

**CAPITAL FUTURES CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

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

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The independent auditors' report and the accompanying 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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## Representation Letter

The entities that are required to be included in the combined financial statements of Capital Futures Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Capital Futures Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Capital Futures Corporation

Chairman: Lee, Wen-Chu

Date: March 11, 2022



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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 December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 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 December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and 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 of the current period. 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(p) revenue recognition. Explanation of brokerage fee revenue, please refer to the consolidated financial report Note 6(p)(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 December 31, 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)

March 11, 2022

#### Notes to Readers

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

The 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

|                            |  | December 31, 2021    |            | December 31, 2020 |            |   |   | December 31, 2021    |            | December 31, 2020 |            |
|----------------------------|--|----------------------|------------|-------------------|------------|---|---|----------------------|------------|-------------------|------------|
|                            |  | Amount               | %          | Amount            | %          |   |   | Amount               | %          | Amount            | %          |
| <b>Assets</b>              |  |                      |            |                   |            | <b>Liabilities and Equity</b>                   |   |                      |            |                   |            |
| <b>Current assets:</b>     |  |                      |            |                   |            | <b>Current liabilities:</b>                     |   |                      |            |                   |            |
| 111100                     | Cash and cash equivalents (Note 6(a))  | \$ 5,248,044         | 12         | 5,259,993         | 11         | 211100  | Short-term borrowings (Note 6(j))   | \$ 109,784           | -          | -                 | -          |
| 112000                     | Financial assets at fair value through profit or loss- current (Note 6(b))                 | 357,902              | 1          | 450,635           | 1          | 212000  | Financial liabilities at fair value through profit or loss- current (Note 6(b)) | 67,806               | -          | 61,349            | -          |
| 113200                     | Financial assets at fair value through other comprehensive income- current (Note 6(b))     | 28,268               | -          | 119,204           | -          | 214080  | Futures traders' equity (Note 6(g))   | 39,205,280           | 84         | 39,140,989        | 85         |
| 114010                     | Bonds purchased under resale agreements (Note 6(b))  | 84,013               | -          | 244,530           | 1          | 214100  | Leverage contract trading - customers' equity                                   | 630,830              | 2          | 352,056           | 1          |
| 114070                     | Customers margin accounts (Note 6(g))  | 39,255,077           | 84         | 39,174,200        | 85         | 214130  | Accounts payable  | 45,693               | -          | 136,981           | -          |
| 114130                     | Accounts receivable  | 18,034               | -          | 131,775           | -          | 214140  | Accounts payable- related parties (Note 7)                                      | 11,448               | -          | 14,679            | -          |
| 114140                     | Accounts receivable- related parties (Note 7)  | 3,011                | -          | 2,735             | -          | 214150  | Advance receipts  | 3,252                | -          | 3,773             | -          |
| 114150                     | Prepayments  | 7,803                | -          | 7,279             | -          | 214160  | Receipts under custody  | 4,920                | -          | 5,078             | -          |
| 114170                     | Other receivables  | 409,498              | 1          | 76,756            | -          | 214170  | Other payables  | 136,080              | -          | 142,850           | -          |
| 114180                     | Other receivables- related parties (Note 7)  | 4,181                | -          | 3,841             | -          | 214180  | Other payables- related parties (Note 7)  | 1,293                | -          | 4,881             | -          |
| 114300                     | Leverage contract trading-customers' margin accounts                                       | 624,232              | 1          | 352,962           | 1          | 214600  | Current income tax liabilities  | 38,213               | -          | 61,758            | -          |
| 114600                     | Current income tax assets  | 230                  | -          | 238               | -          | 215100  | Provisions- current   | 5,618                | -          | 5,577             | -          |
| 114710                     | Non-current assets classified as held for sale (Note 6(c))                                 | 50,112               | -          | -                 | -          | 216000  | Lease liabilities- current (Note 6(k))  | 24,112               | -          | 27,882            | -          |
| 119000                     | Other current assets   | 2                    | -          | 5                 | -          | 219000  | Other current liabilities   | 9,768                | -          | 15,248            | -          |
|                            |  | <u>46,090,407</u>    | <u>99</u>  | <u>45,824,153</u> | <u>99</u>  |   |   | <u>40,294,097</u>    | <u>86</u>  | <u>39,973,101</u> | <u>86</u>  |
| <b>Non-current assets:</b> |  |                      |            |                   |            | <b>Non-current liabilities:</b>                 |   |                      |            |                   |            |
| 123200                     | Financial assets at fair value through other comprehensive income- non-current (Note 6(b)) | 1,581                | -          | 1,349             | -          | 226000  | Lease liabilities- non-current (Note 6(k))                                      | 23,017               | -          | 30,597            | -          |
| 124100                     | Investments under equity method (Note 6(d))  | -                    | -          | 49,281            | -          | 228000  | Deferred income tax liabilities (Note 6(m))                                     | 16,324               | -          | 15,251            | -          |
| 125000                     | Property and equipment (Note 6(e))   | 47,372               | -          | 63,272            | -          | 229000  | Other non-current liabilities (Note 6(l))                                       | -                    | -          | 7,487             | -          |
| 125800                     | Right-of-use assets (Note 6(f))  | 47,037               | -          | 58,504            | -          |   |   | <u>39,341</u>        | <u>-</u>   | <u>53,335</u>     | <u>-</u>   |
| 127000                     | Intangible assets (Note 6(i))  | 70,581               | -          | 79,546            | -          | 906003  | <b>Total liabilities</b>  | <u>40,333,438</u>    | <u>86</u>  | <u>40,026,436</u> | <u>86</u>  |
| 128000                     | Deferred income tax assets (Note 6(m))   | -                    | -          | 414               | -          | <b>Equity attributable to owners of parent:</b> |   |                      |            |                   |            |
| 129000                     | Other non-current assets   | 350,558              | 1          | 336,876           | 1          | 301010  | Common stock (Note 6(n))  | 2,104,376            | 5          | 2,104,376         | 5          |
|                            |  | <u>517,129</u>       | <u>1</u>   | <u>589,242</u>    | <u>1</u>   | 302000  | Capital surplus (Note 6(n))   | 1,663,621            | 4          | 1,873,996         | 4          |
|                            |  |                      |            |                   |            | 304010  | Legal reserve   | 626,803              | 1          | 564,658           | 1          |
|                            |  |                      |            |                   |            | 304020  | Special reserve   | 1,446,574            | 3          | 1,280,666         | 3          |
|                            |  |                      |            |                   |            | 304040  | Unappropriated earnings (Note 6(n))   | 522,796              | 1          | 623,005           | 1          |
|                            |  |                      |            |                   |            | 305000  | Other equity  | (115,806)            | -          | (87,037)          | -          |
|                            |  |                      |            |                   |            |   | <b>Total equity attributable to owners of parent</b>                            | <u>6,248,364</u>     | <u>14</u>  | <u>6,359,664</u>  | <u>14</u>  |
|                            |  |                      |            |                   |            | 306000  | <b>Non-controlling interests</b>  | <u>25,734</u>        | <u>-</u>   | <u>27,295</u>     | <u>-</u>   |
|                            |  |                      |            |                   |            | 906004  | <b>Total equity</b>   | <u>6,274,098</u>     | <u>14</u>  | <u>6,386,959</u>  | <u>14</u>  |
| 906001                     | <b>Total assets</b>  | <u>\$ 46,607,536</u> | <u>100</u> | <u>46,413,395</u> | <u>100</u> | 906002  | <b>Total liabilities and equity</b>   | <u>\$ 46,607,536</u> | <u>100</u> | <u>46,413,395</u> | <u>100</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 Comprehensive Income

For the years ended December 31, 2021 and 2020

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

|   | 2021              |             | 2020              |             |
|---|-------------------|-------------|-------------------|-------------|
|   | Amount            | %           | Amount            | %           |
| <b>Income:</b>  |                   |             |                   |             |
| 401000 Brokerage fee revenue (Note 6(p))  | \$ 1,780,477      | 73          | 1,896,284         | 78          |
| 410000 Net gains (losses) on sale of trading securities   | 54,337            | 2           | 115,501           | 5           |
| 421300 Dividend revenue   | 11,420            | -           | 3,545             | -           |
| 421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss                                 | (11,346)          | -           | 4,945             | -           |
| 421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements-short sales                           | 6,531             | -           | (1,304)           | -           |
| 421610 Net gains (losses) on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss  | -                 | -           | 1,109             | -           |
| 424100 Futures commission revenue (Note 6(p))   | 327,809           | 13          | 322,130           | 13          |
| 424200 Securities commission revenue  | 27,770            | 1           | 11,437            | -           |
| 424400 Net gains (losses) on derivative instruments- futures (Note 6(p))  | 110,119           | 5           | (22,772)          | (1)         |
| 424500 Net gains (losses) on derivative instruments - OTC (Note 6(p))   | 91,820            | 4           | 62,602            | 3           |
| 424800 Management fee revenue   | 2,349             | -           | 220               | -           |
| 424900 Consulting fee revenue   | 18,404            | 1           | 12,219            | 1           |
| 428000 Other operating revenue  | 19,271            | 1           | 20,320            | 1           |
|   | <u>2,438,961</u>  | <u>100</u>  | <u>2,426,236</u>  | <u>100</u>  |
| <b>Expenses:</b>  |                   |             |                   |             |
| 501000 Brokerage fees   | 346,549           | 14          | 370,883           | 15          |
| 502000 Brokerage fees - proprietary trading   | 2,172             | -           | 3,147             | -           |
| 521200 Financial costs  | 5,247             | -           | 7,404             | -           |
| 521640 Loss from securities borrowing transactions  | -                 | -           | 70                | -           |
| 425300 Expected credit impairment losses and reversal gains (Note 6(q))   | (236)             | -           | 413               | -           |
| 524100 Futures commission expenses (Note 6(p))  | 489,551           | 20          | 525,520           | 22          |
| 524300 Clearing and settlement expenses   | 193,739           | 8           | 180,753           | 8           |
| 528000 Other operating expenditure  | 5,558             | -           | 4,552             | -           |
| 531000 Employee benefit expenses (Note 6(p))  | 498,853           | 20          | 496,948           | 21          |
| 532000 Depreciation and amortization expenses (Note 6(p))   | 72,625            | 3           | 77,442            | 3           |
| 533000 Other operating expenses (Note 6(p))   | 404,708           | 17          | 388,007           | 16          |
|   | <u>2,018,766</u>  | <u>82</u>   | <u>2,055,139</u>  | <u>85</u>   |
|   | <u>420,195</u>    | <u>18</u>   | <u>371,097</u>    | <u>15</u>   |
| <b>Net operating income</b>   |                   |             |                   |             |
| <b>Non-operating income and expenses:</b>   |                   |             |                   |             |
| 601000 Shares of profit of associates and joint ventures under equity method (Note 6(d))  | 894               | -           | 2,304             | -           |
| 602000 Other gains and losses (Note 6(p))   | 178,812           | 7           | 411,105           | 17          |
|   | <u>179,706</u>    | <u>7</u>    | <u>413,409</u>    | <u>17</u>   |
| 902001 <b>Net income before income tax</b>  | 599,901           | 25          | 784,506           | 32          |
| 701000 <b>Less: Income tax expenses (Note 6(m))</b>   | 110,578           | 5           | 162,162           | 6           |
| <b>Net income</b>   | <u>489,323</u>    | <u>20</u>   | <u>622,344</u>    | <u>26</u>   |
| <b>Other comprehensive income:</b>  |                   |             |                   |             |
| 805500 <b>Components that may not be reclassified subsequently to profit or loss:</b>   |                   |             |                   |             |
| 805510 Actuarial gain (loss) on defined benefit plans (Note 6(l))   | 1,159             | -           | (709)             | -           |
| 805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income            | 31,396            | 1           | 1,660             | -           |
| 805599 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss         | -                 | -           | -                 | -           |
|   | <u>32,555</u>     | <u>1</u>    | <u>951</u>        | <u>-</u>    |
| 805600 <b>Subtotal of components that may not be reclassified subsequently into profit or loss</b>                                  |                   |             |                   |             |
| 805610 <b>Components that may be reclassified subsequently to profit or loss:</b>   |                   |             |                   |             |
| 805610 Exchange differences on translation of foreign operations  | (28,303)          | (1)         | (44,625)          | (2)         |
| 805690 Equity related to non-current assets classified as held for sale   | (2,129)           | -           | -                 | -           |
| 805699 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(m)) | 414               | -           | (178)             | -           |
|   | <u>(30,846)</u>   | <u>(1)</u>  | <u>(44,447)</u>   | <u>(2)</u>  |
| 805000 <b>Other comprehensive income</b>  | 1,709             | -           | (43,496)          | (2)         |
| 902006 <b>Total comprehensive income</b>  | <u>\$ 491,032</u> | <u>20</u>   | <u>\$ 578,848</u> | <u>24</u>   |
| <b>Net income attributable to:</b>  |                   |             |                   |             |
| 913100 Shareholders of the parent   | \$ 490,039        | 20          | 622,166           | 26          |
| 913200 Non-controlling interests  | (716)             | -           | 178               | -           |
|   | <u>\$ 489,323</u> | <u>20</u>   | <u>\$ 622,344</u> | <u>26</u>   |
| <b>Comprehensive income attributable to:</b>  |                   |             |                   |             |
| 914100 Shareholders of the parent   | \$ 492,593        | 20          | 579,841           | 24          |
| 914200 Non-controlling interests  | (1,561)           | -           | (993)             | -           |
|   | <u>\$ 491,032</u> | <u>20</u>   | <u>\$ 578,848</u> | <u>24</u>   |
| 975000 <b>Basic earnings per share (Dollar) (Note 6(o))</b>   | \$                | <u>2.33</u> | \$                | <u>3.07</u> |
| 985000 <b>Diluted earnings per share (Dollar) (Note 6(o))</b>   | \$                | <u>2.33</u> | \$                | <u>3.07</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 years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

|   | Equity attributable to owners of parent |                 |                   |                 |                         |   |   |  |   |         |           |                           |              |
|---|---|-----------------|-------------------|-----------------|-------------------------|---|---|--|---|---------|-----------|---------------------------|--------------|
|   | Stock                                   |                 | Retained earnings |                 |                         |   | Other equity  |  |   |         |           | 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 | Equity related to non-current assets classified as held for sale | Total equity attributable to owners of parent |         |           |                           |              |
| <b>Balance at January 1, 2020</b>   | \$ 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 year ended December 31, 2020   | -                                       | -               | -                 | -               | 622,166                 | -   | -   | -  | 622,166                                       | 178     | 622,344   |                           |              |
| Other comprehensive income  | -                                       | -               | -                 | -               | (709)                   | (43,276)  | 1,660   | -  | (42,325)                                      | (1,171) | (43,496)  |                           |              |
| Total comprehensive income  | -                                       | -               | -                 | -               | 621,457                 | (43,276)  | 1,660   | -  | 579,841                                       | (993)   | 578,848   |                           |              |
| 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 |                           |              |
| Right of inclusion options exercised  | -                                       | 398             | -                 | -               | -                       | -   | -   | -  | 398   | -       | 398       |                           |              |
| <b>Balance at December 31, 2020</b>   | 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 year ended December 31, 2021   | -                                       | -               | -                 | -               | 490,039                 | -   | -   | -  | 490,039                                       | (716)   | 489,323   |                           |              |
| Other comprehensive income  | -                                       | -               | -                 | -               | 1,159                   | (27,872)  | 31,396  | (2,129)  | 2,554   | (845)   | 1,709     |                           |              |
| Total comprehensive income  | -                                       | -               | -                 | -               | 491,198                 | (27,872)  | 31,396  | (2,129)  | 492,593                                       | (1,561) | 491,032   |                           |              |
| 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 | -                                       | -               | -                 | -               | 30,164                  | -   | (30,164)  | -  | -   | -       | -         |                           |              |
| <b>Balance at December 31, 2021</b>   | \$ 2,104,376                            | 1,663,621       | 626,803           | 1,446,574       | 522,796                 | (117,825)   | 4,148   | (2,129)  | 6,248,364                                     | 25,734  | 6,274,098 |                           |              |

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 years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

|   | <u>2021</u>         | <u>2020</u>      |
|---|---------------------|------------------|
| <b>Cash flows from (used in) operating activities:</b>                                      |                     |                  |
| Net income before income tax  | \$ 599,901          | 784,506          |
| <b>Adjustments:</b>   |                     |                  |
| <b>Adjustments to reconcile:</b>  |                     |                  |
| Depreciation expenses   | 63,543              | 67,702           |
| Amortization expenses   | 9,082               | 9,740            |
| Expected credit impairment losses and reversal gains  | (236)               | 413              |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss     | 16,652              | (9,967)          |
| Interest expenses   | 5,247               | 7,404            |
| Interest income (including financial income)  | (173,949)           | (364,733)        |
| Dividend revenue  | (13,962)            | (3,584)          |
| Shares of profit of associates and joint ventures under equity method                       | (894)               | (2,304)          |
| Losses on disposal of property and equipment  | 65                  | -                |
| Loss (gain) on lease modification   | 1,018               | (41)             |
| Impairment losses   | 4,951               | 1,204            |
| <b>Total adjustments to reconcile</b>   | <u>(88,483)</u>     | <u>(294,166)</u> |
| <b>Changes in operating assets and liabilities:</b>   |                     |                  |
| Decrease in financial assets at fair value through profit or loss                           | 76,081              | 71,070           |
| Decrease (increase) in bond purchased under resale agreements                               | 160,517             | (198,530)        |
| Increase in customer margin accounts  | (80,877)            | (3,682,034)      |
| Decrease (increase) in receivable-futures margin  | 236                 | (411)            |
| Increase in leverage contract trading - customer's margin accounts                          | (271,270)           | (44,419)         |
| Decrease in security borrowing margin   | -                   | 3,874            |
| Decrease (increase) in accounts receivable  | 113,741             | (118,236)        |
| Increase in accounts receivable - related parties   | (276)               | (2,013)          |
| Decrease (increase) in prepayments  | (524)               | 998              |
| Increase in other receivables   | (337,027)           | (4,018)          |
| Decrease (increase) in other receivables- related parties                                   | (344)               | 231              |
| Decrease (increase) in other current assets   | 3                   | (3)              |
| Increase in clearing and settlement fund  | (12,278)            | (16,744)         |
| Decrease (increase) in refundable deposits  | (603)               | 41               |
| Increase in financial liabilities at fair value through profit or loss                      | 6,457               | 39,622           |
| Increase in futures traders' equity   | 64,291              | 3,705,011        |
| Increase in leverage contract trading - customer's equity                                   | 278,774             | 43,466           |
| Increase (decrease) in accounts payable   | (91,288)            | 93,169           |
| Increase (decrease) in accounts payable - related parties                                   | (3,231)             | 3,765            |
| Increase (decrease) in advance receipts   | (521)               | 1,262            |
| Increase (decrease) in receipts under custody   | (158)               | 1,222            |
| Increase (decrease) in other payables   | (6,887)             | 11,422           |
| Increase (decrease) in other payables - related parties                                     | (3,588)             | 4,020            |
| Increase (decrease) in provisions for liabilities   | 41                  | (375)            |
| Increase (decrease) in other current liabilities  | (5,480)             | 4,578            |
| Increase (decrease) in other non-current liabilities  | (7,129)             | 59               |
| <b>Total changes in operating assets and liabilities</b>                                    | <u>(121,340)</u>    | <u>(82,973)</u>  |
| <b>Total adjustments</b>  | <u>(209,823)</u>    | <u>(377,139)</u> |
| Cash inflow generated from operations   | 390,078             | 407,367          |
| Interest received   | 178,352             | 372,443          |
| Dividends received  | 13,848              | 3,616            |
| Interest paid   | (5,240)             | (8,192)          |
| Income taxes paid   | (133,050)           | (180,549)        |
| <b>Net cash flows from operating activities</b>   | <u>443,988</u>      | <u>594,685</u>   |
| <b>Cash flows from (used in) investing activities:</b>                                      |                     |                  |
| Acquisition of financial assets at fair value through other comprehensive income            | (316,995)           | (117,518)        |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 439,095             | -                |
| Acquisition of property and equipment   | (15,593)            | (28,936)         |
| Acquisition of intangible assets  | (5,136)             | (8,323)          |
| <b>Net cash flows from (used in) investing activities</b>                                   | <u>101,371</u>      | <u>(154,777)</u> |
| <b>Cash flows from (used in) financing activities:</b>                                      |                     |                  |
| Cash dividends paid   | (603,955)           | (399,831)        |
| Increase in short-term loans  | 109,784             | -                |
| Payments of lease liabilities   | (33,270)            | (35,520)         |
| Proceeds from issue of share capital  | -                   | 1,166,260        |
| Proceeds from right of inclusion options exercised  | 62                  | 398              |
| <b>Net cash flows from (used in) financing activities</b>                                   | <u>(527,379)</u>    | <u>731,307</u>   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                         | (29,929)            | (43,191)         |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                 | (11,949)            | 1,128,024        |
| <b>Cash and cash equivalents at beginning of period</b>                                     | 5,259,993           | 4,131,969        |
| <b>Cash and cash equivalents at end of period</b>   | <u>\$ 5,248,044</u> | <u>5,259,993</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 years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Capital Futures Corporation (the “Company”) was incorporated on February 26, 1997 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 32nd and B1 Fl. No. 97, Tun Hwa South Rd., Sec. 2, Taipei, Taiwan, R.O.C. The Company established the Taichung branch. The Company's common shares were listed at Taipei Exchange (TPEX) officially on April 27, 2009, then transferred to Taiwan Stock Exchange (TWSE) on October 16, 2017. The 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 March 11, 2022.

**(3) New standards, amendments and interpretations adopted:**

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

The 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”

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**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:

| <b>Standards or Interpretations</b>  | <b>Content of amendment</b>   | <b>Effective date per IASB</b> |
|--|---|--------------------------------|
| Amendments to IAS 1<br>“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<br>“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.

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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”
- Amendments to IAS 8 “Definition of Accounting Estimates”

**(4) Summary of significant accounting policies:**

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

(a) Statement of compliance

The 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 with the IFRSs, IASs, IFRIC interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

(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 mentioned in (Note 4(r)) stated.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The 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.

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Basis of consolidation

- (i) The consolidated financial statements comprise the Company and its subsidiaries.

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

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

- (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   |
|--|---|---|---------------------------|-------------------|--|
|  |   |   | December 31, 2021         | December 31, 2020 |  |
| The Company                            | CSC Futures (HK) Ltd.                           | Futures dealing business and other businesses permitted by local law of Hong Kong | 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 December 31, 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 %          | The corporation established in December, 2014. As of December 31, 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 %           | The corporation established in August 20, 2008. The Company acquired 51% of the equity on February 9, 2015 and held controlling interest. As of December 31, 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 %          | The corporation established in October, 2016. As of December 31, 2021, the paid in capitals amounted to CNY\$4,000 thousands.  |

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Foreign currency

(i) Foreign currency transaction

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

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

(ii) Foreign operations

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

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

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

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

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

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

(Continued)



**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

5) Derecognition of financial assets

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

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Financial liabilities

1) Financial liabilities

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

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

2) Derecognition of financial liabilities

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

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

3) Offsetting of financial assets and liabilities

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

(iii) Non-hedging derivative financial instruments

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

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

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

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Investments in associates and joint ventures

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

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

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

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

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

(j) Securities under agreements

The Group engages in securities under resell agreements trading and the nature of transaction substance is financing. When entering securities under resell agreements transactions, the Group establishes an account "Investment in Bonds with resell agreements" with the actual amount of lending and recognizes financing interest revenue by the interest period of resell agreements and no profit and loss is recognized.

(k) Securities borrowing transactions

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

(l) Customers margin accounts and future traders' equity

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

- 1) Office equipment                      3 ~ 5 years
- 2) Leasehold improvement is depreciated equally over the shorter period of estimated useful life or the lease term.

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(n) Leases

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

As a lessee

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

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

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

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

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

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

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

(o) Intangible assets

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

(p) Revenue recognition

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

(q) Impairment of non financial assets

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

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

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

(Continued)



**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Termination benefits

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

(iv) Short term employee benefits

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

(s) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses with a corresponding increase in equity, over the period which the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(t) Income tax

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

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

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

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

Income tax of foreign subsidiaries is estimated based on the tax rates prescribed by local laws and regulations. The income tax expense of the Group is the sum of the income tax expense of each company in the consolidated financial statements.

(u) Earnings per share (“EPS”)

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

(v) Segment information

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

|                               | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|-------------------------------|------------------------------|------------------------------|
| Cash                          | \$ 139                       | 96                           |
| Demand deposits               | 755,294                      | 493,633                      |
| Time deposits                 | 3,738,248                    | 3,918,024                    |
| Futures margin- excess margin | 744,369                      | 754,254                      |
| Commercial paper              | 9,994                        | 93,986                       |
| Total                         | <u><u>\$ 5,248,044</u></u>   | <u><u>5,259,993</u></u>      |

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**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

|   | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|---|------------------------------|------------------------------|
| Open-ended funds and money- market instruments                      | \$ 20,000                    | 30,000                       |
| Open-ended funds and money- market instruments valuation adjustment | 566                          | 72                           |
| Trading securities- proprietary trading                             | 112,398                      | 205,298                      |
| Trading securities- proprietary trading valuation adjustment        | (522)                        | 10,922                       |
| Securities invested by securities broker                            | 15,000                       | 48,166                       |
| Securities invested by securities broker valuation adjustment       | (1,990)                      | 934                          |
| Call options- non-hedging   | 59,268                       | 40,164                       |
| Futures margin- proprietary fund- non-hedging                       | 68,855                       | 51,699                       |
| Leverage derivatives- non-hedging                                   | 81,844                       | 63,380                       |
| Equity derivatives- non-hedging                                     | 2,483                        | -                            |
| Total   | <b><u>\$ 357,902</u></b>     | <b><u>450,635</u></b>        |

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remained constantly), the impact on after-tax comprehensive income for the years ended December 31, 2021 and 2020, will increase \$1,455 and \$2,954, 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

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

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.

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

- (iii) Bonds purchased under resale agreements

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

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

Equity instruments at fair value through other comprehensive income:

| <u>Investee Company</u>          | <u>December 31, 2021</u>   |                 | <u>December 31, 2020</u>   |               |
|----------------------------------|----------------------------|-----------------|----------------------------|---------------|
|                                  | <u>Ownership<br/>ratio</u> | <u>Amount</u>   | <u>Ownership<br/>ratio</u> | <u>Amount</u> |
| Taiwan Futures Exchange Co., Ltd | 0.0042 %                   | \$ <u>1,581</u> | 0.0042 %                   | <u>1,349</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 year ended December 31, 2021 and 2020, the dividends of \$50 and \$39, related to equity investments at fair value through other comprehensive income held on the year ended, were recognized. No strategic investments were disposed of during the year ended December 31, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

|                                   | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|-----------------------------------|------------------------------|------------------------------|
| Put options - non-hedging         | \$ 51,130                    | 59,577                       |
| Leverage derivatives- non-hedging | 16,671                       | 1,772                        |
| Equity derivatives- non-hedging   | <u>5</u>                     | <u>-</u>                     |
|                                   | <u>\$ 67,806</u>             | <u>61,349</u>                |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Non-current assets held for sale

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

(d) Investments under equity method

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

|           | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|-----------|------------------------------|------------------------------|
| Associate | <u>\$ -</u>                  | <u>49,281</u>                |

(i) Associate

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

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

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

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

|  | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|--|------------------------------|------------------------------|
| Carrying amount of interest in associate | <u>\$ -</u>                  | <u>49,281</u>                |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | <b>For the years ended December 31,</b> |              |
|--|---|--------------|
|  | <b>2021</b>                             | <b>2020</b>  |
| Group's share of total comprehensive income in the investee's: |   |              |
| Profit from continuing operations                              | 894                                     | 2,304        |
| Other comprehensive losses                                     | -                                       | (705)        |
| Total comprehensive income                                     | <b>\$ 894</b>                           | <b>1,599</b> |

(ii) Collateral and pledge

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

(e) Property and equipment

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

|                                  | <b>Office<br/>equipment</b> | <b>Leasehold<br/>improvements</b> | <b>Total</b>   |
|----------------------------------|-----------------------------|-----------------------------------|----------------|
| <b>Cost:</b>                     |                             |                                   |                |
| Balance at January 1, 2021       | \$ 146,301                  | 25,244                            | 171,545        |
| Additions                        | 11,226                      | 4,367                             | 15,593         |
| Disposal                         | (39,678)                    | (12,801)                          | (52,479)       |
| Effect of exchange rate changes  | (1,295)                     | (106)                             | (1,401)        |
| Balance at December 31, 2021     | <b>\$ 116,554</b>           | <b>16,704</b>                     | <b>133,258</b> |
| Balance at January 1, 2020       | \$ 134,613                  | 22,186                            | 156,799        |
| Additions                        | 25,197                      | 3,739                             | 28,936         |
| Disposal                         | (12,032)                    | (543)                             | (12,575)       |
| Effect of exchange rate changes  | (1,477)                     | (138)                             | (1,615)        |
| Balance at December 31, 2020     | <b>\$ 146,301</b>           | <b>25,244</b>                     | <b>171,545</b> |
| <b>Accumulated depreciation:</b> |                             |                                   |                |
| Balance at January 1, 2021       | \$ 90,631                   | 17,642                            | 108,273        |
| Depreciation                     | 26,641                      | 4,421                             | 31,062         |
| Disposal                         | (39,613)                    | (12,801)                          | (52,414)       |
| Effect of exchange rate changes  | (998)                       | (37)                              | (1,035)        |
| Balance at December 31, 2021     | <b>\$ 76,661</b>            | <b>9,225</b>                      | <b>85,886</b>  |
| Balance at January 1, 2020       | \$ 76,051                   | 13,919                            | 89,970         |
| Depreciation                     | 27,589                      | 4,403                             | 31,992         |
| Disposal                         | (12,032)                    | (543)                             | (12,575)       |
| Effect of exchange rate changes  | (977)                       | (137)                             | (1,114)        |
| Balance at December 31, 2020     | <b>\$ 90,631</b>            | <b>17,642</b>                     | <b>108,273</b> |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
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|                              | <u>Office<br/>equipment</u> | <u>Leasehold<br/>improvements</u> | <u>Total</u>  |
|------------------------------|-----------------------------|-----------------------------------|---------------|
| <b>Carrying amounts:</b>     |                             |                                   |               |
| Balance at December 31, 2021 | \$ <u>39,893</u>            | <u>7,479</u>                      | <u>47,372</u> |
| Balance at December 31, 2020 | \$ <u>55,670</u>            | <u>7,602</u>                      | <u>63,272</u> |

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

(f) 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>   |
|----------------------------------|------------------|------------------|----------------|
| <b>Cost:</b>                     |                  |                  |                |
| Balance at January 1, 2021       | \$ 94,062        | 11,591           | 105,653        |
| Additions                        | 19,903           | 3,899            | 23,802         |
| Derecognition                    | (32,880)         | (8,107)          | (40,987)       |
| Effect of exchange rate changes  | <u>(659)</u>     | <u>-</u>         | <u>(659)</u>   |
| Balance at December 31, 2021     | \$ <u>80,426</u> | <u>7,383</u>     | <u>87,809</u>  |
| Balance at January 1, 2020       | \$ 60,635        | 8,977            | 69,612         |
| Additions                        | 57,296           | 2,614            | 59,910         |
| Derecognition                    | (22,876)         | -                | (22,876)       |
| Effect of exchange rate changes  | <u>(993)</u>     | <u>-</u>         | <u>(993)</u>   |
| Balance at December 31, 2020     | \$ <u>94,062</u> | <u>11,591</u>    | <u>105,653</u> |
| <b>Accumulated depreciation:</b> |                  |                  |                |
| Balance at January 1, 2021       | \$ 41,062        | 6,087            | 47,149         |
| Depreciation                     | 29,505           | 2,976            | 32,481         |
| Derecognition                    | (32,880)         | (5,712)          | (38,592)       |
| Effect of exchange rate changes  | <u>(266)</u>     | <u>-</u>         | <u>(266)</u>   |
| Balance at December 31, 2021     | \$ <u>37,421</u> | <u>3,351</u>     | <u>40,772</u>  |
| Balance at January 1, 2020       | \$ 27,215        | 2,916            | 30,131         |
| Depreciation                     | 32,539           | 3,171            | 35,710         |
| Derecognition                    | (18,060)         | -                | (18,060)       |
| Effect of change rate changes    | <u>(632)</u>     | <u>-</u>         | <u>(632)</u>   |
| Balance at December 31, 2020     | \$ <u>41,062</u> | <u>6,087</u>     | <u>47,149</u>  |
| <b>Carrying amounts:</b>         |                  |                  |                |
| Balance at December 31, 2021     | \$ <u>43,005</u> | <u>4,032</u>     | <u>47,037</u>  |
| Balance at December 31, 2020     | \$ <u>53,000</u> | <u>5,504</u>     | <u>58,504</u>  |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
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(g) Customers margin accounts/futures traders' equity

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

|  | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|--|------------------------------|------------------------------|
| Customers margin accounts                                  |                              |                              |
| Cash in bank   | \$ 27,671,541                | 29,144,632                   |
| Balance of the futures clearing house                      | 7,926,606                    | 6,038,034                    |
| Balance of other futures commission merchants              | 3,652,626                    | 3,990,936                    |
| Marketable securities                                      | <u>4,304</u>                 | <u>598</u>                   |
| Balance of customers margin accounts                       | <u>39,255,077</u>            | <u>39,174,200</u>            |
| Plus adjustment items:                                     |                              |                              |
| Commission cost  | 3,439                        | 2,352                        |
| Others   | 364                          | 26                           |
| Deduction adjustment items:                                |                              |                              |
| Brokerage fee revenue                                      | (12,674)                     | (11,746)                     |
| Futures transaction tax                                    | (1,652)                      | (2,289)                      |
| Interest income  | (523)                        | (789)                        |
| Temporary credits  | (3,122)                      | (3,034)                      |
| Remittance amount of the customers after the market closed | (7,535)                      | (11,879)                     |
| Other receivables  | (28,094)                     | (5,848)                      |
| Others   | <u>-</u>                     | <u>(4)</u>                   |
| Balance of futures traders' equity                         | <u>\$ 39,205,280</u>         | <u>39,140,989</u>            |

(h) Receivable - futures margin

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

(i) Intangible assets

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

|  | <b>Goodwill<br/>(Note2)</b> | <b>The seats of<br/>foreign futures<br/>exchanges<br/>(Note1)</b> | <b>Computer<br/>software</b> | <b>Total</b>   |
|--|-----------------------------|---|------------------------------|----------------|
| <b>Cost:</b>                               |                             |   |                              |                |
| Balance at January 1, 2021                 | \$ 22,088                   | 50,153  | 29,293                       | 101,534        |
| Additions                                  | -                           | -   | 5,136                        | 5,136          |
| Scrap                                      | -                           | -   | (6,220)                      | (6,220)        |
| Effect of exchange rate changes            | -                           | (198)   | (31)                         | (229)          |
| Balance at December 31, 2021               | <u>\$ 22,088</u>            | <u>49,955</u>   | <u>28,178</u>                | <u>100,221</u> |
| Balance at January 1, 2020                 | \$ 22,088                   | 50,436  | 28,362                       | 100,886        |
| Additions                                  | -                           | -   | 8,323                        | 8,323          |
| Scrap                                      | -                           | -   | (7,458)                      | (7,458)        |
| Effect of exchange rate changes            | -                           | (283)   | 66                           | (217)          |
| Balance at December 31, 2020               | <u>\$ 22,088</u>            | <u>50,153</u>   | <u>29,293</u>                | <u>101,534</u> |
| <b>Amortization and impairment losses:</b> |                             |   |                              |                |
| Balance at January 1, 2021                 | \$ 1,204                    | 4,007   | 16,777                       | 21,988         |
| Amortization                               | -                           | -   | 9,082                        | 9,082          |
| Impairment losses                          | 4,951                       | -   | -                            | 4,951          |
| Scrap                                      | -                           | -   | (6,220)                      | (6,220)        |
| Effect of exchange rate changes            | -                           | (136)   | (25)                         | (161)          |
| Balance at December 31, 2021               | <u>\$ 6,155</u>             | <u>3,871</u>  | <u>19,614</u>                | <u>29,640</u>  |
| Balance at January 1, 2020                 | \$ -                        | 4,201   | 14,450                       | 18,651         |
| Amortization                               | -                           | -   | 9,740                        | 9,740          |
| Impairment loss                            | 1,204                       | -   | -                            | 1,204          |
| Scrap                                      | -                           | -   | (7,458)                      | (7,458)        |
| Effect of exchange rate changes            | -                           | (194)   | 45                           | (149)          |
| Balance at December 31, 2020               | <u>\$ 1,204</u>             | <u>4,007</u>  | <u>16,777</u>                | <u>21,988</u>  |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
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|                              | <u>Goodwill<br/>(Note2)</u> | <u>The seats of<br/>foreign futures<br/>exchanges<br/>(Note1)</u> | <u>Computer<br/>software</u> | <u>Total</u>  |
|------------------------------|-----------------------------|---|------------------------------|---------------|
| <b>Carrying value:</b>       |                             |   |                              |               |
| Balance at December 31, 2021 | \$ <u>15,933</u>            | <u>46,084</u>   | <u>8,564</u>                 | <u>70,581</u> |
| Balance at December 31, 2020 | \$ <u>20,884</u>            | <u>46,146</u>   | <u>12,516</u>                | <u>79,546</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 \$4,951 and \$1,204 for the years ended December 31, 2021 and 2020, by using a discount rate of 4.65% on the basis of the future recoverable amount of sub-subsidiary from Mainland China.

(j) Short-term borrowings

| <u>Nature of borrowings</u> | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|-----------------------------|------------------------------|------------------------------|
| Credit loan                 | \$ <u>109,784</u>            | <u>-</u>                     |
| Interest rate range         | <u>1.46%</u>                 | <u>-</u>                     |

(k) Lease liabilities

The Group's lease liabilities were as follows:

|             | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|-------------|------------------------------|------------------------------|
| Current     | \$ <u>24,112</u>             | <u>27,882</u>                |
| Non-current | \$ <u>23,017</u>             | <u>30,597</u>                |

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

The amounts recognized in profit or loss were as follows :

|   | <u>For the years ended December 31,</u> |              |
|---|---|--------------|
|   | <u>2021</u>                             | <u>2020</u>  |
| Interest on lease liabilities   | \$ <u>884</u>                           | <u>787</u>   |
| Expenses relating to short-term leases  | \$ <u>3,271</u>                         | <u>3,340</u> |
| Expenses relating to leases of low-value, excluding short-term leases of low-value assets | \$ <u>303</u>                           | <u>303</u>   |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

|                               | <b>For the years ended December 31,</b> |               |
|-------------------------------|---|---------------|
|                               | <b>2021</b>                             | <b>2020</b>   |
| Total cash outflow for leases | <b>\$ 37,728</b>                        | <b>39,950</b> |

(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.

(l) Employee benefits

(i) Defined benefit plans

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

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

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

1) Composition of plan assets

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

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Movements in present value of defined benefit obligation

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

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

3) Movements in fair value of defined benefit plan assets

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

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

4) Expense recognized in profit or loss

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

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

- 6) Actuarial assumptions

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

|                           | <u>For the years ended December 31,</u> |             |
|---------------------------|---|-------------|
|                           | <u>2021</u>                             | <u>2020</u> |
| Discount rate             | 0.46 %                                  | 0.41 %      |
| Future salary growth rate | 3.00 %                                  | 3.00 %      |

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

- 7) Sensitivity Analysis

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

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

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

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

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

(ii) Defined contribution plans

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

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

(iii) For the years ended December 31, 2021 and 2020 the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$2,941 and \$1,699, respectively.

(m) 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 years ended December 31, 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 years ended December 31, 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 years ended December 31, 2021 and 2020.

(ii) Income tax expense

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

|                             | <b>For the years ended December 31,</b> |                |
|-----------------------------|---|----------------|
|                             | <b>2021</b>                             | <b>2020</b>    |
| Current income tax expense  | \$ 109,505                              | 155,678        |
| Deferred income tax expense | 1,073                                   | 6,484          |
| Total                       | <b>\$ 110,578</b>                       | <b>162,162</b> |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

|  | <b>For the years ended December 31,</b> |              |
|--|---|--------------|
|  | <b>2021</b>                             | <b>2020</b>  |
| Exchange difference on translation of foreign operations | \$ <b>414</b>                           | <b>(178)</b> |

Reconciliation of income tax expense (benefit) and profit before tax of the Group for 2021 and 2020 were as follows:

|  | <b>For the years ended December 31,</b> |                |
|--|---|----------------|
|  | <b>2021</b>                             | <b>2020</b>    |
| Net income before income tax                             | \$ 599,901                              | 784,506        |
| Income tax using the Company's domestic tax rate         | 118,701                                 | 156,092        |
| Tax-exempt income  | (10,060)                                | (5,966)        |
| Unrecognized deferred tax assets for current-year losses | (378)                                   | (279)          |
| Unrecognized temporary differences for current year      | 5,107                                   | 2,607          |
| Adjustments to prior year's income tax                   | (3,994)                                 | 7,293          |
| Surtax on undistributed earnings                         | -                                       | 49             |
| Others   | 1,202                                   | 2,366          |
| Total  | \$ <b>110,578</b>                       | <b>162,162</b> |

(iii) Deferred tax assets and liabilities

- 1) Unrecognized deferred income tax liabilities

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

|  | <b>December 31,</b> | <b>December 31,</b> |
|--|---------------------|---------------------|
|  | <b>2021</b>         | <b>2020</b>         |
| Aggregate amount of temporary differences related to investments in subsidiaries | \$ <b>59</b>        | <b>3,605</b>        |

The dividend policies of the Group's subsidiaries, Capital True Partner Technology Co., Ltd., were prescribed not to appropriate the retained earning until December 31, 2021. Also, the Group does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
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2) Unrecognized deferred income tax assets

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

|  | <u>December 31,</u><br><u>2021</u> | <u>December 31,</u><br><u>2020</u> |
|--|------------------------------------|------------------------------------|
| Unrealized losses on foreign investments under Equity Method | \$ 8,896                           | 620                                |
| Tax loss carried forward                                     | <u>217</u>                         | <u>595</u>                         |
|  | <u>\$ 9,113</u>                    | <u>1,215</u>                       |

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2021, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

| <u>Year of loss</u> | <u>Unused tax loss</u> | <u>Expiry date</u> |
|---------------------|------------------------|--------------------|
| 2018 (Declared)     | \$ 816                 | 2028               |
| 2019 (Declared)     | <u>269</u>             | 2029               |
| Total               | <u>\$ 1,085</u>        |                    |

3) Recognized deferred income tax assets and liabilities

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

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
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(iv) 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.

(n) Capital and other equity

(i) Common stock

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

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

(ii) Capital surplus

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

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

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.

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

The above information of employee options as follows:

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

(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.

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

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:

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

According to the resolution of board meeting on March 11, 2022, the Company's 2021 proposal of earnings distribution for owners were as follows:

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

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Earnings per share

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

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Items of the statements of comprehensive income

(i) Brokerage fee revenue

|  | <b>For the years ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2021</b>                             | <b>2020</b>      |
| Consignment trading handling fee revenue- Domestic futures | \$ 1,042,200                            | 994,090          |
| Consignment trading handling fee revenue- Foreign futures  | 738,277                                 | 902,194          |
|  | <u>\$ 1,780,477</u>                     | <u>1,896,284</u> |

(ii) Futures commission revenue

|   | <b>For the years ended December 31,</b> |                |
|---|---|----------------|
|   | <b>2021</b>                             | <b>2020</b>    |
| Futures commission revenue- CSC Futures (HK) Ltd. | \$ <u>327,809</u>                       | <u>322,130</u> |

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

(iii) Net gains (losses) on derivative instruments

|   | <b>For the years ended December 31,</b> |                        |
|---|---|------------------------|
|   | <b>2021</b>                             | <b>2020</b>            |
|   | <u>          </u>                       | <u>          </u>      |
| Non-hedging   |   |                        |
| Net gains (losses) on futures contracts   |   |                        |
| Gains on futures contracts  | \$ 258,646                              | 235,486                |
| Losses on futures contracts   | <u>(280,995)</u>                        | <u>(241,099)</u>       |
|   | <b><u>\$ (22,349)</u></b>               | <b><u>(5,613)</u></b>  |
| Non-hedging   |   |                        |
| Net gains (losses) on option contracts  |   |                        |
| Gains on option contracts   | \$ 302,431                              | 183,967                |
| Losses on option contracts  | <u>(167,255)</u>                        | <u>(202,372)</u>       |
|   | <b><u>\$ 135,176</u></b>                | <b><u>(18,405)</u></b> |
| Net gains (losses) on leverage derivatives  |   |                        |
| Gains on leverage derivatives   | \$ 600,409                              | 530,918                |
| Losses on leverage derivatives  | <u>(510,603)</u>                        | <u>(468,316)</u>       |
|   | <b><u>\$ 89,806</u></b>                 | <b><u>62,602</u></b>   |
| Net gains (losses) on equity derivatives  |   |                        |
| Gains on equity derivatives   | \$ 12,293                               | -                      |
| Losses on equity derivatives  | <u>(10,279)</u>                         | <u>-</u>               |
|   | <b><u>\$ 2,014</u></b>                  | <b><u>-</u></b>        |
| Net gains (losses) on derivative financial instruments<br>- overseas subsidiaries | <b><u>\$ (2,708)</u></b>                | <b><u>1,246</u></b>    |
| Non-hedging   |   |                        |
| Total gains on derivative financial instruments                                   | \$ 1,173,779                            | 950,371                |
| Total losses on derivative financial instruments                                  | (969,132)                               | (911,787)              |
| Net gains (losses) on derivative financial instruments<br>- overseas subsidiaries | <u>(2,708)</u>                          | <u>1,246</u>           |
|   | <b><u>\$ 201,939</u></b>                | <b><u>39,830</u></b>   |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iv) Futures commission expenses

|   | <b>For the years ended December 31,</b> |                       |
|---|---|-----------------------|
|   | <b>2021</b>                             | <b>2020</b>           |
| Re-consigned futures trading                | \$ 215,936                              | 266,087               |
| Futures introducing broker business         | 171,609                                 | 185,190               |
| Commission expenses - CSC Futures (HK) Ltd. | 102,006                                 | 74,243                |
|   | <b><u>\$ 489,551</u></b>                | <b><u>525,520</u></b> |

## (v) Employee benefit, depreciation and amortization expenses

|                                    | <b>For the years ended December 31,</b> |                       |
|------------------------------------|---|-----------------------|
|                                    | <b>2021</b>                             | <b>2020</b>           |
| Employee benefit expenses          |   |                       |
| Salary expense                     | \$ 409,501                              | 411,144               |
| Labor and health insurance expense | 28,013                                  | 24,272                |
| Pension expense                    | 17,898                                  | 14,925                |
| Director remuneration              | 29,337                                  | 23,396                |
| Others                             | 14,104                                  | 23,211                |
| Depreciation expense               | 63,543                                  | 67,702                |
| Amortization expense               | 9,082                                   | 9,740                 |
|                                    | <b><u>\$ 571,478</u></b>                | <b><u>574,390</u></b> |

## (vi) Other operating expenses

|                                | <b>For the years ended December 31,</b> |                       |
|--------------------------------|---|-----------------------|
|                                | <b>2021</b>                             | <b>2020</b>           |
| Postage expense                | \$ 59,428                               | 58,773                |
| Taxes                          | 76,856                                  | 68,710                |
| Rental expense                 | 3,621                                   | 3,643                 |
| Information technology expense | 163,286                                 | 157,191               |
| Professional service fee       | 13,738                                  | 12,715                |
| Others                         | 87,779                                  | 86,975                |
|                                | <b><u>\$ 404,708</u></b>                | <b><u>388,007</u></b> |

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vii) Other gains and losses

|  | <b>For the years ended December 31,</b> |                       |
|--|---|-----------------------|
|  | <b>2021</b>                             | <b>2020</b>           |
| Interest income  | \$ 173,949                              | 364,733               |
| Dividend income  | 2,542                                   | 39                    |
| Net gains (losses) on non-operating financial instruments at fair value through profit or loss | (5,306)                                 | 3,913                 |
| Net losses on foreign exchange   | (18,781)                                | (7,133)               |
| Net gains (losses) on disposal of investments  | 14,829                                  | 32,767                |
| Gains (losses) on disposal of property and equipment   | (65)                                    | -                     |
| Other non-operating revenue - other  | 19,282                                  | 18,287                |
| Other non-operating expense - other  | (7,638)                                 | (1,501)               |
|  | <b><u>\$ 178,812</u></b>                | <b><u>411,105</u></b> |

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

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (q) Financial Instruments

## (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets represent the maximum credit exposure. As of December 31, 2021 and 2020 the maximum credit exposure amounted to \$46,209,098 and \$45,882,794, respectively.

## 2) Concentration of credit risk

The exposure of credit risk by geographic region in December 31, 2021 as shown in below, mainly focusing on Taiwan (accounted for 86.67%), secondly in Asia (accounted for 11.93% excluded Taiwan), thirdly in North America (accounted for 0.96%). The proportion of investment by geographic region did not change significantly compared to the same period last year.

| Area                   | December 31,<br>2021 | December 31,<br>2020 |
|------------------------|----------------------|----------------------|
| Taiwan                 | \$ 40,050,017        | 39,633,371           |
| Asia (excluded Taiwan) | 5,512,355            | 5,937,255            |
| North America          | 444,031              | 277,056              |
| Europe                 | 178,761              | 19,645               |
| Oceania                | 23,934               | 15,467               |
| Total                  | <u>\$ 46,209,098</u> | <u>45,882,794</u>    |

## 3) Impairment losses

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

|                             | December 31, 2021           |              | December 31, 2020           |              |
|-----------------------------|-----------------------------|--------------|-----------------------------|--------------|
|                             | Gross<br>carrying<br>amount | Impairment   | Gross<br>carrying<br>amount | Impairment   |
| Current                     | \$ 441,744                  | 7,020        | 222,364                     | 7,257        |
| Past due 0~30 days          | -                           | -            | -                           | -            |
| Past due 31~120 days        | -                           | -            | -                           | -            |
| Past due 121~360 days       | -                           | -            | 544                         | 544          |
| Past due more than 360 days | -                           | -            | -                           | -            |
|                             | <u>\$ 441,744</u>           | <u>7,020</u> | <u>222,908</u>              | <u>7,801</u> |

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

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**CAPITAL FUTURES CORPORATION 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). 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 years ended December 31, 2021 and 2020 was as follows:

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

  

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

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**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.

|  | <u>Carrying<br/>amount</u> | <u>Contract<br/>cash flow</u> | <u>Within<br/>6 months</u> | <u>6-12<br/>months</u> | <u>1-2 year</u> | <u>2-5 year</u> | <u>More than<br/>5 year</u> |
|--|----------------------------|-------------------------------|----------------------------|------------------------|-----------------|-----------------|-----------------------------|
| <b>December 31, 2021</b>                                   |                            |                               |                            |                        |                 |                 |                             |
| Short-term borrowings                                      | \$ 109,784                 | 109,784                       | 109,784                    | -                      | -               | -               | -                           |
| Financial liabilities at fair value through profit or loss | 67,806                     | 67,806                        | 67,806                     | -                      | -               | -               | -                           |
| Futures traders' equity                                    | 39,205,280                 | 39,205,280                    | 39,205,280                 | -                      | -               | -               | -                           |
| Leverage contract trading- customers' equity               | 630,830                    | 630,830                       | 630,830                    | -                      | -               | -               | -                           |
| Accounts payable   | 57,141                     | 57,141                        | 57,141                     | -                      | -               | -               | -                           |
| Receipts under custody                                     | 4,920                      | 4,920                         | 4,920                      | -                      | -               | -               | -                           |
| Other payables   | 137,373                    | 137,373                       | 137,373                    | -                      | -               | -               | -                           |
| Lease liabilities  | 47,129                     | 48,106                        | 12,542                     | 12,082                 | 16,751          | 6,731           | -                           |
|  | <u>\$ 40,260,263</u>       | <u>40,261,240</u>             | <u>40,225,676</u>          | <u>12,082</u>          | <u>16,751</u>   | <u>6,731</u>    | <u>-</u>                    |
| <b>December 31, 2020</b>                                   |                            |                               |                            |                        |                 |                 |                             |
| 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>                    |

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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:

|                                  | <b>December 31, 2021</b>             |                      |                               |
|----------------------------------|--------------------------------------|----------------------|-------------------------------|
|                                  | <b>Foreign currency<br/>(dollar)</b> | <b>Exchange rate</b> | <b>New Taiwan<br/>Dollars</b> |
| <b><u>Financial assets</u></b>   |                                      |                      |                               |
| <b><u>Monetary items</u></b>     |                                      |                      |                               |
| USD                              | \$ 687,606,057.15                    | 27.6800              | 19,032,936                    |
| EUR                              | 7,499,764.63                         | 31.3200              | 234,893                       |
| GBP                              | 2,865,625.70                         | 37.3000              | 106,888                       |
| JPY                              | 920,325,934.00                       | 0.2405               | 221,338                       |
| HKD                              | 96,884,094.94                        | 3.5490               | 343,842                       |
| AUD                              | 1,276,131.30                         | 20.0800              | 25,625                        |
| CHF                              | 96,069.16                            | 30.1800              | 2,899                         |
| SGD                              | 1,036,095.45                         | 20.4600              | 21,199                        |
| KRW                              | 508,737,740.00                       | 0.0235               | 11,955                        |
| CNY                              | 64,757,086.34                        | 4.3440               | 281,305                       |
| MYR                              | 28,543.89                            | 6.3550               | 181                           |
| THB                              | 3,094,960.25                         | 0.8347               | 2,583                         |
| NZD                              | 121,046.26                           | 18.8900              | 2,287                         |
| CAD                              | 210,587.59                           | 21.6200              | 4,553                         |
| ZAR                              | 79,953.20                            | 1.7330               | 139                           |
| <b><u>Non-monetary items</u></b> |                                      |                      |                               |
| USD                              | 5,998,835.66                         | 27.6800              | 166,048                       |
| AUD                              | 579.00                               | 20.0800              | 12                            |

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                                     | <b>December 31, 2021</b>             |                      |                               |
|-------------------------------------|--------------------------------------|----------------------|-------------------------------|
|                                     | <b>Foreign currency<br/>(dollar)</b> | <b>Exchange rate</b> | <b>New Taiwan<br/>Dollars</b> |
| <b><u>Financial liabilities</u></b> |                                      |                      |                               |
| <b><u>Monetary items</u></b>        |                                      |                      |                               |
| USD                                 | \$ 651,079,267.64                    | 27.6800              | 18,021,874                    |
| EUR                                 | 7,423,239.95                         | 31.3200              | 232,496                       |
| GBP                                 | 2,728,139.19                         | 37.3000              | 101,760                       |
| JPY                                 | 902,428,539.33                       | 0.2405               | 217,034                       |
| HKD                                 | 127,452,880.79                       | 3.5490               | 452,330                       |
| AUD                                 | 1,204,843.25                         | 20.0800              | 24,193                        |
| CHF                                 | 40,130.61                            | 30.1800              | 1,211                         |
| SGD                                 | 633,340.54                           | 20.4600              | 12,958                        |
| KRW                                 | 476,241,410.27                       | 0.0235               | 11,192                        |
| CNY                                 | 55,904,524.62                        | 4.3440               | 242,850                       |
| MYR                                 | 14,198.00                            | 6.3550               | 90                            |
| THB                                 | 1,502,560.00                         | 0.8347               | 1,254                         |
| CAD                                 | 3,625.57                             | 21.6200              | 78                            |
| ZAR                                 | 11,568.75                            | 1.7330               | 20                            |
| <b><u>Non-monetary items</u></b>    |                                      |                      |                               |
| USD                                 | 327,341.50                           | 27.6800              | 9,061                         |
| JPY                                 | 1,407,485.00                         | 0.2405               | 339                           |
| CAD                                 | 65,713.48                            | 21.6200              | 1,421                         |
| GBP                                 | 1,782.13                             | 37.3000              | 66                            |
| CNY                                 | 1,196,134.98                         | 4.3440               | 5,196                         |
| NZD                                 | 5,411.35                             | 18.8900              | 102                           |
| ZAR                                 | 68,993.76                            | 1.7330               | 120                           |
| SGD                                 | 418.80                               | 20.4600              | 9                             |
| CHF                                 | 12,012.67                            | 30.1800              | 362                           |

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | <b>December 31, 2020</b>             |                      |                               |
|---|--------------------------------------|----------------------|-------------------------------|
|   | <b>Foreign currency<br/>(dollar)</b> | <b>Exchange rate</b> | <b>New Taiwan<br/>Dollars</b> |
| <b><u>Financial assets</u></b>                    |                                      |                      |                               |
| <b><u>Monetary items</u></b>                      |                                      |                      |                               |
| 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                           |
| <b><u>Non-monetary items</u></b>                  |                                      |                      |                               |
| 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                            |
| <b><u>Investments under<br/>equity method</u></b> |                                      |                      |                               |
| HKD   | 13,417,144.02                        | 3.6730               | 49,281                        |

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                                     | <b>December 31, 2020</b>             |                      |                               |
|-------------------------------------|--------------------------------------|----------------------|-------------------------------|
|                                     | <b>Foreign currency<br/>(dollar)</b> | <b>Exchange rate</b> | <b>New Taiwan<br/>Dollars</b> |
| <b><u>Financial liabilities</u></b> |                                      |                      |                               |
| <b><u>Monetary items</u></b>        |                                      |                      |                               |
| 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                            |
| <b><u>Non-monetary items</u></b>    |                                      |                      |                               |
| 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                             |

The Group disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$22,691 and \$11,081 for the year ended December 31, 2021 and 2020, respectively.

(Continued)



**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 years ended December 31, 2021 and 2020, with all other variable factors remain constant, a strengthening (weakening) 1% of the TWD against the above major foreign currency, would cause after-tax comprehensive income result in a decrease or an increase by \$8,981 and \$9,329, respectively. The analytical basis was the same in both years.

(iv) Analysis in interest rates

For the years ended December 31, 2021 and 2020, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income result in an increase or a decrease by \$6,863 and \$6,918. 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.

(Continued)

**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>December 31, 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> |  |
| <b><u>Fair value evaluated on a recurring basis</u></b>           |              |  |   |   |  |
| <u>Non derivative assets and liabilities</u>                      |              |  |   |   |  |
| Assets:   |              |  |   |   |  |
| Financial assets at fair value through profit or loss             |              |  |   |   |  |
| Beneficiary certificate   | \$ 33,576    | 33,576   | -   | -   |  |
| Stock investment  | 111,876      | 111,876  | -   | -   |  |
| Financial assets at fair value through other comprehensive income | 29,849       | 28,268   | -   | 1,581   |  |
| <u>Derivative assets and liabilities</u>                          |              |  |   |   |  |
| Assets:   |              |  |   |   |  |
| Financial assets at fair value through profit or loss             | \$ 212,450   | 128,123  | 84,327  | -   |  |
| Liabilities:  |              |  |   |   |  |
| Financial liabilities at fair value through profit or loss        | 67,806       | 51,130   | 16,676  | -   |  |
|   |              | <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> |  |
| <b><u>Fair value evaluated on a recurring basis</u></b>           |              |  |   |   |  |
| <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**

b) Valuation techniques

i) Non-derivative financial instruments

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

ii) Derivative financial instruments

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

iii) Transfer between Level 1 and Level 2

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

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

(In Thousands Dollars)

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

  

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

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## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 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.

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

- 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:

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

(r) Financial risk management

(i) General description

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Risk management structure

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Credit risk

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

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

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

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

(iv) Liquidity risk

Liquidity risks are market liquidity risk and capital liquidity risk

1) Market liquidity risk:

Market liquidity risk is the risk which the Group cannot immediately cover or offset the risk of derivative positions. When the condition of insufficient market depth or an unexpected event occurs, it's not easy to obtain trading opportunities or significant spread risk. Due to small trading volume, some domestic futures contracts have this liquidity risk. Therefore, when the proprietary segment of the Group engages in arbitrage trading, it should consider the liquidity risk of goods. Futures commodity liquidity can depend on daily trading volume and open interest (OI) to measure. The more the daily trading volume and open interest as well as the greater liquidity are, the relatively lower the liquidity risk is.

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Capital liquidity risk:

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

Liquidity risk management of the Group includes :

- 1) Market liquidity risk management: To avoid loss caused by market liquidity risk, the Group stipulates capital amount budgeted for proprietary trade department in the annual operating plan. Also, a daily report on the Adjusted Net Capital (ANC) ratio is filed to the competent authority. As for other departments and proprietary trade, the risk control office supervises daily trade by comparing actual cash flow and the authorized amount.
- 2) Capital liquidity risk management : The finance department is independent from other units in transferring financial resources. To control capital liquidity risk and to consider capital needs of various products for domestic and foreign markets, the finance department composes daily reports, such as the “Margin Withdrawal/Deposit List”, “Securities Transaction Applications”, and other management report forms. After reviewing and approving by the management, these reports will be implemented and filed.

(v) Market risk

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

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

Quantitative Measurement on Market Risk was as follows:

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) Sensitivity analysis measures the sensitivity of the positions to individual risk factors (such as interest rate and exchange rate). The sensitivity analysis on exchange rate variation includes evaluation and analysis on the proprietary overseas capital and service fee revenue from foreign futures products.
  - 3) Stress test emulates and measures the impacts on portfolio value at unusual market change, from which responding actions can be made. The portfolio stress test at current stage aims at the weighted index or targeted stock price within  $\pm 15\%$  change.
- (s) Managing interest rate benchmark reform and associated risks

(i) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure on December 31, 2021 was indexed to US dollar LIBOR. The alternative reference rate for sterling LIBOR is the Secured Overnight Financing Rate (SOFR) rate. Amendments to financial instruments with contractual terms indexed to sterling LIBOR such that they incorporate new benchmark rates were completed by December 31, 2021. As of December 31, 2021, it is still unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place. Nevertheless, the Group had finished the process of implementing appropriate fallback provisions for all US dollar LIBOR indexed exposures by the end of 2021.

The Risk Management Office oversees and manages the conversion of alternative interest rates, evaluates the range of cash flows for contractual reference rate indicators, whether such contracts need to be modified due to changes in interest rate indicators, and how to manage communication with counterparties regarding changes in interest rate indicators.

(ii) Non-derivative financial liabilities

The Group has modified all of its floating-rate liabilities indexed to sterling LIBOR to reference HIBOR during the year ended December 31, 2021.

(iii) Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on January 1, 2021 and on December 31, 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| <u>December 31, 2021</u><br>Financial liabilities | USD LIBOR                                     |       |   |       |
|---|---|-------|---|-------|
|   | Total amount<br>of<br>unreformed<br>contracts |       | Amount with<br>appropriate<br>fallback clause |       |
| Credit loan                                       | USD   | 4,000 | USD   | 4,000 |

(t) Capital management

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

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

(u) Financing activities not affecting current cash flow

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

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

|   | <u>January 1,<br/>2021</u> | <u>Cash flows</u> | Non-cash changes |  |                               | <u>December<br/>31, 2021</u> |
|---|----------------------------|-------------------|------------------|--|-------------------------------|------------------------------|
|   |                            |                   | <u>Other</u>     | <u>Foreign<br/>exchange<br/>movement</u> | <u>Fair value<br/>changes</u> |                              |
| Lease liabilities                           | \$ 58,479                  | (34,154)          | 23,197           | (393)                                    | -                             | 47,129                       |
| Total liabilities from financing activities | <u>\$ 58,479</u>           | <u>(34,154)</u>   | <u>23,197</u>    | <u>(393)</u>                             | <u>-</u>                      | <u>47,129</u>                |

|   | <u>January 1,<br/>2020</u> | <u>Cash flows</u> | Non-cash changes |  |                               | <u>December<br/>31, 2020</u> |
|---|----------------------------|-------------------|------------------|--|-------------------------------|------------------------------|
|   |                            |                   | <u>Other</u>     | <u>Foreign<br/>exchange<br/>movement</u> | <u>Fair value<br/>changes</u> |                              |
| Lease liabilities                           | \$ 39,428                  | (36,307)          | 55,729           | (371)                                    | -                             | 58,479                       |
| Total liabilities from financing activities | <u>\$ 39,428</u>           | <u>(36,307)</u>   | <u>55,729</u>    | <u>(371)</u>                             | <u>-</u>                      | <u>58,479</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.

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Names and relationship with related parties

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

| <u>Name of related party</u>                   | <u>Relationship with the 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          |
| Other related parties                          | Key management personnel           |

(c) Key management personnel compensation

|                              | <u>For the years ended December 31,</u> |               |
|------------------------------|---|---------------|
|                              | <u>2021</u>                             | <u>2020</u>   |
| Short-term employee benefits | \$ 70,727                               | 73,772        |
| Post-employment benefits     | 5,784                                   | 1,141         |
| Total                        | <u>\$ 76,511</u>                        | <u>74,913</u> |

(d) Significant transactions with related parties

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

|  | <u>For the years ended December 31,</u> |                     |
|--|---|---------------------|
|  | <u>2021</u>                             | <u>2020</u>         |
| <b><u>Brokerage fee revenue</u></b>            |   |                     |
| Capital Securities Corporation                 | \$ 10,612                               | 4,876               |
| Funds issued by Capital Investment Trust Corp. | 123                                     | 546                 |
| Other related parties                          | 277                                     | 912                 |
| Total  | <u>\$ 11,012</u>                        | <u>6,334</u>        |
| <br>   |   |                     |
|  | <u>December 31,</u>                     | <u>December 31,</u> |
|  | <u>2021</u>                             | <u>2020</u>         |
| <b><u>Futures traders' equity</u></b>          |   |                     |
| Capital Securities Corporation                 | \$ 1,406,887                            | 824,368             |
| Funds issued by Capital Investment Trust Corp. | 269,049                                 | 335,742             |
| Other related parties                          | 763                                     | 182                 |
| Total  | <u>\$ 1,676,699</u>                     | <u>1,160,292</u>    |

Transaction terms are the same as those with general clients.

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

|  | <b>For the years ended December 31,</b> |                   |
|--|---|-------------------|
|  | <b>2021</b>                             | <b>2020</b>       |
| <b><u>Interest expense</u></b>                 |   |                   |
| Capital Securities Corporation                 | \$ 78                                   | 149               |
| Funds issued by Capital Investment Trust Corp. | <u>27</u>                               | <u>39</u>         |
| Total  | <b><u>\$ 105</u></b>                    | <b><u>188</u></b> |

(ii) Accounts payable and receivable:

|  | <b>December 31,</b>     | <b>December 31,</b>  |
|--|-------------------------|----------------------|
| <b><u>Accounts receivable</u></b>        | <b>2021</b>             | <b>2020</b>          |
| Capital Securities Corporation           | \$ 3,011                | 2,679                |
| CSC Securities (HK) Ltd.                 | <u>-</u>                | <u>56</u>            |
| Total                                    | <b><u>\$ 3,011</u></b>  | <b><u>2,735</u></b>  |
| <b><u>Accounts payable</u></b>           |                         |                      |
| Capital Securities Corporation           | <b><u>\$ 11,448</u></b> | <b><u>14,679</u></b> |
| <b><u>Other receivables (Note 1)</u></b> |                         |                      |
| Capital Securities Corporation           | \$ 3,846                | 3,841                |
| CSC Securities (HK) Ltd.                 | <u>335</u>              | <u>-</u>             |
| Total                                    | <b><u>\$ 4,181</u></b>  | <b><u>3,841</u></b>  |
| <b><u>Other payables</u></b>             |                         |                      |
| Capital Securities Corporation (Note 2)  | \$ 344                  | 4,762                |
| CSC Securities (HK) Ltd. (Note 3)        | <u>949</u>              | <u>119</u>           |
| Total                                    | <b><u>\$ 1,293</u></b>  | <b><u>4,881</u></b>  |

(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.

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Bonds purchased under resale agreements

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

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

(iv) Leases

The Group signed three-year lease contracts and rented the office and parking spaces from Capital Securities Corporation. As of December 31, 2021 and 2020, the total value of effective contracts were both \$53,289. For the year ended December 31, 2021 and 2020, the Group recognized the amount of \$392 and \$259 as interest expense. As of December 31, 2021 and 2020, lease liabilities amounted to \$27,880 and \$45,251, respectively, and refundable deposits were both amounted to \$4,633.

The Group signed two-year lease contracts and rented the office from CSC Securities (HK) Ltd. As of December 31, 2021 and 2020, the total value of effective contracts were \$0 (HKD\$0 thousands) and \$24,435 (HKD\$6,112 thousands), respectively. For the year ended December 31, 2021 and 2020, the Group recognized the amount of \$34 and \$325 as interest expense. As of December 31, 2021 and 2020, lease liabilities were amounted to \$0 and \$4,604, respectively.

The Group signed one-year lease contracts and rented the office from CSC International Holdings Ltd. As of September 30, 2021, the total value of effective contract was \$552 (CNY\$127 thousands). For the year ended December 31, 2021 and 2020, the Group recognized the amount of \$0 as interest expense. As of September 30, 2021 lease liabilities were amounted to \$229.

(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:

|                                | <u>For the years ended December 31,</u> |             |
|--------------------------------|---|-------------|
| <u>Related parties</u>         | <u>2021</u>                             | <u>2020</u> |
| Capital Securities Corporation | \$ <u>905</u>                           | <u>647</u>  |

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

(Continued)

**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:

| <u>Related parties</u>         | <b>For the years ended December 31,</b> |                      |
|--------------------------------|---|----------------------|
|                                | <b>2021</b>                             | <b>2020</b>          |
| Capital Securities Corporation | \$ 27,152                               | 9,738                |
| CSC Securities (HK) Ltd.       | 618                                     | 1,699                |
|                                | <b><u>\$ 27,770</u></b>                 | <b><u>11,437</u></b> |

(vii) Interest income (Rent deposit interest)

| <u>Related parties</u>         | <b>For the years ended December 31,</b> |             |
|--------------------------------|---|-------------|
|                                | <b>2021</b>                             | <b>2020</b> |
| Capital Securities Corporation | \$ 35                                   | 45          |

(viii) Securities brokerage charge

| <u>Related parties</u>         | <b>For the years ended December 31,</b> |                       |
|--------------------------------|---|-----------------------|
|                                | <b>2021</b>                             | <b>2020</b>           |
| Capital Securities Corporation | \$ 170,416                              | 183,659               |
| CSC Securities (HK) Ltd.       | 675                                     | 375                   |
|                                | <b><u>\$ 171,091</u></b>                | <b><u>184,034</u></b> |

(ix) Information technology expenses

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

(x) Stock service fees

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

(xi) Human resource and legal service fees

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(xii) Securities transaction fees

| <u>Related parties</u>         | <u>For the years ended December 31,</u> |             |
|--------------------------------|---|-------------|
|                                | <u>2021</u>                             | <u>2020</u> |
| Capital Securities Corporation | \$ 114                                  | -           |
| CSC Securities (HK) Ltd.       | 675                                     | 375         |
|                                | <u>\$ 789</u>                           | <u>375</u>  |

(xiii) Discretionary service commission fees

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

(xiv) Management service fees

| <u>Related parties</u>   | <u>For the years ended December 31,</u> |             |
|--------------------------|---|-------------|
|                          | <u>2021</u>                             | <u>2020</u> |
| CSC Securities (HK) Ltd. | \$ 3,129                                | 3,412       |

(xv) Stationery and printing fees

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

**(8) Pledged assets:None**

**(9) Significant commitments and contingencies:None**

**(10) Losses due to major disasters:None**

**(11) Significant subsequent events:**

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Derivative instrument transactions:**

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

**December 31, 2021**

| Item              | Trading category                      | Open positions |                     | Contract size or paid for (received from) premium | Fair value | Note |
|-------------------|---------------------------------------|----------------|---------------------|---|------------|------|
|                   |                                       | Long/Short     | Number of contracts |   |            |      |
| Futures contract: |                                       |                |                     |   |            |      |
|                   | TAIEX Futures                         | Long           | 74                  | \$ 262,510  | 267,889    |      |
|                   | TAIEX Futures                         | Short          | 3                   | (10,733)  | (10,795)   |      |
|                   | Mini Taiex Futures                    | Short          | 292                 | (263,581)   | (265,111)  |      |
|                   | Electronic Sector Index Futures       | Short          | 25                  | (86,631)  | (87,575)   |      |
|                   | Financial Insurance Index Futures     | Long           | 33                  | 55,909  | 56,540     |      |
|                   | FTSE China A50 Index Futures          | Long           | 40                  | 17,412  | 17,236     |      |
|                   | Mini Financial Futures                | Short          | 98                  | (41,516)  | (41,983)   |      |
|                   | Mini Electronic Futures               | Long           | 155                 | 66,410  | 67,871     |      |
|                   | Mini Electronic Futures               | Short          | 2                   | (840)   | (874)      |      |
|                   | Subtotal                              |                |                     | (1,060)   |            |      |
| Options contract: |                                       |                |                     |   |            |      |
|                   | TAIEX Options (Call)                  | Long           | 2,177               | \$ 29,013   | 37,581     |      |
|                   | TAIEX Options (Call)                  | Short          | 2,154               | (24,743)  | (30,982)   |      |
|                   | TAIEX Options (Put)                   | Long           | 3,086               | 29,440  | 15,935     |      |
|                   | TAIEX Options (Put)                   | Short          | 2,753               | (29,808)  | (16,231)   |      |
|                   | TAIEX Weekly Options (Call)           | Long           | 325                 | 1,840   | 1,504      |      |
|                   | TAIEX Weekly Options (Call)           | Short          | 442                 | (1,733)   | (1,136)    |      |
|                   | TAIEX Weekly Options (Put)            | Long           | 352                 | 816   | 719        |      |
|                   | TAIEX Weekly Options (Put)            | Short          | 186                 | (926)   | (977)      |      |
|                   | Electronic Sector Index Options(Call) | Long           | 107                 | 851   | 1,457      |      |
|                   | Electronic Sector Index Options(Call) | Short          | 68                  | (572)   | (766)      |      |
|                   | Electronic Sector Index Options(Put)  | Long           | 124                 | 917   | 562        |      |
|                   | Electronic Sector Index Options(Put)  | Short          | 176                 | (1,610)   | (778)      |      |
|                   | Finance Insurance Index Options(Call) | Long           | 127                 | 475   | 732        |      |
|                   | Finance Insurance Index Options(Call) | Short          | 88                  | (169)   | (253)      |      |
|                   | Finance Insurance Index Options(Put)  | Long           | 196                 | 1,446   | 778        |      |
|                   | Finance Insurance Index Options(Put)  | Short          | 50                  | (95)  | (7)        |      |
|                   | Subtotal                              |                |                     | 5,142   |            |      |
| Total             |                                       |                |                     | \$ <u>4,082</u>                                   |            |      |

(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                    |                |                     |   | 375,042    |      |
| 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                    |                |                     |   | (10,549)   |      |
|                   | Total                       |                |                     |   | \$ 364,493 |      |

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

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

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

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

**(15) Other:None**

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

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

Note 1: Type of Numbering

(1) 0 represents Parent company

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

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short-term financing

## (ii) Guarantees and endorsements for other parties:None

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

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

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

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

## (vii) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

| No. | Name of company                           | Name of counter-party                     | Nature of<br>relationship | Intercompany transactions       |        |                     | Percentage of the consolidated<br>net revenue or total assets |
|-----|---|---|---------------------------|---------------------------------|--------|---------------------|---|
|     |   |   |                           | Account name                    | Amount | Trading terms       |   |
| 1   | CSC Futures (HK) Ltd.                     | Capital True Partner Technology Co., Ltd. | 3                         | Information technology expenses | 1,187  | General transaction | 0.05%   |
| 2   | Capital True Partner Technology Co., Ltd. | CSC Futures (HK) Ltd.                     | 3                         | Other operating revenue         | 1,187  | General transaction | 0.05%   |
| 2   | Capital True Partner Technology Co., Ltd. | Capital Futures Corp.                     | 2                         | Other operating revenue         | 20,969 | General transaction | 0.86%   |
| 0   | Capital Futures Corp.                     | Capital True Partner Technology Co., Ltd. | 1                         | Professional service fees       | 20,969 | General transaction | 0.86%   |
| 0   | Capital Futures Corp.                     | Capital True Partner Technology Co., Ltd. | 1                         | Other payables                  | 1,836  |                     | -%  |
| 2   | Capital True Partner Technology Co., Ltd. | Capital Futures Corp.                     | 2                         | Accounts receivable             | 1,836  |                     | -%  |

(Continued)

## 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       |  |
| 1   | CSC Futures (HK) Ltd.                  | Capital Futures Corp.                  | 2                      | Futures traders' equity      | 272,859   |                     | 0.59%  |
| 0   | Capital Futures Corp.                  | CSC Futures (HK) Ltd.                  | 1                      | Customers' margin account    | 272,859   |                     | 0.59%  |
| 0   | Capital Futures Corp.                  | CSC Futures (HK) Ltd.                  | 1                      | Futures traders' equity      | 4,994,128 |                     | 10.72%   |
| 1   | CSC Futures (HK) Ltd.                  | Capital Futures Corp.                  | 2                      | Customers' margin account    | 4,779,596 |                     | 10.25%   |
| 0   | Capital Futures Corp.                  | CSC Futures (HK) Ltd.                  | 1                      | Customers' margin account    | 214,532   |                     | 0.46%  |
| 1   | CSC Futures (HK) Ltd.                  | Capital Futures Corp.                  | 2                      | Futures commission revenue   | 6,105     | General transaction | 0.25%  |
| 0   | Capital Futures Corp.                  | CSC Futures (HK) Ltd.                  | 1                      | Futures commission expenses  | 6,105     | General transaction | 0.25%  |
| 0   | Capital Futures Corp.                  | CSC Futures (HK) Ltd.                  | 1                      | Brokerage fee revenue        | 117,469   | General transaction | 4.82%  |
| 1   | CSC Futures (HK) Ltd.                  | Capital Futures Corp.                  | 2                      | Futures commission expenses  | 117,469   | General transaction | 4.82%  |
| 1   | CSC Futures (HK) Ltd.                  | Capital Futures Corp.                  | 2                      | Interest revenue             | 1,534     | General transaction | 0.06%  |
| 0   | Capital Futures Corp.                  | CSC Futures (HK) Ltd.                  | 1                      | Financial cost               | 1,534     | General transaction | 0.06%  |
| 0   | Capital Futures Corp.                  | CSC Futures (HK) Ltd.                  | 1                      | Other payables               | 6,562     |                     | 0.01%  |
| 1   | CSC Futures (HK) Ltd.                  | Capital Futures Corp.                  | 2                      | Other receivables            | 6,562     |                     | 0.01%  |
| 3   | Capital International Technology Corp. | Capital Futures Corp.                  | 2                      | Professional service revenue | 3,072     | General transaction | 0.13%  |
| 0   | Capital Futures Corp.                  | Capital International Technology Corp. | 1                      | Repair expenses              | 3,072     | General transaction | 0.13%  |

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

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

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

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

(b) 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 |                   | Highest Percentage of ownership | Balance as of December 31, 2021 |                         |                | Revenue of investee | Net income (losses) of investee | Share of profits/losses of investee | Cash dividend | Note              |
|-----------------------------|--|-----------|-----------------------|--|---|----------------------------|-------------------|---------------------------------|---------------------------------|-------------------------|----------------|---------------------|---------------------------------|-------------------------------------|---------------|-------------------|
|                             |  |           |                       |  |   | December 31, 2021          | December 31, 2020 |                                 | Shares (thousands)              | Percentage of ownership | Carrying value |                     |                                 |                                     |               |                   |
| Capital Futures Corporation | CSC Futures (HK) Ltd.                      | Hong Kong | 1998.12.9             | Gin Guan Zheng Zhi No. 1010027412 letter | Futures dealing business and other businesses permitted by local law of Hong Kong | 862,631                    | 862,631           | 97.27 %                         | 214,000                         | 97.27 %                 | 828,642        | 360,895             | (26,253)                        | (25,536)                            | -             | Subsidiary        |
| Capital Futures Corporation | Capital International Technology Co., Ltd. | Taiwan    | 2014.12.29            | Gin Guan Zheng Zhi No. 1030038387 letter | Management consulting and information service business                            | 50,000                     | 50,000            | 100 %                           | 5,000                           | 100.00 %                | 33,816         | 3,072               | (7,112)                         | (7,112)                             | -             | Subsidiary        |
| Capital Futures Corporation | True Partner Advisor Hong Kong Ltd.        | Hong Kong | 2010.5.31             | Gin Guan Zheng Zhi No. 1040027513 letter | Assets Management   | 36,701                     | 36,701            | 49 %                            | 245                             | 49.00 %                 | 50,112         | 132,349             | 3,776                           | 894                                 | -             | Associate (Note1) |

Note1: On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company. All shares would be transferred on February 15, 2022. Thus, the investments accounted for using equity method were reclassified as assets to held-for-sale.

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

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(d) Information on investment in Mainland China:

(i) Investment in Mainland China and related information:

(In Thousands of New Taiwan Dollars)

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

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

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

Note 2: Investment gains and losses recognized during the period

- A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:

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

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

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

| Company Name                           | Accumulated Investment in Mainland China as of December 31, 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.

(e) Major shareholders:

| Shareholder's Name             | Shareholding | Shares      | Percentage |
|--------------------------------|--------------|-------------|------------|
| Capital Securities Corporation |              | 119,066,014 | 56.68 %    |

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 year ended December 31, 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.

| <b>For the years ended December 31, 2021</b> |                               |               |   |              |
|--|-------------------------------|---------------|---|--------------|
|  | <b>Brokerage<br/>business</b> | <b>Others</b> | <b>Adjustment<br/>and<br/>elimination</b> | <b>Total</b> |
| Segment revenue                              | \$ 2,261,678                  | 327,823       | (150,540)                                 | 2,438,961    |
| Segment profit or loss                       | \$ 663,414                    | (63,513)      | -   | 599,901      |
| <b>For the years ended December 31, 2020</b> |                               |               |   |              |
|  | <b>Brokerage<br/>business</b> | <b>Others</b> | <b>Adjustment<br/>and<br/>elimination</b> | <b>Total</b> |
| Segment revenue                              | \$ 2,397,473                  | 362,078       | (333,315)                                 | 2,426,236    |
| Segment profit or loss                       | \$ 714,369                    | 70,137        | -   | 784,506      |

(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.