518)	-	-	(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)	-	(210,437)
Right of inclusion options exercised	-	62	-	-	-	-	-	62	-	62
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	37,252	-	(37,252)	-	-	-
Balance at June 30, 2021	\$ 2,104,376	1,663,621	626,803	1,446,574	324,930	(111,136)	6,883	6,062,051	26,384	6,088,435

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2021	2020
Cash flows from (used in) operating activities:		
Net income before income tax	\$ 353,764	401,622
Adjustments:		
Adjustments to reconcile:		
Depreciation expenses	34,611	33,465
Amortization expenses	4,643	4,974
Expected credit impairment losses and reversal gains	(126)	1,533
Net gains on financial assets or liabilities at fair value through profit or loss	(5,475)	(13,053)
Interest expenses	2,779	5,515
Interest income (including financial income)	(97,878)	(221,664)
Dividend revenue	(3,022)	(1,123)
Shares of profit of associates and joint ventures under equity method	(771)	(1,826)
Losses on disposal of property and equipment	66	-
Gains on lease modification	-	(41)
Impairment losses	2,398	-
Total adjustments to reconcile	<u>(62,775)</u>	<u>(192,220)</u>
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(142,488)	(121,092)
Decrease (increase) in bond purchased under resale agreements	196,957	(71,007)
Decrease (increase) in customer margin accounts	758,384	(4,672,798)
Decrease (increase) in receivable-futures margin	126	(2,675)
Increase in leverage contract trading - customer's margin accounts	(95,073)	(59,783)
Increase in security borrowing margin	(38,556)	(6,642)
Increase in accounts receivable	(29,010)	(12,716)
Increase in accounts receivable - related parties	(662)	(167)
Decrease (increase) in prepayments	672	(9,654)
Increase in other receivables	(267,103)	(42,482)
Increase in other receivables - related parties	(646)	(520)
Decrease in other current assets	3	-
Increase in clearing and settlement fund	(3,340)	(6,972)
Decrease (increase) in refundable deposits	(1,447)	589
Increase (decrease) in financial liabilities at fair value through profit or loss	18,931	(13,009)
Increase (decrease) in futures traders' equity	(778,157)	4,695,449
Increase in leverage contract trading - customer's equity	97,322	55,071
Increase (decrease) in accounts payable	(58,933)	17,040
Increase (decrease) in accounts payable - related parties	(592)	2,778
Increase (decrease) in advance receipts	(333)	230
Increase in receipts under custody	1,250	506
Decrease in other payables	(31,054)	(23,034)
Increase (decrease) in other payables - related parties	(499)	24,590
Increase in provisions for liabilities	1,287	272
Increase in other current liabilities	1,185	2,809
Increase (decrease) in other non-current liabilities	524	(6)
Total changes in operating assets and liabilities	<u>(371,252)</u>	<u>(243,223)</u>
Total adjustments	<u>(434,027)</u>	<u>(435,443)</u>
Cash outflow generated from operations	(80,263)	(33,821)
Interest received	102,045	224,056
Dividends received	2,321	879
Interest paid	(2,775)	(6,102)
Income taxes paid	(63,515)	(109,510)
Net cash flows from (used in) operating activities	<u>(42,187)</u>	<u>75,502</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(159,245)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	200,560	-
Acquisition of property and equipment	(10,839)	(9,432)
Acquisition of intangible assets	(2,545)	(5,892)
Net cash flows from (used in) investing activities	<u>27,931</u>	<u>(15,324)</u>
Cash flows from (used in) financing activities:		
Cash dividends paid	(603,955)	-
Increase in short-term loans	138,072	-
Payments of lease liabilities	(17,701)	(17,745)
Proceeds from issue of share capital	-	1,166,260
Proceeds from right of inclusion options exercised	62	-
Net cash flows from (used in) financing activities	<u>(483,522)</u>	<u>1,148,515</u>
Effect of exchange rate changes on cash and cash equivalents	(21,038)	(6,903)
Net increase (decrease) in cash and cash equivalents	(518,816)	1,201,790
Cash and cash equivalents at beginning of period	5,259,993	4,131,969
Cash and cash equivalents at end of period	<u>\$ 4,741,177</u>	<u>5,333,759</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the six months ended June 30, 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 composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). The Group is authorized to conduct the following businesses:

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on August 26, 2021.

(3) New standards, amendments and interpretations adopted:

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

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated 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 Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
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 Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

- 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”

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated 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, the Regulations Governing the Preparation of Financial Reports by Securities Firms and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant account, the consolidated 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.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

- (i) Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 4 (c) of the consolidated financial statements for the year ended December 31, 2020.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2021	December 31, 2020	June 30, 2020	
The Company	CSC Futures (HK) Ltd.	Futures dealing business and other businesses permitted by local law of Hong Kong	97.27 %	97.27 %	97.27 %	The corporation established in December, 1998. The Company acquired 100% of the equity on November 1, 2012, disposed 5% of the equity on April 2, 2014, acquired 5% of the equity on December 23, 2014, disposed 5% of the equity on April 30, 2015 and acquired 2.27% of the equity when the corporation raised its capital by HK\$100,000 thousands on December 12, 2016. As of June 30, 2021, the paid in capitals amounted to HK\$220,000 thousands.
The Company	Capital International Technology Corp.	Management consulting and information service business.	100.00 %	100.00 %	100.00 %	The corporation established in December, 2014. As of June 30, 2021, the paid in capitals amounted to \$50,000.
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management consulting and information service business.	51.00 %	51.00 %	51.00 %	The corporation established in August 20, 2008. The Company acquired 51% of the equity on February 9, 2015 and held controlling interest. As of June 30, 2021, the paid in capitals amounted to CNY\$1,000 thousands.
Capital International Technology Corp.	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 %	The corporation established in October, 2016. As of June 30, 2021, the paid in capitals amounted to CNY\$4,000 thousands.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Employee benefits

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

(e) Income tax

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

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

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

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

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

In these consolidated financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those of Note 5 of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash	\$ 115	96	127
Demand deposits	627,399	493,633	1,133,870
Time deposits	3,357,207	3,918,024	3,405,183
Futures margin- excess margin	749,518	754,254	734,599
Commercial paper	6,938	93,986	59,980
Total	<u>\$ 4,741,177</u>	<u>5,259,993</u>	<u>5,333,759</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Open-ended funds and money-market instruments	\$ 55,000	30,000	348,670
Open-ended funds and money-market instruments valuation adjustment	369	72	14,115
Trading securities- proprietary trading	293,602	205,298	180,947
Trading securities- proprietary trading valuation adjustment	16,513	10,922	2,847
Securities invested by securities broker	61,278	48,166	-
Securities invested by securities broker valuation adjustment	559	934	-
Call options- non-hedging	64,209	40,164	2,167
Futures margin- proprietary fund- non-hedging	42,722	51,699	51,350
Leverage derivatives- non-hedging	61,872	63,380	45,805
Total	<u>\$ 596,124</u>	<u>450,635</u>	<u>645,901</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 six months ended June 30, 2021 and 2020, will increase \$4,273 and \$5,466, 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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Equity investments at fair value through other comprehensive income			
Listed stocks	\$ 96,686	99,266	-
OTC stocks	16,769	18,252	-
	113,455	117,518	-
Valuation adjustment	5,340	1,686	-
Total	<u>\$ 118,795</u>	<u>119,204</u>	<u>-</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

During the three months and six months ended June 30, 2021 and 2020, the dividends of \$1,192, \$0, \$1,392 and \$0, related to equity investment at fair value through other comprehensive income held on the six months then ended, respectively, were recognized.

During the three months and six months ended June 30, 2021 and 2020, due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold shares of stocks for a fair value \$200,560, \$0, \$200,560 and \$0, respectively, and cumulative dispose gains for the three months and six months ended June 30, 2021 and 2020, amounted to \$37,252, \$0, \$37,252 and \$0, respectively, were transferred from other equity items to retained earnings.

(iii) Bonds purchased under resale agreements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Bonds purchased under resale agreements	\$ <u>47,573</u>	<u>244,530</u>	<u>117,007</u>
Resale price under the agreements	\$ <u>47,578</u>	<u>244,545</u>	<u>117,022</u>
Interest rates	<u>0.18%</u>	<u>0.16%~0.22%</u>	<u>0.35%</u>
Date of repurchase	<u>2021.07.08~2021.07.19</u>	<u>2021.01.05~2021.01.15</u>	<u>2020.07.09~2020.08.14</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>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	<u>Ownership ratio</u>	<u>Amount</u>	<u>Ownership ratio</u>	<u>Amount</u>	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Futures Exchange Co., Ltd	0.0042 %	\$ <u>1,662</u>	0.0042 %	<u>1,349</u>	0.0042 %	<u>1,237</u>

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

During the three months and six months ended June 30, 2021 and 2020, the dividends all of \$0, related to equity investments at fair value through other comprehensive income held on the six months then ended, were recognized. No strategic investments were disposed of during the three months and six months ended June 30, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Put options - non-hedging	\$ 70,965	59,577	4,290
Liabilities on sale of borrowed securities - non-hedging	28,482	-	1,670
Redeem liabilities on sale of borrowed securities - non-hedging	(21,163)	-	-
Liabilities on sale of borrowed securities valuation adjustment - non-hedging	(2,474)	-	18
Leverage derivatives- non-hedging	1,996	1,772	2,758
	<u>\$ 77,806</u>	<u>61,349</u>	<u>8,736</u>

(c) Investments under equity method

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Associate	\$ <u>49,588</u>	<u>49,281</u>	<u>49,546</u>

(i) Associate

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

Name of associate	Relationship with the Company	Principal place of business /Register country of company	Ownership equity and % of right to vote		
			June 30, 2021	December 31, 2020	June 30, 2020
True Partner Capital Advisor Co., 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 %	49.00 %

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>June 30, 2021</u>		<u>December 31,</u> <u>2020</u>		<u>June 30, 2020</u>	
	\$		\$		\$	
Carrying amount of interest in associate	<u>49,588</u>		<u>49,281</u>		<u>49,546</u>	
	<u>For the three months ended June 30,</u> <u>2021</u>		<u>For the six months ended June 30,</u> <u>2021</u>		<u>For the six months ended June 30,</u> <u>2020</u>	
Group's share of total comprehensive income in the investee's:						
Profit from continuing operations	\$	270	821	771	1,826	
Other comprehensive losses		(356)	(290)	(372)	(112)	
Total comprehensive income	\$	<u>(86)</u>	<u>531</u>	<u>399</u>	<u>1,714</u>	

(ii) Collateral and pledge

As of June 30, 2021, December 31 and June 30, 2020, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(d) Property and equipment

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

	<u>Office</u> <u>equipment</u>	<u>Leasehold</u> <u>improvements</u>	<u>Total</u>
Cost:			
Balance at January 1, 2021	\$ 146,301	25,244	171,545
Additions	6,778	4,061	10,839
Disposal	(1,334)	(2,878)	(4,212)
Effect of exchange rate changes	(959)	(70)	(1,029)
Balance at June 30, 2021	<u>\$ 150,786</u>	<u>26,357</u>	<u>177,143</u>
Balance at January 1, 2020	\$ 134,613	22,186	156,799
Additions	9,178	254	9,432
Effect of exchange rate changes	(368)	(24)	(392)
Balance at June 30, 2020	<u>\$ 143,423</u>	<u>22,416</u>	<u>165,839</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Accumulated depreciation:			
Balance at January 1, 2021	\$ 90,631	17,642	108,273
Depreciation	14,134	2,415	16,549
Disposal	(1,268)	(2,878)	(4,146)
Effect of exchange rate changes	(696)	(14)	(710)
Balance at June 30, 2021	<u>\$ 102,801</u>	<u>17,165</u>	<u>119,966</u>
Balance at January 1, 2020	\$ 76,051	13,919	89,970
Depreciation	13,366	2,039	15,405
Effect of exchange rate changes	(303)	(24)	(327)
Balance at June 30, 2020	<u>\$ 89,114</u>	<u>15,934</u>	<u>105,048</u>
Carrying amounts:			
Balance at January 1, 2021	<u>\$ 55,670</u>	<u>7,602</u>	<u>63,272</u>
Balance at June 30, 2021	<u>\$ 47,985</u>	<u>9,192</u>	<u>57,177</u>
Balance at June 30, 2020	<u>\$ 54,309</u>	<u>6,482</u>	<u>60,791</u>

As of June 30, 2021, December 31 and June 30, 2020, the Group did not provide any property and equipment as collateral and pledge.

(e) Right-of-use assets

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

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2021	\$ 94,062	11,591	105,653
Additions	19,972	1,440	21,412
Disposal	(21,507)	-	(21,507)
Effect of exchange rate changes	(501)	-	(501)
Balance at June 30, 2021	<u>\$ 92,026</u>	<u>13,031</u>	<u>105,057</u>
Balance at January 1, 2020	\$ 60,635	8,977	69,612
Additions	4,860	2,614	7,474
Disposal	(22,876)	-	(22,876)
Effect of exchange rate changes	(235)	-	(235)
Balance at June 30, 2020	<u>\$ 42,384</u>	<u>11,591</u>	<u>53,975</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Accumulated depreciation:			
Balance at January 1, 2021	\$ 41,062	6,087	47,149
Depreciation	16,599	1,463	18,062
Disposal	(21,507)	-	(21,507)
Effect of exchange rate changes	(135)	-	(135)
Balance at June 30, 2021	<u>\$ 36,019</u>	<u>7,550</u>	<u>43,569</u>
Balance at January 1, 2020	\$ 27,215	2,916	30,131
Depreciation	16,345	1,715	18,060
Disposal	(18,060)	-	(18,060)
Effect of change rate change	(153)	-	(153)
Balance at June 30, 2020	<u>\$ 25,347</u>	<u>4,631</u>	<u>29,978</u>
Carrying amounts:			
Balance at January 1, 2021	<u>\$ 53,000</u>	<u>5,504</u>	<u>58,504</u>
Balance at June 30, 2021	<u>\$ 56,007</u>	<u>5,481</u>	<u>61,488</u>
Balance at June 30, 2020	<u>\$ 17,037</u>	<u>6,960</u>	<u>23,997</u>

(f) Customers margin accounts/futures traders' equity

As of June 30, 2021, December 31 and June 30, 2020, the differences between customers' margin accounts and futures traders' equity were reconciled as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Customers margin accounts			
Cash in bank	\$ 27,828,123	29,144,632	29,371,929
Balance of the futures clearing house	7,272,072	6,038,034	5,496,032
Balance of other futures commission merchants	3,313,888	3,990,936	5,296,447
Marketable securities	1,733	598	556
Balance of customers margin accounts	<u>38,415,816</u>	<u>39,174,200</u>	<u>40,164,964</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Plus adjustment items:			
Commission cost	\$ 1,822	2,352	5,431
Others	1,241	26	1,150
Deduction adjustment items:			
Brokerage fee revenue	(11,709)	(11,746)	(23,239)
Futures transaction tax	(2,833)	(2,289)	(1,529)
Interest income	(880)	(789)	(4,367)
Temporary credits	(1,040)	(3,034)	(803)
Remittance amount of the customers after the market closed	(13,972)	(11,879)	(11,957)
Other receivables	(25,613)	(5,848)	1,777
Others	-	(4)	-
Balance of futures traders' equity	<u>\$ 38,362,832</u>	<u>39,140,989</u>	<u>40,131,427</u>
(g) Receivable - futures margin			
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Receivable - futures margin - current	\$ 258	330	1,528
Less: Loss allowance	<u>258</u>	<u>330</u>	<u>384</u>
Subtotal	<u>-</u>	<u>-</u>	<u>1,144</u>
Receivable - futures margin - non-current	6,872	7,471	32,130
Less: Loss allowance	<u>6,872</u>	<u>7,471</u>	<u>32,130</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>-</u>	<u>1,144</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 7,801	30,981
Impairment losses recognized (reversed)	(126)	1,533
Amounts written off	<u>(545)</u>	<u>-</u>
Balance on June 30	<u>\$ 7,130</u>	<u>32,514</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Intangible assets

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

	<u>Goodwill (Note2)</u>	<u>The seats of foreign futures exchanges (Note1)</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 22,088	50,153	29,293	101,534
Additions	-	-	2,545	2,545
Effect of exchange rate changes	-	(137)	(65)	(202)
Balance at June 30, 2021	<u>\$ 22,088</u>	<u>50,016</u>	<u>31,773</u>	<u>103,877</u>
Balance at January 1, 2020	\$ 22,088	50,436	28,362	100,886
Additions	-	-	5,892	5,892
Effect of exchange rate changes	-	(43)	(107)	(150)
Balance at June 30, 2020	<u>\$ 22,088</u>	<u>50,393</u>	<u>34,147</u>	<u>106,628</u>
Amortization and impairment losses:				
Balance at January 1, 2021	\$ 1,204	4,007	16,777	21,988
Amortization	-	-	4,643	4,643
Impairment losses	2,398	-	-	2,398
Effect of exchange rate changes	-	(94)	(49)	(143)
Balance at June 30, 2021	<u>\$ 3,602</u>	<u>3,913</u>	<u>21,371</u>	<u>28,886</u>
Balance at January 1, 2020	\$ -	4,201	14,450	18,651
Amortization	-	-	4,974	4,974
Effect of exchange rate changes	-	(29)	(74)	(103)
Balance at June 30, 2020	<u>\$ -</u>	<u>4,172</u>	<u>19,350</u>	<u>23,522</u>
Carrying value:				
Balance at January 1, 2021	<u>\$ 20,884</u>	<u>46,146</u>	<u>12,516</u>	<u>79,546</u>
Balance at June 30, 2021	<u>\$ 18,486</u>	<u>46,103</u>	<u>10,402</u>	<u>74,991</u>
Balance at June 30, 2020	<u>\$ 22,088</u>	<u>46,221</u>	<u>14,797</u>	<u>83,106</u>

Note: 1. The Group obtained the seats of foreign futures exchanges - NYMEX, COMEX, CBOT, HKEX 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.

2. The Group recognized an impairment loss of \$2,398 for the six months ended June 30, 2021, by using discount rate of 4.65% on the basis of the future recoverable amount of sub-subsidiary from Mainland China.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Short-term borrowings

<u>Nature of borrowings</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Credit loan	\$ <u>138,072</u>	<u>-</u>	<u>-</u>
Interest rate range	<u>1.40%</u>	<u>-</u>	<u>-</u>

(j) Lease liabilities

The Group's lease liabilities were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current	\$ <u>27,141</u>	<u>27,882</u>	<u>18,437</u>
Non-current	\$ <u>34,362</u>	<u>30,597</u>	<u>5,509</u>

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

The amounts recognized in profit or loss were as follows :

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>265</u>	<u>159</u>	<u>437</u>	<u>364</u>
Expenses relating to short-term leases	\$ <u>1,044</u>	<u>744</u>	<u>2,072</u>	<u>1,407</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>76</u>	<u>76</u>	<u>152</u>	<u>152</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>20,362</u>	<u>19,668</u>

(i) Real estate leases

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

(ii) Other leases

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

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

The Group recognized expenses in profit or loss for the three months and six months ended June 30, 2021 and 2020 were \$290, \$88, \$580 and \$175, respectively.

(ii) Defined contribution plans

The Group's expenses under the pension plan contributed to the Bureau of Labor Insurance for the three months and six months ended June 30, 2021 and 2020 were \$3,392, \$3,174, \$6,641 and \$6,332, respectively.

(iii) The pension costs of foreign subsidiaries in accordance with the local laws and regulations for the three months and six months ended June 30, 2021 and 2020 were \$715, \$355, \$1,480 and \$965, respectively.

(l) Income taxes

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

The Company and its subsidiary Capital International Technology Corp. are founded in Taiwan. The corporate income tax rates are both 20% for the six months ended June 30, 2021 and 2020.

The subsidiary CSC Futures (HK) Ltd. is founded in Hong Kong. The corporate income tax rates are both 16.5% for the six months ended June 30, 2021 and 2020.

The tax rates of reinvestment business of subsidiaries including Capital True Partner Technology Co., Ltd. and Capital Futures Technology (Shanghai) Co., Ltd. founded in Mainland China are both 25% for the six months ended June 30, 2021 and 2020.

(ii) Income tax expense

1) The amounts of income tax expense (benefit) for the three months and six months ended June 30, 2021 and 2020 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current income tax expense	\$ 29,506	35,183	68,006	89,183
Deferred income tax expense (benefit)	185	4,927	(192)	2,676
Total	<u>\$ 29,691</u>	<u>40,110</u>	<u>67,814</u>	<u>91,859</u>

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
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- 2) The amounts of income tax benefit (expense) recognized in other comprehensive income of the Group in 2021 and 2020 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Exchange difference on translation of foreign operations	<u>\$ (88)</u>	<u>(73)</u>	<u>(92)</u>	<u>(28)</u>

- (iii) Income tax assessment status

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

The subsidiary Capital International Technology Corp.'s income tax returns through 2019 were assessed by the Tax Authority.

- (m) Capital and other equity

- (i) Common stock

As of June 30, 2021, December 31 and June 30, 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.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Share premium			
Capital addition-Share premium	\$ 1,635,556	1,845,993	1,845,993
Capital addition-Employee stock option	24,134	24,134	24,134
Difference arising from disposal of the subsidiaries' share price and its carry value	2,476	2,476	2,476
Changes in ownership interests in subsidiaries	995	995	995
Right of inclusion options exercised	460	398	-
	<u>\$ 1,663,621</u>	<u>1,873,996</u>	<u>1,873,598</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	\$ 34.40
Expected Volatility	15.55 %
Expected life days	5 days
Risk-free interest rate	0.256 %

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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
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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.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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	\$ 603,955	2.87	399,831	1.90

The information about the appropriations approved by the board meeting and 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 were calculated as follows:

(i) Basic earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Net income attributable to common shareholders of the Company	\$ 126,666	144,483	286,244	308,770
Weighted-average number of common stock shares outstanding (thousands of shares)	210,438	210,438	210,438	194,558
Basic earnings per share (dollar)	\$ 0.60	0.69	1.36	1.59

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income attributable to common shareholders of the Company	\$ <u>126,666</u>	<u>144,483</u>	<u>286,244</u>	<u>308,770</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	210,438	210,438	210,438	194,558
Influence from stock dividends for employee (thousands of shares)	46	45	103	118
Weighted-average outstanding shares of diluted earnings per share (thousands of shares)	<u>210,484</u>	<u>210,483</u>	<u>210,541</u>	<u>194,676</u>
Diluted earnings per share (dollar)	\$ <u>0.60</u>	<u>0.69</u>	<u>1.36</u>	<u>1.59</u>

(o) Items of the statements of comprehensive income

(i) Brokerage fee revenue

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Consignment trading handling fee revenue- Domestic futures	\$ 286,211	223,771	547,207	507,406
Consignment trading handling fee revenue- Foreign futures	176,013	220,213	384,606	505,635
	<u>\$ 462,224</u>	<u>443,984</u>	<u>931,813</u>	<u>1,013,041</u>

(ii) Futures commission revenue

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Futures commission revenue- CSC Futures (HK) Ltd.	\$ <u>94,394</u>	<u>86,958</u>	<u>191,626</u>	<u>147,736</u>

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Net gains (losses) on derivative instruments

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Non-hedging				
Net gains (losses) on futures contracts				
Gains on futures contracts	\$ 60,015	31,638	149,673	134,063
Losses on futures contracts	(110,483)	(35,027)	(147,138)	(124,462)
	<u>\$ (50,468)</u>	<u>(3,389)</u>	<u>2,535</u>	<u>9,601</u>
Net gains (losses) on option contracts				
Gains on option contracts	\$ 118,627	(7,043)	170,249	120,698
Losses on option contracts	(28,512)	(1,523)	(113,725)	(142,017)
	<u>\$ 90,115</u>	<u>(8,566)</u>	<u>56,524</u>	<u>(21,319)</u>
Net gains (losses) on leverage derivatives				
Gains on leverage derivatives	\$ 130,072	87,457	281,433	277,589
Losses on leverage derivatives	(112,495)	(74,551)	(243,354)	(250,677)
	<u>\$ 17,577</u>	<u>12,906</u>	<u>38,079</u>	<u>26,912</u>
Net gains (losses) on derivative financial instruments - overseas subsidiaries	<u>\$ (1,042)</u>	<u>(673)</u>	<u>(1,042)</u>	<u>1,271</u>
Non-hedging				
Total gains on derivative financial instruments	\$ 308,714	112,052	601,355	532,350
Total losses on derivative financial instruments	(251,490)	(111,101)	(504,217)	(517,156)
Net gains (losses) on derivative financial instruments - overseas subsidiaries	(1,042)	(673)	(1,042)	1,271
	<u>\$ 56,182</u>	<u>278</u>	<u>96,096</u>	<u>16,465</u>

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Futures commission expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Re-consigned futures trading	\$ 51,913	64,121	112,270	149,327
Futures introducing broker business	47,384	43,526	93,838	102,416
Commission expenses - CSC Futures (HK) Ltd.	30,867	19,748	56,861	37,098
	<u>\$ 130,164</u>	<u>127,395</u>	<u>262,969</u>	<u>288,841</u>

(v) Employee benefit, depreciation and amortization expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Employee benefit expenses				
Salary expense	\$ 111,660	109,616	217,038	222,491
Labor and health insurance expense	6,800	6,000	14,226	12,394
Pension expense	4,397	3,617	8,701	7,472
Others	2,402	2,066	4,634	4,416
Depreciation expense	17,421	16,783	34,611	33,465
Amortization expense	2,181	2,642	4,643	4,974
	<u>\$ 144,861</u>	<u>140,724</u>	<u>283,853</u>	<u>285,212</u>

(vi) Other operating expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Postage expense	\$ 14,863	15,163	29,753	28,669
Taxes	23,521	13,553	41,770	35,679
Rental expense	1,120	820	2,224	1,559
Information technology expense	40,651	39,153	77,753	75,776
Professional service fee	3,994	3,988	7,385	6,663
Others	23,914	20,990	48,294	40,558
	<u>\$ 108,063</u>	<u>93,667</u>	<u>207,179</u>	<u>188,904</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Other gains and losses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest income	\$ 46,185	101,587	97,878	221,664
Dividend income	255	-	255	-
Net gains (losses) on non-operating financial instruments at fair value through profit or loss	(4,678)	14,701	(2,942)	15,230
Net losses on foreign exchange	(19,017)	(4,223)	(16,812)	(6,645)
Net gains (losses) on disposal of investments	3,310	1,935	17,099	(5,467)
Other non-operating revenue - other	6,783	4,738	8,750	10,111
Other non-operating expense - other	(1,753)	1	(3,495)	(159)
	<u>\$ 31,085</u>	<u>118,739</u>	<u>100,733</u>	<u>234,734</u>

(viii) 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 three months and six months ended June 30, 2021 and 2020, the estimated amounts of remuneration to employee were \$1,750, \$2,100, \$4,100 and \$4,600, and to directors and supervisors by the Company were \$1,750, \$2,100, \$4,100 and \$4,600, 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 six months ended June 30, 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.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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 June 30, 2021, December 31 and June 30, 2020 the maximum credit exposure amounted to \$44,816,348, \$45,882,794 and \$46,849,497, respectively.

2) Concentration of credit risk

The exposure of credit risk by geographic region in June 30, 2021 as shown in below, mainly focusing on Taiwan (accounted for 87.16%), secondly in Asia (accounted for 11.56% excluded Taiwan), thirdly in North America (accounted for 1.02%). The proportion of investment by geographic region did not change significantly compared to the same period last year.

Area	June 30, 2021	December 31, 2020	June 30, 2020
Taiwan	\$ 39,063,503	39,633,371	39,663,361
Asia (excluded Taiwan)	5,178,578	5,937,255	6,518,690
North America	458,933	277,056	613,544
Europe	88,450	19,645	38,476
Oceania	26,884	15,467	15,426
Total	<u>\$ 44,816,348</u>	<u>45,882,794</u>	<u>46,849,497</u>

3) Impairment losses

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

	June 30, 2021		December 31, 2020		June 30, 2020	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment	Gross carrying amount	Impairment
Current	\$ 516,192	7,130	222,364	7,257	162,041	8,347
Past due 0~30 days	-	-	-	-	5	5
Past due 31~120 days	-	-	-	-	1,709	1,709
Past due 121~360 days	-	-	544	544	9	9
Past due more than 360 days	-	-	-	-	22,444	22,444
	<u>\$ 516,192</u>	<u>7,130</u>	<u>222,908</u>	<u>7,801</u>	<u>186,208</u>	<u>32,514</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 June 30, 2021, December 31 and June 30, 2020, the loss allowance of receivables were recognized \$7,130, \$7,801 and \$32,514, respectively.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Credit risk of receivables

Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2020. The Group 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 Group. Thus, the Group regarded the financial assets as default and recognized impairment losses. The movement of loss allowance for the six months ended June 30, 2021 and 2020 was as follows:

For the six months ended June 30, 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	-	-	-	(126)	-	(126)
Amounts written off	-	-	-	(545)	-	(545)
Balance on June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>7,130</u>	<u>-</u>	<u>7,130</u>
For the six months ended June 30, 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	-	-	-	1,533	-	1,533
Balance on June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>32,514</u>	<u>-</u>	<u>32,514</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

	Carrying amount	Contract cash flow	Within 6 months	6-12 months	1-2 year	2-5 year	More than 5 year
June 30, 2021							
Short-term borrowings	\$ 138,072	138,072	138,072	-	-	-	-
Financial liabilities at fair value through profit or loss	77,806	77,806	77,806	-	-	-	-
Futures traders' equity	38,362,832	38,362,832	38,362,832	-	-	-	-
Leverage contract trading- customers' equity	449,378	449,378	449,378	-	-	-	-
Accounts payable	92,135	92,135	92,135	-	-	-	-
Receipts under custody	6,328	6,328	6,328	-	-	-	-
Other payables	116,505	116,505	116,505	-	-	-	-
Lease liabilities	61,503	62,900	14,871	12,978	25,040	10,011	-
	<u>\$ 39,304,559</u>	<u>39,305,956</u>	<u>39,257,927</u>	<u>12,978</u>	<u>25,040</u>	<u>10,011</u>	<u>-</u>
December 31, 2020							
Financial liabilities at fair value through profit or loss	\$ 61,349	61,349	61,349	-	-	-	-
Futures traders' equity	39,140,989	39,140,989	39,140,989	-	-	-	-
Leverage contract trading- customers' equity	352,056	352,056	352,056	-	-	-	-
Accounts payable	151,660	151,660	151,660	-	-	-	-
Receipts under custody	5,078	5,078	5,078	-	-	-	-
Other payables	147,731	147,731	147,731	-	-	-	-
Lease liabilities	58,479	59,262	16,686	11,704	19,482	11,390	-
	<u>\$ 39,917,342</u>	<u>39,918,125</u>	<u>39,875,549</u>	<u>11,704</u>	<u>19,482</u>	<u>11,390</u>	<u>-</u>
June 30, 2020							
Financial liabilities at fair value through profit or loss	\$ 8,736	8,736	8,736	-	-	-	-
Futures traders' equity	40,131,427	40,131,427	40,131,427	-	-	-	-
Leverage contract trading- customers' equity	363,661	363,661	363,661	-	-	-	-
Accounts payable	74,544	74,544	74,544	-	-	-	-
Receipts under custody	4,362	4,362	4,362	-	-	-	-
Other payables	534,045	534,045	534,045	-	-	-	-
Lease liabilities	23,946	24,304	10,752	7,982	3,798	1,772	-
	<u>\$ 41,140,721</u>	<u>41,141,079</u>	<u>41,127,527</u>	<u>7,982</u>	<u>3,798</u>	<u>1,772</u>	<u>-</u>

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2021		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 607,729,387.66	27.8600	16,931,341
EUR	7,196,969.34	33.1500	238,580
GBP	3,004,294.34	38.5400	115,786
JPY	833,820,695.00	0.2521	210,206
HKD	132,235,915.72	3.5870	474,330
AUD	1,454,662.17	20.9400	30,461
CHF	7,769.52	30.2000	235
SGD	1,133,250.53	20.7300	23,492
KRW	776,254,399.00	0.0249	19,329
CNY	84,454,621.02	4.3090	363,915
MYR	34,652.28	6.4400	223
THB	5,478,289.41	0.8744	4,790
NZD	95,423.53	19.4900	1,860
CAD	102,785.29	22.4800	2,311
ZAR	377,321.21	1.9500	736
<u>Non-monetary items</u>			
USD	5,650,159.28	27.8600	157,413
AUD	308.65	20.9400	6
CNY	147,462.95	4.3090	635
CAD	1,376.33	22.4800	31
CHF	3,079.91	30.2000	93
ZAR	4,283.16	1.9500	8
<u>Investments under equity method</u>			
HKD	13,824,395.32	3.5870	49,588

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2021		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 563,971,865.16	27.8600	15,712,256
EUR	7,113,747.78	33.1500	235,821
GBP	2,894,901.36	38.5400	111,569
JPY	828,452,781.33	0.2521	208,853
HKD	176,484,128.18	3.5870	633,049
AUD	1,373,780.47	20.9400	28,767
CHF	2,007.63	30.2000	61
SGD	666,615.46	20.7300	13,819
KRW	680,925,441.53	0.0249	16,955
CNY	25,710,874.46	4.3090	110,788
MYR	20,306.39	6.4400	131
THB	4,290,060.00	0.8744	3,751
ZAR	7,965.49	1.9500	16
<u>Non-monetary items</u>			
USD	66,607.37	27.8600	1,856
JPY	301,472.00	0.2521	76
GBP	1,272.13	38.5400	49
NZD	750.29	19.4900	15
SGD	3.26	20.7300	-

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 686,159,757.77	28.4800	19,541,830
EUR	7,257,270.14	35.0200	254,150
GBP	2,548,784.25	38.9000	99,148
JPY	879,997,536.00	0.2763	243,143
HKD	101,854,081.45	3.6730	374,110
AUD	1,740,498.65	21.9500	38,204
CHF	52,100.08	32.3100	1,683
SGD	536,196.03	21.5600	11,560
KRW	384,840,945.00	0.0264	10,160
CNY	66,210,990.01	4.3770	289,806
MYR	180,116.56	6.7895	1,223
THB	3,468,388.91	0.9556	3,314
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
NZD	1,123.43	20.5800	23
CHF	312.31	32.3100	10
<u>Investments under equity method</u>			
HKD	13,417,144.02	3.6730	49,281

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 652,766,558.31	28.4800	18,590,792
EUR	7,183,427.80	35.0200	251,564
GBP	2,440,098.87	38.9000	94,920
JPY	880,552,975.00	0.2763	243,297
HKD	151,964,507.10	3.6730	558,166
AUD	1,699,687.84	21.9500	37,308
CHF	52,778.65	32.3100	1,705
SGD	610,765.31	21.5600	13,168
KRW	381,095,085.31	0.0264	10,061
CNY	11,227,802.96	4.3770	49,144
MYR	166,226.89	6.7895	1,129
THB	2,572,020.00	0.9556	2,458
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
CNY	239,997.19	4.3770	1,051
ZAR	904.88	1.9490	2
SGD	151.66	21.5600	3

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 688,666,611.49	29.6300	20,405,192
EUR	10,780,766.23	33.2700	358,676
GBP	2,920,238.11	36.4300	106,384
JPY	1,021,309,944.00	0.2751	280,962
HKD	113,362,284.01	3.8230	433,384
AUD	917,493.45	20.3400	18,662
CHF	52,503.14	31.1200	1,634
SGD	424,274.97	21.2400	9,012
KRW	381,687,456.00	0.0249	9,504
CNY	64,612,034.08	4.1910	270,789
MYR	420,475.46	6.6195	2,783
THB	14,782,839.81	0.9645	14,258
NZD	2,650.74	19.0200	50
CAD	885.00	21.6800	19
<u>Non-monetary items</u>			
USD	8,139,107.75	29.6300	241,162
JPY	1,194,775.00	0.2751	328
GBP	3,371.28	36.4300	123
AUD	2,254.91	20.3400	46
CAD	5,204.99	21.6800	113
<u>Investments under equity method</u>			
HKD	12,959,988.23	3.8230	49,546

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020		
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 669,506,761.96	29.6300	19,837,485
EUR	10,714,819.47	33.2700	356,482
GBP	2,848,411.33	36.4300	103,768
JPY	1,013,702,860.00	0.2751	278,870
HKD	147,396,598.49	3.8230	563,497
AUD	889,944.81	20.3400	18,101
CHF	52,106.39	31.1200	1,622
SGD	536,357.66	21.2400	11,392
KRW	219,706,594.19	0.0249	5,471
CNY	29,825,676.98	4.1910	124,999
MYR	408,341.00	6.6195	2,703
THB	12,059,320.00	0.9645	11,631
NZD	1,039.06	19.0200	20
CAD	203.33	21.6800	4
<u>Non-monetary items</u>			
USD	87,318.84	29.6300	2,587
CNY	37,824.57	4.1910	158
NZD	684.35	19.0200	13

Due to the variety of currencies, the Group disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$21,849, \$6,270, \$19,320 and \$7,724 for the three months and six months ended June 30, 2021 and 2020, respectively.

2) Sensitivity analysis

The currency risk of the Group 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 six months ended June 30, 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 \$12,380 and \$7,071, respectively. The analytical basis was the same in both years.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Analysis in interest rates

For the six months ended June 30, 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 \$3,425 and \$3,495. This is mainly due to the Group'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 AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

		<u>June 30, 2021</u>			
<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	\$ 232,008	232,008	-	-	
Stock investment	195,313	195,313	-	-	
Financial assets at fair value through other comprehensive income	120,457	118,795	-	1,662	
Liabilities:					
Financial liabilities at fair value through profit or loss	4,845	4,845	-	-	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 168,803	106,931	61,872	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	72,961	70,965	1,996	-	
		<u>December 31, 2020</u>			
<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	\$ 192,882	192,882	-	-	
Stock investment	102,510	102,510	-	-	
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	\$ 155,243	91,863	63,380	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	61,349	59,577	1,772	-	

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Assets and Liabilities items	June 30, 2020			
	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)
Fair value evaluated on a recurring basis				
<u>Non derivative assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 403,708	403,708	-	-
Stock investment	142,871	142,871	-	-
Financial assets at fair value through other comprehensive income	1,237	-	-	1,237
Liabilities:				
Financial liabilities at fair value through profit or loss	1,688	1,688	-	-
<u>Derivative assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss	\$ 99,322	53,517	45,805	-
Liabilities:				
Financial liabilities at fair value through profit or loss	7,048	4,290	2,758	-

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 six months ended June 30, 2021 and 2020.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(In Thousands Dollars)

Item	For the six months ended June 30, 2021							Ending Balance
	Beginning Balance	Gains and losses on valuation		Addition		Reduction		
		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	-	313	-	-	-	-	1,662

Item	For the six months ended June 30, 2020							Ending Balance
	Beginning Balance	Gains and losses on valuation		Addition		Reduction		
		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	-	(138)	-	-	-	-	1,237

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

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

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

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

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	Change in fair value recognized in other comprehensive income	
	Favorable	Unfavorable
June 30, 2021		
Financial assets fair value through other comprehensive income	\$ <u>17</u>	<u>(17)</u>
December 31, 2020		
Financial assets fair value through other comprehensive income	\$ <u>13</u>	<u>(13)</u>
June 30, 2020		
Financial assets fair value through other comprehensive income	\$ <u>12</u>	<u>(12)</u>

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

- 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 Group does not disclose the fair value.

- (q) Financial risk management

There were no material changes in the Group's financial risk management goals and policies as disclosed in Note 6(p) of the consolidated financial statements for the year ended December 31, 2020.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
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(r) Capital management

There were no material changes in the Group's financial risk management goals, policies and procedures as disclosed in Note 6(q) of the consolidated financial statements for the year ended December 31, 2020.

(s) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow for the six months ended June 30, 2021 and 2020, were as follows:

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

	January 1, 2021	Cash flows	Non-cash changes			June 30, 2021
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 58,479	(18,138)	21,526	(364)	-	61,503
Total liabilities from financing activities	<u>\$ 58,479</u>	<u>(18,138)</u>	<u>21,526</u>	<u>(364)</u>	<u>-</u>	<u>61,503</u>

	January 1, 2020	Cash flows	Non-cash changes			June 30, 2020
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 39,428	(18,109)	2,703	(76)	-	23,946
Total liabilities from financing activities	<u>\$ 39,428</u>	<u>(18,109)</u>	<u>2,703</u>	<u>(76)</u>	<u>-</u>	<u>23,946</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 Group. 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 consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Capital Securities Corporation	The parent company
CSC Securities (HK) Ltd.	Associate
CSC International Holdings Ltd.	Associate
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 11,518	12,748	39,007	41,501
Post-employment benefits	269	291	519	572
Total	<u>\$ 11,787</u>	<u>13,039</u>	<u>39,526</u>	<u>42,073</u>

(d) Significant transactions with related parties

- (i) The amounts of futures trading between the Group and related parties for the three months and six months ended June 30, 2021 and 2020 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Brokerage fee revenue</u>				
Capital Securities Corporation	\$ 2,568	761	4,868	2,440
Funds issued by Capital Investment Trust Corp.	29	252	89	451
Total	<u>\$ 2,597</u>	<u>1,013</u>	<u>4,957</u>	<u>2,891</u>

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	<u>Futures traders' equity</u>		
Capital Securities Corporation	\$ 1,131,780	824,368	1,153,204
Funds issued by Capital Investment Trust Corp.	272,305	335,742	341,624
Total	<u>\$ 1,404,085</u>	<u>1,160,110</u>	<u>1,494,828</u>

Transaction terms are the same as those with general clients.

Capital Securities Corporation deposits margins to the Group for futures proprietary trading, and the Group paid the interest of excess margin annually. Interest expense for the three months and six months ended June 30, 2021 and 2020 were amounted to \$26, \$67, \$35 and \$108, respectively.

Capital Investment Trust Corp. deposits margins to the Group for futures proprietary trading, and the Group paid the interest of excess margin annually. Interest expense for the three months and six months ended June 30, 2021 and 2020 were amounted to \$14, \$23, \$14 and \$23, respectively.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Accounts payable and receivable:

<u>Accounts receivable</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Capital Securities Corporation	\$ 3,397	2,679	413
CSC Securities (HK) Ltd.	-	56	476
	<u>\$ 3,397</u>	<u>2,735</u>	<u>889</u>
<u>Accounts payable</u>			
Capital Securities Corporation	<u>\$ 14,087</u>	<u>14,679</u>	<u>13,692</u>
<u>Other receivables (Note 1)</u>			
Capital Securities Corporation	\$ 4,480	3,841	4,573
CSC Securities (HK) Ltd.	-	-	16
	<u>\$ 4,480</u>	<u>3,841</u>	<u>4,589</u>
<u>Other payables</u>			
Capital Securities Corporation (Note 2)	\$ 1,847	4,762	25,340
CSC Securities (HK) Ltd. (Note 3)	2,535	119	113
	<u>\$ 4,382</u>	<u>4,881</u>	<u>25,453</u>

(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 routine expenses to the associate.

(iii) Bonds purchased under resale agreements

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Bonds purchased under resale agreements	<u>\$ 47,573</u>	<u>244,530</u>	<u>117,007</u>
Resale price under the agreements	<u>\$ 47,578</u>	<u>244,545</u>	<u>117,022</u>
Interest rates	<u>0.18%</u>	<u>0.16%~0.22%</u>	<u>0.35%</u>
Date of repurchase	<u>2021.07.08~2021.07.19</u>	<u>2021.01.05~2021.01.15</u>	<u>2020.07.09~2020.08.14</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Interest income	\$ 52	66	84	149

(iv) Leases

The Group signed three-year lease contracts and rented the office and parking spaces from Capital Securities Corporation. As of June 30, 2021, December 31 and June 30, 2020, the total value of effective contracts were \$53,289, \$53,289 and \$49,557, respectively. For the three months and six months ended June 30, 2021 and 2020, the Group recognized the amount of \$104, \$12, \$219 and \$41 as interest expense. As of June 30, 2021, December 31 and June 30, 2020, lease liabilities amounted to \$36,589, \$45,251 and \$1,458, respectively, and refundable deposits were amounted to \$4,633, \$4,633 and \$4,378, respectively.

The Group signed two-year lease contracts and rented the office from CSC Securities (HK) Ltd. As of June 30, 2021, December 31 and June 30, 2020, the total value of effective contracts were \$0 (HKD\$0 thousands), \$24,435 (HKD\$6,112 thousands) and \$24,435 (HKD\$6,112 thousands), respectively. For the three months and six months ended June 30, 2021 and 2020, the Group recognized the amount of \$6, \$92, \$34 and \$208 as interest expense. As of June 30, 2021, December 31 and June 30, 2020, lease liabilities were amounted to \$0, \$4,604 and \$10,467, respectively.

The Group signed one-year lease contracts and rented the office from CSC International Holdings Ltd. As of June 30, 2021, the total value of effective contract was \$552 (CNY\$127 thousands). For the three months and six months ended June 30, 2021 and 2020, the Group recognized the amount of \$0 as interest expense. As of June 30, 2021 lease liabilities were amounted to \$499.

(v) Rental expenses

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

Related parties	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Capital Securities Corporation	\$ 221	30	469	189

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

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Securities commission income

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

Related parties	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Capital Securities Corporation	\$ 7,816	1,439	12,094	3,047
CSC Securities (HK) Ltd.	114	509	427	922
	<u>\$ 7,930</u>	<u>1,948</u>	<u>12,521</u>	<u>3,969</u>

(vii) Interest income (Rent deposit interest)

Related parties	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Capital Securities Corporation	\$ 8	2	17	22

(viii) Securities brokerage charge

Related parties	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Capital Securities Corporation	\$ 47,098	43,139	93,197	101,471
CSC Securities (HK) Ltd.	86	-	254	-
	<u>\$ 47,184</u>	<u>43,139</u>	<u>93,451</u>	<u>101,471</u>

(ix) Information technology expenses

Related parties	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Capital Securities Corporation	\$ 11,257	13,091	23,993	24,563

(x) Stock service fees

Related parties	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Capital Securities Corporation	\$ 148	124	274	240

(xi) Human resource and legal service fees

Related parties	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Capital Securities Corporation	\$ 75	75	150	150

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xii) Securities transaction fees

<u>Related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ 75	-	86	-
CSC Securities (HK) Ltd.	254	-	254	-
	<u>\$ 329</u>	<u>-</u>	<u>340</u>	<u>-</u>

(xiii) Discretionary service commission fees

<u>Related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ -	-	89	-

(xiv) Management service fees

<u>Related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
CSC Securities (HK) Ltd.	\$ 710	869	1,604	1,746

(xv) Stationery and printing fees

<u>Related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ 27	10	28	11

(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 AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Derivative instrument transactions:

- (a) As of June 30, 2021, December 31 and June 30, 2020, the open positions of futures and option contracts were as follows:

June 30, 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	30	\$ 92,235	103,504	
	TAIEX Futures	Short	171	(605,503)	(605,750)	
	Mini Taiex Futures	Long	443	376,799	389,165	
	Mini Taiex Futures	Short	6	(4,896)	(5,074)	
	Electronic Sector Index Futures	Long	3	9,819	9,913	
	Financial Insurance Index Futures	Long	10	14,940	15,050	
	Stock Futures	Long	15	2,270	2,250	
	US Dollar Index Futures	Long	32	81,827	82,404	
	FTSE Taiwan 50 Index Futures	Short	16	(26,665)	(26,960)	
	Subtotal			(59,174)		
Options contract:						
	Stock Options (Call)	Short	18	\$ (218)	(138)	
	Stock Options (Put)	Long	27	3	3	
	TAIEX Options (Call)	Long	1,484	29,103	49,583	
	TAIEX Options (Call)	Short	1,690	(30,163)	(57,120)	
	TAIEX Options (Put)	Long	2,543	26,024	12,899	
	TAIEX Options (Put)	Short	2,067	(23,869)	(12,732)	
	TAIEX Weekly Options (Call)	Long	189	1,126	1,006	
	TAIEX Weekly Options (Call)	Short	74	(606)	(543)	
	TAIEX Weekly Options (Put)	Long	187	554	472	
	TAIEX Weekly Options (Put)	Short	31	(243)	(229)	
	Finance Insurance Index Options(Call)	Short	40	(166)	(203)	
	Finance Insurance Index Options(Put)	Long	40	333	246	
	Subtotal			1,878		
Total				\$ (57,296)		

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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)	
	Hushen 300 Options(Call)	Long	30	2,803	3,194	
	Hushen 300 Options(Put)	Long	18	11	6	
	Hushen 300 Options(Put)	Short	18	(122)	(77)	
	Subtotal			<u>(10,549)</u>		
Total				<u>\$ 364,493</u>		

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 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	11	\$ 24,827	24,799	
	TAIEX Futures	Short	70	(160,742)	(160,580)	
	Mini Taiex Futures	Long	17	9,608	9,610	
	Electronic Sector Index Futures	Short	23	(46,650)	(47,385)	
	Financial Insurance Index Futures	Short	11	(13,836)	(13,713)	
	Non-Finance Non-Electronics Sub-Index Futures	Long	4	4,678	4,697	
	Stock Futures	Long	20	12,455	12,500	
	Mini Taiex Weekly Futures	Short	18	(10,387)	(10,430)	
	Morgan Futures	Long	94	120,589	120,516	
	Subtotal			(59,458)		
Options contract:						
	TAIEX Options (Call)	Long	264	\$ 925	632	
	TAIEX Options (Call)	Short	412	(3,376)	(3,640)	
	TAIEX Options (Put)	Long	664	2,628	1,400	
	TAIEX Options (Put)	Short	252	(1,024)	(594)	
	TAIEX Weekly Options (Call)	Long	46	28	5	
	TAIEX Weekly Options (Call)	Short	6	(12)	(14)	
	TAIEX Weekly Options (Put)	Long	61	176	130	
	TAIEX Weekly Options (Put)	Short	26	(48)	(42)	
	Subtotal			(703)		
Total				\$ (60,161)		

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) As of June 30, 2021, December 31 and June 30, 2020, the nominal amount of open positions of leverage derivatives contracts were as follows:

Item	June 30, 2021	December 31, 2020	June 30, 2020
Leverage derivatives- long	\$ <u>1,843,335</u>	<u>1,321,887</u>	<u>1,592,312</u>
Leverage derivatives- short	\$ <u>1,717,496</u>	<u>1,282,847</u>	<u>1,583,926</u>

(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						
	(Total liabilities– futures traders' equity)	6,062,051	6.77	6,081,181	5.57	≥ 1	Satisfactory to requirement
		895,211		1,091,429			
17	Current Assets	42,610,236		44,509,513			
	Current Liabilities	37,894,757	1.12	39,849,895	1.12	≥ 1	"
22	Stockholders' equity	6,062,051		6,081,181		≥ 60%	"
	Minimum paid-in capital	1,115,000	543.68 %	1,115,000	545.40 %	≥ 40%	"
22	Post-adjustment net capital						
	Total customer margin deposits required for open positions of customers	4,531,413	56.87 %	4,733,712	54.82 %	≥ 20%	"
		7,967,419		8,634,695		≥ 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 Group needs sufficient liquidity to cover the transactions and suffer the loss may occur.

(15) Other:None

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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	38,660	38,660	16,569	5%	1	13,029		-		-	174,302	871,508
1	CSC Futures (HK) Ltd.	F611702	Account receivables -Customer	No	276,144	276,144	276,144	1.44%- 2.69%	1	152,940		-		-	276,144	871,508
1	CSC Futures (HK) Ltd.	F613059	Account receivables -Customer	No	82,843	82,843	22,092	1.19%- 3.19%	1	30,912		-		-	174,302	871,508
1	CSC Futures (HK) Ltd.	F612688	Account receivables -Customer	No	77,320	77,320	4,886	3.19%	1	1,641		-		-	174,302	871,508
1	CSC Futures (HK) Ltd.	F612687	Account receivables -Customer	No	77,320	77,320	-	3.19%	1	803		-		-	174,302	871,508
1	CSC Futures (HK) Ltd.	F612851	Account receivables -Customer	No	82,843	82,843	-	3.19%	1	6,828		-		-	174,302	871,508

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

(vii) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expenses	773	General transaction	0.06%
2	Capital True Partner Technology Co., Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	773	General transaction	0.06%
1	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payables	171		-%
2	Capital True Partner Technology Co., Ltd.	CSC Futures (HK) Ltd.	3	Accounts receivable	171		-%
2	Capital True Partner Technology Co., Ltd.	Capital Futures Corp.	2	Other operating revenue	9,989	General transaction	0.77%
0	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	1	Professional service fees	9,989	General transaction	0.77%
0	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	1	Other payables	2,289		0.01%

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
2	Capital True Partner Technology Co., Ltd.	Capital Futures Corp.	2	Accounts receivable	2,289		0.01%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures traders' equity	265,568		0.58%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Customers' margin account	265,568		0.58%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Futures traders' equity	3,760,873		8.26%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Customers' margin account	3,425,202		7.52%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Customers' margin account	335,671		0.74%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures commission revenue	3,035	General transaction	0.23%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Futures commission expenses	3,035	General transaction	0.23%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Brokerage fee revenue	66,566	General transaction	5.13%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures commission expenses	66,566	General transaction	5.13%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Interest revenue	416	General transaction	0.03%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Financial cost	416	General transaction	0.03%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Other payables	8,786		0.02%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Other receivables	8,786		0.02%
3	Capital International Technology Corp.	Capital Futures Corp.	2	Professional service revenue	1,613	General transaction	0.12%
0	Capital Futures Corp.	Capital International Technology Corp.	1	Repair expenses	1,613	General transaction	0.12%
3	Capital International Technology Corp.	Capital Futures Corp.	2	Advance receipts	1,613		-%
0	Capital Futures Corp.	Capital International Technology Corp.	1	Other prepayment	1,613		-%

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

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

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

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

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 June 30, 2021			Revenue of investee	Net income (losses) of investee	Share of profits/losses of investee	Cash dividend	Note
						June 30, 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 %	847,716	213,013	(15,767)	(15,337)	-	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 %	37,307	1,536	(3,461)	(3,461)	-	Subsidiary
Capital Futures Corporation	True Partner Capital Advisor Co., Ltd.	Hong Kong	2010.5.31	Gin Guan Zheng Zhi No. 1040027513 letter	Assets Management	36,701	36,701	245	49.00 %	49,588	51,241	1,574	771	-	Associate

(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 June 30, 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	279	51.00%	51.00%	142 B (2)	21,183	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management consulting and information service business	18,863	(C)	18,863	-	-	18,863	(2,135)	100.00%	100.00%	(2,135) B (2)	13,413	-

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)

Company Name	Accumulated Investment in Mainland China as of June 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Capital International Technology Corp.	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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(17) Segment information:

(a) General information

The Group has one reportable segment: the brokerage segment. This segment is mainly involved in futures brokerage business. The Group's other operating segments are mainly involved in futures and securities business on a proprietary basis and advisory business, etc. For the three months and six months ended June 30, 2021 and 2020, none of the above segments met the quantitative thresholds for reportable segments.

(b) Information about reportable segments and their measurement and reconciliations

The Group does not allocate the income tax expense or extraordinary gain/loss to the reportable segment. The reported information of operating segments are consistent with the internal reports provided to the chief operating decision-maker. All accounting policies of the Group's operating segments' are no material difference from the ones described in Note 4 "significant accounting policies". The Group evaluates segment performance based on the net profit before tax excluding any extraordinary activity and foreign exchange gain/loss. The Group does not evaluate segment's performance based on its assets and liabilities so that there was no disclosure of assets and liabilities of the operating segment.

For the three months ended June 30, 2021				
	Brokerage business	Others	Adjustment and elimination	Total
Segment revenue	\$ <u>594,636</u>	<u>98,795</u>	<u>(40,995)</u>	<u>652,436</u>
Segment profit or loss	\$ <u>177,102</u>	<u>(20,663)</u>	<u>-</u>	<u>156,439</u>
For the three months ended June 30, 2020				
	Brokerage business	Others	Adjustment and elimination	Total
Segment revenue	\$ <u>571,105</u>	<u>93,443</u>	<u>(94,046)</u>	<u>570,502</u>
Segment profit or loss	\$ <u>152,003</u>	<u>33,218</u>	<u>-</u>	<u>185,221</u>
For the six months ended June 30, 2021				
	Brokerage business	Others	Adjustment and elimination	Total
Segment revenue	\$ <u>1,201,623</u>	<u>178,554</u>	<u>(83,826)</u>	<u>1,296,351</u>
Segment profit or loss	\$ <u>353,504</u>	<u>260</u>	<u>-</u>	<u>353,764</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30, 2020			
	Brokerage business	Others	Adjustment and elimination	Total
Segment revenue	<u>\$ 1,257,689</u>	<u>144,753</u>	<u>(202,988)</u>	<u>1,199,454</u>
Segment profit or loss	<u>\$ 384,952</u>	<u>16,670</u>	<u>-</u>	<u>401,622</u>

(c) Information about regions

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

(d) Information about major customers

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

CAPITAL FUTURES CORPORATION

Financial Statements of Securities Dealing Department

For the Three Months Ended June 30, 2021 and 2020

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(English Translation of Financial Statements of Securities Dealing Department Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION
Securities Dealing Department's Balance Sheets
June 30, 2021, December 31, 2020, and June 30, 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2021		December 31, 2020		June 30, 2020		Liabilities and Equity		June 30, 2021		December 31, 2020		June 30, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
111100	Cash and cash equivalents (Note 6(a))	\$ 547,703	52	650,656	64	735,676	91	212000	Financial liabilities at fair value through profit or loss- current (Note 6(d))	\$ 34,080	3	-	-	-	-
112000	Financial assets at fair value through profit or loss-current (Note 6(b))	180,571	17	102,408	10	34,455	4	214130	Accounts payable	59,262	6	92,559	9	772	-
113200	Financial assets at fair value through comprehensive income- current (Note 6(b))	206,465	20	119,204	11	-	-	214170	Other payables	4,181	-	8,622	1	1,273	-
114100	Security borrowing margin	46,494	4	-	-	-	-	216000	Lease liabilities- current	288	-	289	-	145	-
114130	Accounts receivable	51,965	5	130,029	13	24,426	3			97,811	9	101,470	10	2,190	-
114150	Prepayments	19	-	28	-	18	-	Non-current liabilities:							
114170	Other receivables	342	-	237	-	344	-	226000	Lease liabilities- non-current	356	-	427	-	24	-
114600	Current income tax assets	90	-	69	-	133	-	Total liabilities		98,167	9	101,897	10	2,214	-
		1,033,649	98	1,002,631	98	795,052	98	301000	Common stock	800,000	76	800,000	78	800,000	98
Non-current assets:								304000	Retained earnings	132,214	13	118,431	12	12,131	2
125000	Property and equipment	711	-	798	-	1,216	-	305000	Other equity	23,266	2	1,686	-	-	-
125800	Right-of-use assets	642	-	715	-	168	-	Total equity		955,480	91	920,117	90	812,131	100
127000	Intangible assets	86	-	109	-	147	-								
129000	Other non-current assets (Note 6(c))	18,559	2	17,761	2	17,762	2	Total liabilities and equity		\$ 1,053,647	100	1,022,014	100	814,345	100
		19,998	2	19,383	2	19,293	2								
Total assets		\$ 1,053,647	100	1,022,014	100	814,345	100								

See accompanying notes to financial statements of securities dealing department.

(English Translation of Financial Statements of Securities Dealing Department Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION

Securities Dealing Department's Statements of Comprehensive Income

For the three months ended June 30, 2021 and 2020

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

		For the three months ended June 30,			
		2021		2020	
		Amount	%	Amount	%
Income:					
410000	Net gains (losses) on sale of trading securities	\$ 14,248	70	(18,814)	(83)
421300	Dividend revenue	220	1	734	3
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss	5,395	26	(5,668)	(25)
421600	Losses on covering of borrowed securities and bonds with resale agreements-short sales	-	-	(944)	(4)
421610	Net gains on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	210	1	1,108	5
428000	Other operating revenue	324	2	969	4
		<u>20,397</u>	<u>100</u>	<u>(22,615)</u>	<u>(100)</u>
Expenses:					
502000	Brokerage fees- proprietary trading	137	1	78	-
521200	Financial costs	2	-	1	-
521640	Loss from securities borrowing transactions	-	-	-	-
528000	Other operating expenditure	347	2	309	1
531000	Employee benefits expense	2,304	11	1,042	5
532000	Depreciation and amortization expense	188	1	300	1
533000	Other operating expenses	4,488	22	2,906	13
		<u>7,466</u>	<u>37</u>	<u>4,636</u>	<u>20</u>
	Net operating income (loss)	<u>12,931</u>	<u>63</u>	<u>(27,251)</u>	<u>(120)</u>
Non-operating income and expenses:					
602000	Other gains and losses	852	4	(888)	(4)
		<u>852</u>	<u>4</u>	<u>(888)</u>	<u>(4)</u>
902001	Net income (loss) before income tax	13,783	67	(28,139)	(124)
701000	Less: Income tax expenses	-	-	-	-
	Net income (loss)	<u>13,783</u>	<u>67</u>	<u>(28,139)</u>	<u>(124)</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	21,580	106	-	-
805599	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>21,580</u>	<u>106</u>	<u>-</u>	<u>-</u>
805000	Other comprehensive income	<u>21,580</u>	<u>106</u>	<u>-</u>	<u>-</u>
902006	Total comprehensive income	<u>\$ 35,363</u>	<u>173</u>	<u>(28,139)</u>	<u>(124)</u>

See accompanying notes to financial statements of securities dealing department.

(English Translation of Financial Statements of Securities Dealing Department Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements of Securities Dealing Department

June 30, 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 issue by the Board of Directors on May 11, 2021.

(3) New standards, amendments and interpretations adopted:

The new standards, amendments and interpretations of the Department apply in line with consolidated financial report. Please refer to the consolidated 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 consolidated financial report, please refer to the consolidated 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 and IAS 34 “Interim Financial Reporting” 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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Demand deposits	\$ 228,195	324,917	394,351
Time deposits	319,508	325,739	341,325
Total	<u>\$ 547,703</u>	<u>650,656</u>	<u>735,676</u>

(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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Open-ended funds and money-market instruments	\$ -	-	10,135
Open-ended funds and money-market instruments valuation adjustment	-	-	(577)
Trading securities- proprietary trading	175,838	103,070	24,088
Trading securities- proprietary trading valuation adjustment	4,733	(662)	809
Total	<u>\$ 180,571</u>	<u>102,408</u>	<u>34,455</u>

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remain the same), the impact on after-tax comprehensive income for three months ended March 31, 2021 and 2020 will increase \$1,806 and \$345, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remain 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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Equity investments at fair value through other comprehensive income			
Listed stocks	\$ 162,627	99,266	-
OTC stocks	<u>20,572</u>	<u>18,252</u>	<u>-</u>
	183,199	117,518	-
Valuation adjustment	<u>23,266</u>	<u>1,686</u>	<u>-</u>
Total	<u>\$ 206,465</u>	<u>119,204</u>	<u>-</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 three months ended June 30, 2021 and 2020, the dividends of \$200 and \$0, respectively, related to equity investment at fair value through other comprehensive income held on the three months then ended, were recognized.

(Continued)

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

No strategic investments were disposed of during the three months ended June 30, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(c) Other non-current assets

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Guarantee deposited for business operations	\$ 10,000	10,000	10,000
Settlement fund	8,559	7,761	7,762
Total	<u>\$ 18,559</u>	<u>17,761</u>	<u>17,762</u>

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Liabilities on sale of borrowed securities - non-hedging	\$ 34,290	-	-
Liabilities on sale of borrowed securities valuation adjustment - non-hedging	(210)	-	-
Total	<u>\$ 34,080</u>	<u>-</u>	<u>-</u>

(e) Financial Instruments

(i) Credit risk

The carrying amount of financial assets represent the maximum credit exposure. As of June 30, 2021, December 31 and June 30, 2020, the maximum credit exposure amounted to \$1,052,099, \$1,020,295 and \$812,663, 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>
March 31, 2021							
Financial liabilities at fair value through profit or loss	\$ 34,080	34,080	34,080	-	-	-	-
Accounts payable	59,262	59,262	59,262	-	-	-	-
Other payables	4,181	4,181	4,181	-	-	-	-
Lease liabilities	644	652	148	145	269	90	-
Total	<u>\$ 98,167</u>	<u>98,175</u>	<u>97,671</u>	<u>145</u>	<u>269</u>	<u>90</u>	<u>-</u>

(Continued)

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

	<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, 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	-
March 31, 2020							
Accounts payable	\$ 772	772	772	-	-	-	-
Other payables	1,273	1,273	1,273	-	-	-	-
Lease liabilities	169	170	132	14	24	-	-
Total	\$ 2,214	2,215	2,177	14	24	-	-

(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:

	June 30, 2021		
	<u>Foreign currency (dollar)</u>	<u>Exchange rate</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 4,263,879.28	28.5350	121,670
HKD	2,878,003.27	3.6700	10,562
CNY	7,130,207.18	4.3440	30,974
<u>Non-monetary items</u>			
USD	1,338,960.00	28.5350	38,207
<u>Financial liabilities</u>			
<u>Monetary items</u>			
SGD	1,239.47	21.2100	26

(Continued)

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

December 31, 2020			
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<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
June 30, 2020			
	Foreign currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 3,703,092.87	30.2250	111,926
HKD	2,877,426.22	3.8980	11,216
<u>Non-monetary items</u>			
USD	749,371.86	30.2250	22,650
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	337.50	30.2250	10
SGD	2,465.23	21.2300	52

For the three months ended June 30, 2021 and 2020, the foreign exchange gains (including realized and unrealized) were \$324 and \$968, 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, other receivables, other payables and lease liabilities which are denominated in foreign currency. As of three months ended June 30, 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 a decrease or an increase by \$1,611 and \$1,166, respectively. The analytical basis was the same in both years.

(v) Analysis in interest rates

For the three months ended June 30, 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 \$17 and \$60. This is mainly due to the Department's guarantee deposited for business operations in variable rates and 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 consolidated financial report. Please refer to the consolidated 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:

Assets and Liabilities items	June 30, 2021			
	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)
Fair value evaluated on a recurring basis				
<u>Non-derivative assets and liabilities</u>				
Assets:				
Financial assets at fair value through profit or loss				
Stock investment	\$ 180,571	180,571	-	-
Financial assets at fair value through other comprehensive income				
Stock investment	206,465	206,465	-	-
Liabilities :				
Financial liabilities at fair value through profit or loss	34,080	34,080	-	-

(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	-	-
		June 30, 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				
Beneficiary certificate	\$ 9,558	9,558	-	-
Stock investment	24,897	24,897	-	-

b) Valuation techniques

The evaluation techniques of the Department in terms of fair value are in consistent with consolidated financial report. Please refer to the consolidated 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.

(Continued)

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

(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 Group
Capital Securities Corporation	The parent company

(c) Key management personnel compensation : None.

(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 June 30, 2021, December 31 and June 30, 2020, the total value of effective contracts were \$807, \$807 and \$1,069, respectively. For the three months ended June 30, 2021 and 2020, the Department recognized the amount of \$2 and \$1 as interest expense. As of June 30, 2021, December 31 and June 30, 2020, lease liabilities were amounted to \$620, \$686 and \$118, 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:

Related parties	For the three months ended June 30,	
	2021	2020
Capital Securities Corporation	\$ <u>24</u>	<u>-</u>

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

Related parties	For the three months ended June 30,	
	2021	2020
Capital Securities Corporation	\$ <u>255</u>	<u>233</u>

(8) Pledged assets:None

(9) Significant commitments and contingencies:None

(10) Losses due to major disasters:None

(11) Significant subsequent events:None

(Continued)

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(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.