

Stock code: 6024



2019

ANNUAL REPORT

Capital Futures Corp.

Notice to readers

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

Capital Futures Corp. Annual report is available at :

<http://mops.twse.com.tw>

Printed on April 21th, 2020

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Title: President

TEL: (02)2700-2888

Email Address: marklee@futures.capital.com.tw

II. Deputy Spokesperson:

Name: Wen-Tsay, Chen

Title: Senior Executive Vice President

TEL: (02)2700-2888

Email Address: dan_chen@futures.capital.com.tw

III. Address and telephone number of the Head Office and branches:

Company Name	Address	TEL
Head Office	32F&B1, No. 97, Sec. 2, Dunhua S. Road. Da'an Dist., Taipei City, R.O.C	(02)2700-2888
Taichung Office	3F.-6, No.633, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City, R.O.C	(04)2319-9909

IV. Name, address, website and contact number of share administration agent

Name: Capital Securities Corp.

Address: B2, No. 97, Sec. 2, Dunhua S. Rord. Da'an Dist., Taipei City, R.O.C

TEL: (02)2702-3999

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V. Auditor and auditor's firm of the latest audited financial report

Name of CPA: Lee, Feng-Hui, Chung, Tan-Tan

Auditor's Firm: KPMG Certified Public Accountants

Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City, R.O.C

TEL: (02)8101-6666

Website: www.kpmg.com

VI. Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: None.

VII. Company Website: <https://www.capitalfutures.com.tw>

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I. Letter to shareholders

1.1 Overview of Operating Performance in 2019

Looking back on 2019, due to the uncertainty of the trade war between China and the United States has interfered with the overall investment environment, the annual trading volume of domestic futures brokerage business of the Company was 39.53 million lots which decreased by 7.9% from the previous year. Moreover, the Company has reached 7.58% market share which increased by 13.3% from the previous year. The annual trading volume of overseas futures brokerage business of the Company was 7.74 million lots, the market share was 20.3% which decreased by 9.8% from the previous year. In 2019, the consolidated revenues and net income before tax of the Company were NT\$1,916 million and NT\$746 million which decreased by 32.73% and 21.82% from the previous year respectively. And the net income after tax of the Company was NT\$599 million, which decreased by 28.45% from the previous year, it represented the first decline after eight years of continuous growth since 2010.

In 2019, the Company was awarded the top five best futures brokers in Asia by Singapore Exchange, and obtained the Happiness Enterprise Award from 1111 Job Bank which was an honor and recognition in terms of operation management and employee satisfaction. As a leader in the field of Fintech development, the Company not only captures market trends in an efficiency way, but also constructs a self-owned IT system actively with taking innovation differences as the DNA; in addition, the Company has own professional market making, proprietary spread trading and securities proprietary trading business team could bring the profit contribution and distribute it steadily. On the other hand, the Capital View is the exclusive live show program of the Company which could lead in analyzing global investment products and opportunities through researching fundamental financial information and market analysis to provide professional real-time investment suggestions. Moreover, the Company built an innovation service model on internet through a legal community platform for customers to subscribe futures advisory services via App, online interaction program, etc. Furthermore, the Company aims to operate diversified business and profit diversification for building a multi-engine profit model, and raise the overall performance.

Additionally, the Company establishes 7 Board Directors (including 3 independent Directors) who are all with professions of operating management, financial & accounting, law professional, international market and leadership strategy. Through rich financial experience and various operating expertise from Directors who are with diversified background, the Company could implement the operation supervision and management for pushing up the Company's whole development strategy, business performance, business operating improvement, and right protection of investors. The Company will continue to implement the service entity economy, strengthen corporate governance, fully safeguard the rights and interests of shareholders, and comply with the rigorous internal control system. For pursuing long-term profit stability, the Company not only constructs a safe investment environment, but also would fulfill the corporate social responsibility to become a financial company which could do all the best to customers.

1.2 2019 income, expense, and profitability as summarized:

Unit: NTD thousand

Item	2019	2018
Income	1,916,778	2,849,492
Expenses	1,739,116	2,321,961
Non-operating income and expenses	568,952	427,445
Net income before tax	746,614	954,976
Net income	599,676	838,110
Return on Equity (%)	11.87%	17.24%
Net profit margin (%)	31.29%	29.41%
Return on Asset (%)	1.47%	2.27%
Earnings per share after tax (dollar)	3.4	4.73

1.3 The business plan of 2020

Looking ahead to 2020, the uncertainty events from market and the hedging demand will increase as expected, since affected by the pandemic of Coronavirus Pneumonia (Covid 19), the continued conflict of the trade war between China and the United states, US election year, etc. Although the external competition environment and the related regulatory framework remains severe, such as the anti-money laundering provisions become more rigorous, however, the overall operating environment of the futures industry will grow up continuously due to the enhancement in price fluctuations of the financial market. The operating plan and development strategy of the Company in 2020 is as following:

1. To richly cultivate and duplicate the overseas market business: The Company develop the greater China market with the DMA advantages of overseas futures products, such as CME Group、HK、SGX、Euronext、EUREX、ICE, etc.
2. To enhance the trading performance of our futures and securities proprietary team continuously and also recruit outstanding traders who are with the profession of spread strategy, high-frequency trading, market making and operating ability for raising the profit and distributing the market risk.
3. The Company expands the leveraged trading and derivative business to provide the hedge solutions for listing companies, small and medium enterprises. Developing foreign exchange hedging module and training foreign exchange trader talent pool and VIP customers for creating new source of income.
4. To expand domestic institutional customers and raise the trading volume and margin, the Company would actively promote LME products and develop its hedge module.
5. To develop the advantages of our real-time system with combining for expanding domestic/ foreign institutional customers aggressively and focus on raising the trading volume and customer margin.
6. To optimize the order software for maintaining the customers who usually place order via APP.
7. Cross-industry integration of various financial platforms and expansion of community channels, training institution, and media channels, the Company create a win-win mechanism for mutual benefit and common prosperity through organizing marketing activities.

8. The innovated live program “Capital View” mainly provides exclusive financial points and also assists to set up hedging modules and trading strategy management mechanism for increasing the loyalty of customers to the Company.
9. To set up the digital marketing team under Futures Advisory department for recruiting professional talents and for creating the value of big data.
10. To represent information advantages, the HK subsidy of the Company develop its own exclusive global futures trading platform in connecting global futures exchanges to provide the B2C cross-market trading platform and customize services for the customers in greater China.
11. To complete the establishment of the Hong Kong official website and apply Hong Kong Type 4 and 5 business licenses for actively promoting the consultant business, the Company recruits consultants and promote professional fee-based courses in Taiwan and China.
12. The Company plans to establish the first Futures Company in China (joint venture /solely-invested) which combine with the comprehensive effect of Shanghai and Chengdu subsidiaries.
13. Continue to strengthen internal audit and internal control of the Company, carry out education and training on information security, money laundering prevention, and strictly abide by risk control and corporate governance. Also, the Company will keep going to fight for constituting in TWSE Corporate Governance 100 index and take the regular evaluation every year.
14. To carry out the corporate culture, young people are the future keep strengthen industry-university cooperation in the campus and focus on the training of new talents for promoting the balanced development of recruitment, education and retention.
15. To create a happy workplace, strengthen corporate responsibility (CSR) and integrate core strategies—sustained financial innovation and sustainable management.

Capital Futures Corp.

Sun, Tien-Shan
Chairman

Lee, Wen-Chu
President

Lin, Li-Juan
Accounting manager

II. Company Profile

2.1 Date of incorporation: February 26, 1997.

Head Office:

Address: 32F & B1, No. 97, Sec. 2, Dunhua S. Road. Da'an Dist., Taipei City, R.O.C.
TEL : (02)2700-2888

Taichung Branch:

Address: 3F.-6, No.633, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City, R.O.C.
TEL:(04)2319-9909

2.2 Company history:

Year	Major events
1997	The Capital futures Brokerage Corp. was established on February 26 th . Became a public company in November.
1998	Approved as a General Clearing Member of Taiwan Futures Exchange in March and started to provide the clearing services for concurrent FCM and the introducing Brokers.
2000	Taichung Branch of the Company was established in December.
2003	Acquired the Futures Advisory License in February.
2003	Started the proprietary trading business in December and changed the name of the Company to "Capital Futures Corp." in December.
2004	Reinvested a subsidiary named Capital Managed Futures Business Corp. in May, providing the discretionary services.
2006	Acquired the qualification of Taiwan Futures Exchange for Market Maker business in July.
2008	The stocks of the company traded on the emerging market, starting from May 15 th .
2008	Approved to promote the futures advisory service and training in Mainland China in September.
2009	The stocks of the Company listed on the Gre Tai Securities Market (over-the-counter) on April 27 th .
2010	Approved to provide the service of securities introducing brokerage and to operate concurrently managed futures business in August.
2011	The head office moved to current address "32F & B1, No. 97, Sec. 2, Dunhua S. Road. Da'an Dist., Taipei City" in July.
2012	Approved to reinvest the CSC Futures (Hong Kong) Ltd. in August.
2012	Acquired the certification of CG6007 corporate governance from Taiwan Corporate governance association in September.
2013	Acquired the certification of BS10012 personal information protection from British Standard Institution in February.
2014	Hong Kong subsidiary acquired the qualification of stock option market maker of HKEX in April.
2014	Acquired the qualification of market maker of EUREX in 15 th May.
2014	Approved the securities investment and consulting business in August.

2014	Approved to reinvest Capital International Technology Corp. and Capital True Partner Technology (Chengdu) Co., Ltd. in November.
2015	Approved the securities proprietary trading business in September.
2015	Approved to invest Capital True Partner Advisor (HK) with acquiring its HK Type 9 License for Asset Management Business in July.
2016	CSC Futures (HK) was approved to engage in securities and futures business in China since February.
2016	Approved to concurrently operate a leverage transaction merchant in August.
2016	The first leverage transaction merchant approved by the Central Bank to conduct business of foreign exchange margin trading in December.
2016	Capital International Technology Corp. was approved to establish Capital Futures Technology (Shanghai) Co., Ltd. in Shanghai Pilot Free Trade Zone in December.
2017	The stocks of the company listed on the Taiwan Stock Exchange Corporation (TWSE) on October 16th.

2.3 Capital Futures Awards

Date	Award –Approval Organization	Awards
1997.07	Securities & Futures Institute of R.O.C.	The 4 th -term Golden Goblet Award for Outstanding Securities Industry Talent to Chairman Tim Sun.
2001.07	Securities & Futures Institute of R.O.C.	The 6 th -term Golden Goblet Award for Outstanding Futures Industry Talent to Vice President Tsai Jen-Tsuen.
2005.07	Securities & Futures Institute of R.O.C.	The 8 th -term Golden Goblet Award for Outstanding Entrepreneurial Leader to Chairman Tim Sun.
2005.11	General Chamber of Commerce of R.O.C.	The Golden Merchant Award to Chairman Tim Sun.
2009.03	Taiwan Futures Exchange	Awarded for high trading volume FCM in Taiwan's futures market in 2008.
2009.07	Securities & Futures Institute of R.O.C.	The 10 th -term Golden Goblet Company Award for Outstanding Finance Innovation.
2009.07	Taiwan Futures Exchange	The 4 th -term Board of Directors--Chairman Tim Sun.
2009.08	Singapore Exchange Derivatives Trading Limited (SGX-DT)	The 1 st FCM in Taiwan approved as a SGX-DT Trading Member (Agency and Proprietary).
2010.06	Chinese National Futures Association	Convener of Standing Supervisors of CNFA--Chairman Tim Sun.
2010.07	Taiwan Futures Exchange	The 5 th -term Board of Supervisors--Chairman Tim Sun.
2010.10	CME Group	The 1 st FCM in Taiwan certified by the CME group for Direct Market Access (DMA).
2011.03	CME Group--CME	The 1 st FCM in Taiwan approved as a CME Rule 106.H. Trading Member Firm.
2011.03	CME Group--CBOT	The 1 st FCM in Taiwan approve as a CBOT Rule 106.R. Trading Member Firm (Transferred to Rule 106.H).
2011.06	CME Group--COMEX	The 1 st FCM in Taiwan approved as a COMEX Rule 106.J. Member Firm.
2011.06	CME Group--NYMEX	The 1 st FCM in Taiwan approved as a NYMEX Rule 106.J. Member Firm.
2011.07	Securities & Futures Institute of R.O.C.	The 11 st -term Golden Goblet Award for Special Contribution to Independent Director Chao Chuan Chu.
2011.07	Securities & Futures Institute of R.O.C.	The 11 st -term Golden Goblet Award for Outstanding Entrepreneurial Leader to President Alex Chia.

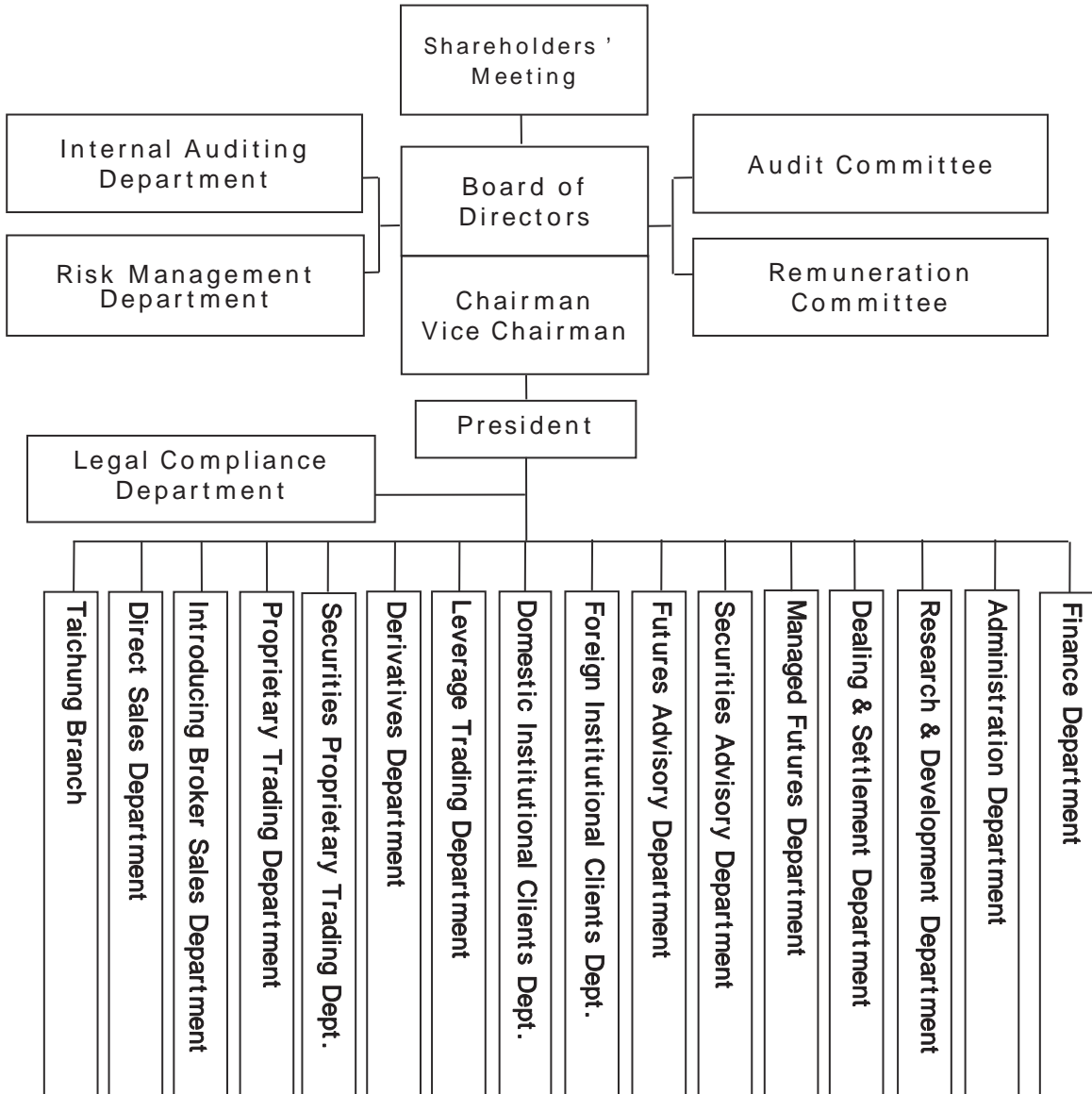
2011.07	NYSE Euronext--NYSE Liffe	The 1 st FCM in Taiwan approved as a Member of NYSE Euronext--NYSE Liffe in London and Paris Markets.
2011.10	Taiwan Futures Exchange	Award for the top trading volume (average branch volume) of the stock futures competition in September.
2012.07	CME Group--Electronic Transaction to Option Commodities	The 1 st FCM in Asia offers B to C options E-trading of the CME Group.
2012.07	Eurex	Approved as a Market Participant (NCM) of Eurex and developed the Direct Market Access (DMA).
2012.11	General Chamber of Commerce of R.O.C.	The Golden Merchant Award to President Chia, Chung-Tao.
2012.12	ICE Futures US	Approved as an Energy Member Firm of ICE Futures US and set up the Direct Market Access (DMA).
2013.08	Securities & Futures Institute of R.O.C.	The 12 nd -term Golden Goblet Company Award for Outstanding Finance Innovation.
2013.08	Securities & Futures Institute of R.O.C.	The 12 nd -term Golden Goblet Award for Outstanding Futures Industry. Talent to Executive Vice President Chen, Wen-Tsay.
2013.08	Futures & Options World	FOW Awards for Asia 2013--NON-BANK FCM OF THE YEAR.
2014.05	Taiwan Futures Exchange	Eurex/TAIFEX Link Award for Market Making Price Quoting of Local FCMs.
2014.10	ICE Futures Europe	Approved as a Market Participant and developed the DMA.
2014.11	Taiwan Futures Exchange	Promotional Sales Award of Eurex/TAIFEX Linked Products.
2015.02	Singapore Exchange Derivatives Trading Limited (SGX-DT)	Taiwan FCM of Top-one trading volume in SGX-DT in 2014.
2015.03	SGX-DT	The 2014 Volume Growth Award for CSC Futures (HK).
2015.11	Securities & Futures Institute of R.O.C.	The 1 st Annual Diamond Award-4 th place of the Annual Futures Brokers Contribution Award The 1 st Annual Diamond Award-3 rd place of the Managed Futures Enterprises Contribution Award.
2015.11	Securities & Futures Institute of R.O.C.	The 13 th Golden Goblet Company Award for Special Salary Raise.
2016.10	Taiwan Futures Exchange	The 2 nd Annual Diamond Award- 3 rd place in trading volume of futures brokers. The 2 nd Annual Diamond Award- 1 st place in Market Making of RMB Currency Options. The 2 nd Annual Diamond Award- 3 rd place of the Managed Futures Enterprises Contribution Award.
2016.11	HKEX 3rd Global Derivatives Real-Trading Competition	Top-One Performance in Market Making of RMB Currency Options. The Excellent FCM of HKEX.
2017.10	Taiwan Futures Exchange	The 3 rd Annual Diamond Award- 4 th place in trading volume of futures brokers. The 3 rd Annual Diamond Award- 3 rd place in Market Making of RMB Currency Options. The 3 rd Annual Diamond Award- 3 rd place in Market Making of EUR/USD Futures. The 3 rd Annual Diamond Award- 3 rd place in Market Making of USD/JPY Futures.
2017.11	General Chamber of Commerce of R.O.C.	The Golden Merchant Award to President Lee, Wen-Chu.
2017.11	Securities & Futures Institute of R.O.C.	The 14 th -term Golden Goblet Award for Outstanding Futures Industry. Talent to Executive Vice President Mao, Jen-Hua.
2018.10	Taiwan Futures Exchange	The 4 th Annual Diamond Award- 3 rd place in trading volume of futures brokers. The 4 th Annual Diamond Award- 3 rd place in institutional investor trading volume of futures brokers.

2019.08	1111 Job Bank	2019 The happiest enterprise- Financial industry classification.
2019.11	Singapore Exchange	Top 5 North Asia Futures Brokers (SGX China Equities Index Derivatives)
2019.12	Excellence Magazine	The Best Futures Broker in trading stock futures.
2019.12	Hong Kong Exchanges and Clearing Limited	The award of outstanding partner in Base metal business, precious metal business, and Ferrous metals business.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Internal Auditing Office	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions.
Legal & Compliance Office	Responsible for planning, managing and executing of legal compliance affairs of the Company.
Risk Management Office	Responsible for maintaining and monitoring the risk analysis, identification, control and response of daily sales activities.
Administration Department	Responsible for managing the relevant affairs of general matters, administration of internet information system.
Finance Department	Responsible for finance and accounting of the Company.
Dealing & Settlement Department	Responsible for processing the request for clearing and settlement of futures transaction by investors or commission futures merchants.
Research & Development Department	Responsible for providing the foreign and domestic product information, product strategy development and the research report.
Direct sales Department	Responsible for processing the request for the foreign and domestic futures, securities trading business and other trading business which approved by authorization.
Introducing Brokerage Department	Responsible for planning, executing, recruiting and training business which was approved by authorization for assisting introducing brokers.
Domestic Institutional Clients Department	Responsible for the trading request which was approved by authorization for domestic institutional clients, and also develop the related service and maintain.
Foreign Institutional Clients Department	Responsible for developing and providing the related market information, research report and trading information for foreign institutional clients. Handling onshore and offshore futures trade orders of foreign institutional clients which approved by authorization.
Proprietary Trading Department.	Responsible for trading authorized financial products with equity fund.
Securities Proprietary Trading Department	Execute orders for securities traded in the stock markets and the trading of authorized financial products.
Derivatives Department	Responsible for trading in market making business which approved by the competent authority and traded related derivatives products with owned funds.
Leverage Transaction Department	Execute the leverage transaction business which is approved by authorities.
Futures Advisory Department	Hold the professional classes and the investment seminars for recruiting the futures advisory membership and providing the professional consulting and suggestions.
Securities Advisory Department	Responsible for providing the research result and prediction of macro-economy, industry and individual company information base on professional knowledge.
Managed Futures Department	Handle all the discretionary transaction business related matters, including research, executing, trading, deciding, and recruiting.
Taichung Branch	Execute trading orders of futures at domestic/foreign markets, securities transaction, and other authorized business which follow the marketing strategies of headquarter.

3.2 Background information of Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

3.2.1 Directors and Supervisors

Mar.31st, 2020

Title (Note1)	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note2)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of kinship		NOTE (Note4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	
Chairman	Republic Of China	Capital Securities Corp. Representative : Sun, Tien-Shan	Male	2018.05.24	3 years	1997.07.08 1997.07.08	90,166,223	56.21%	119,370,014	56.72%	-	-	-	-	CEO of Capital Futures Corp. Chairman of Capital Futures (HK) Ltd. Chairman of Capital International Technology Corp. Chairman of True Partner Capital Technology (Chengdu) Co., Ltd. Chairman of Capital Futures Technology (Shanghai) Co., Ltd. Supervisor of Taiwan Futures Exchange	-	-	NOTE 4	
Director	Republic Of China	Capital Securities Corp. Representative : Wang, Jiunn-Chih	Male	2018.05.24	3 years	1997.07.08 2012.11.22	90,166,223	56.2%	119,370,014	56.72%	-	-	-	-	Ph.D. in Technology Management, Chung Hua University Capital Securities Corp. Chairman	Chairman of Capital Securities Corp. Director of CSC International Holdings Ltd. Capital Securities (HK) Corp. and Capital Futures (HK) Ltd. Chairman of CSC Venture Capital Corp.	-	-	
Director	Republic Of China	Capital Securities Corp. Representative : Liu, Ching-Tsun	Male	2018.05.24	3 years	1997.07.08 2011.09.19	90,166,223	56.2%	119,370,014	56.72%	-	-	-	-	M.P.A., University of San Francisco, USA Capital Securities Corp. Chairman	Director of Capital Securities Corp.	-	-	

Title (Note 1)	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note 2)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		NOTE (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	
Director	Republic Of China	Hung Yeh Investment Co., Ltd Representative : Lee, Yi-Hui	Female	2018.10.16	3 years	2012.06.19 2018.10.16	1,600	0.00%	2,031	0.00%	-	-	-	-	Department of Public Finance, National Chung Hsing University Hontai Life Insurance Director	Director of Kai Ta Enterprise Co., Ltd., Bao Sheng Investment Co., Ltd., Hongyong Construction Co., Ltd., Hongyuan Construction Co., Ltd., Fengyang Investment Co., Ltd , Chaoliang Investment Co., Ltd, Taifa Investment Co., Ltd., Fu Ding Investment Co., Ltd., Tai Sheng Investment Co., Ltd., Supervisor of Wei Wong Investment Co., Ltd.	-	-	
Independent Director	Republic Of China	Chuang, Chih-Chen	Male	2018.05.24	3 years	2012.06.19	-	-	-	-	-	-	-	College of Law, National Taiwan University Lawyer, Time law firm	Lawyer, Time law firm	-	-		
Independent Director	Republic Of China	Chen, Kuo-Tay	Male	2018.05.24	3 years	2018.05.24	-	-	-	-	-	-	-	Ph.D. in The University of Texas at Austin, USA	None	-	-		

Note 1: For corporate shareholders, the names and representatives are stated individually (for representatives, the names of the respective corporate shareholders they represent are stated separately), and additional disclosures are made in Table 1.

Note 2: Any disruption of duty as a director or supervisor after the date first elected is addressed in a separate remark.

Note 3: The work experiences of anyone above relating to their current roles, e.g. previous employment in the CPA's firm or employment in a related company, are disclosed with detailed job titles and responsibilities.

Note 4: Where the chairperson of the board of directors and the general manager (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto: Mr. Sun Tien-Shan is the Chairman of the Company, and also serve as the CEO of the Company in order to meet the requirement of long-term development of the Company and exercise the decision matters which approved by Board of Directors meeting.

Note 5: Mr. Shea Jia-Dong has resigned on January 2nd, 2020.

Table 1: Major Shareholders of the institutional shareholders

Mar.31st, 2020

Name of Institutional Shareholders (Note 1)	Institutional Shareholders' main shareholders (%) (Note 2)
Capital Securities Corp.	Hontai life insurance Co., Ltd. (4.13%) Fu Ding Investment Co., Ltd. (3.52%) Bao Zuo Investment Co., Ltd (3.50%) Bao Sheng Investment Co., Ltd (3.33%) Tai Sheng Investment Co., Ltd. (3.29%) Hong Chia Investment Co., Ltd. (2.98%) Min Huei Enterprise Co., Ltd. (2.82%) Bao Qing Investment Co., Ltd. (2.78%) The First Insurance Co., Ltd. (2.38%) Hong Long Enterprise Co., Ltd. (2.34%)
Hong Ye Investment Co., Ltd.	Chao Lung Investment Co., Ltd. (41.25%) Tai Fa Investment Co., Ltd. (18.58%) Tai Hsiang Investment Co., Ltd. (18.54%) Tai He Investment Co., Ltd. (9.73%) Hong Chia Investment Co., Ltd. (3.28%) Tai He Construction Management Co., Ltd. (1.74%) Tai Lian Investment Co., Ltd. (1.72%) Bao Zuo Investment Co., Ltd (1.52%) Fu Ding Investment Co., Ltd. (1.52%) Tai Chun Investment Co., Ltd (0.93%)

Note 1: Where major shareholders listed in Table 1 are corporate entities, the names of the corporate entities are displayed.

Note 2: The above table shows the names and shareholding percentages of major shareholders (top 10 shareholders) in the respective corporate entities. If major shareholders' major shareholders are institutional investor should be listed on table 2.

Note 3: If the corporate shareholder not belongs to an organization, the name of the shareholder and the shareholding ratio that should be disclosed, and it represent to the name of the funder or donor and the contribution ratio.

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

Name of Corporate Shareholder (Note1)	Institutional shareholders' main shareholders (%) (Note2)
Hontai life insurance Co., Ltd.	Lin, Chang-Lung (24.77%) Wang, Wan-Ling (14.97%) Kai Da Enterprise Co., Ltd. (9.96%) Hong Sheng Enterprise Co., Ltd. (8.77%) Hong Long Enterprise Co., Ltd. (4.38%) Taiyo Life Insurance Company (3.44%) Hong Chang Enterprise Co., Ltd. (3.23%) Min Huei Enterprise Co., Ltd. (2.61%) Everpro Insurance Brokers Co., Ltd. (2.56%) Chen Huei Enterprise Co., Ltd. (2.45%)
Fu Ding Investment Co., Ltd.	Chao Lung Investment Co., Ltd. (24.73%) Tai Fa Investment Co., Ltd. (13.02%) Tai Hsiang Investment Co., Ltd. (9.76%) Bao Qing Investment Co., Ltd. (6.51%) Hong Chia Investment Co., Ltd. (6.51%) Yu Chun Enterprise Co., Ltd. (6.03%) Fu Tai Construction Corporation (5.80%) Tai He Investment Co., Ltd. (5.21%) Tai Chun Enterprise Co., Ltd. (4.28%) Run Hsiang Enterprise Co., Ltd. (4.27%)
Bao Zuo Investment Co., Ltd	Chao Lung Investment Co., Ltd. (21.83%) Chen Huei Enterprise Co., Ltd. (18.43%)

Name of Corporate Shareholder (Note1)	Institutional shareholders' main shareholders (%) (Note2)
	Tai Hsiang Investment Co., Ltd. (12.16%) Kai Da Enterprise Co., Ltd. (10.55%) Hong Long Enterprise Co., Ltd. (9.91%) Tai Fa Investment Co., Ltd. (7.74%) Tai Sheng Investment Co., Ltd. (3.17%) Tai Chien Investment Co., Ltd. (1.93%) Tai He Investment Co., Ltd. (1.38%) Bao Sheng Investment Co., Ltd (0.83%)
Bao Sheng Investment Co., Ltd.	Tai He Investment Co., Ltd. (56.09%) Tai Fa Investment Co., Ltd. (11.48%) Tai Hsiang Investment Co., Ltd. (11.40%) Chao Lung Investment Co., Ltd. (9.25%) Tai Chun Enterprise Co., Ltd. (2.73%) Chen Huei Enterprise Co., Ltd. (1.99%) Yu Bao Enterprise Co., Ltd. (1.91%) Yin Feng Enterprise Co., Ltd. (1.82%) Han Bao Enterprise Co., Ltd. (1.74%) Wang Hsing Enterprise Co., Ltd. (1.58%)
Tai Sheng Investment Co., Ltd.	Tai He Investment Co., Ltd. (23.93%) Chao Lung Investment Co., Ltd. (19.86%) Tai Fa Investment Co., Ltd. (11.01%) Tai Hsiang Investment Co., Ltd. (10.29%) Yu Bao Enterprise Co., Ltd. (5.98%) Han Bao Enterprise Co., Ltd. (5.27%) Chen Huei Enterprise Co., Ltd. (4.42%) Yu Chun Enterprise Co., Ltd. (4.40%) Fu Tai Construction Corporation (3.77%) Chuan Yi Construction Co., Ltd. (3.54%)
Hong Chia Investment Co., Ltd.	Chao Lung Investment Co., Ltd. (24.20%) Tai He Investment Co., Ltd. (12.42%) Hong Tai Construction Co., Ltd. (9.97%) Fu Tai Construction Corporation (9.97%) Tai Hsiang Investment Co., Ltd. (9.56%) Tai Sheng Investment Co., Ltd. (7.96%) Tai Fa Investment Co., Ltd. (6.37%) Lian Mao Investment Co., Ltd. (4.78%) Bao Zuo Investment Co., Ltd (3.18%) Zhonglong Technology Co., Ltd. (3.18%)
Min Huei Enterprise Co., Ltd.	Lian Mao Investment Co., Ltd. (16.54%) Wei Wang Investment Co., Ltd. (14.75%) Hong Chang Enterprise Co., Ltd. (13.66%) Sheng Hsiang Enterprise Co., Ltd. (10.11%) Tai Chun Investment Co., Ltd. (10.02%) Tai Chun Enterprise Co., Ltd. (8.48%) Han Bao Enterprise Co., Ltd. (8.47%) Chen Huei Enterprise Co., Ltd. (6.42%) Yu Bao Enterprise Co., Ltd. (5.80%) Run Hsiang Enterprise Co., Ltd. (4.76%)
Bao Qing Investment Co., Ltd.	Tai Fa Investment Co., Ltd. (19.72%) Tai Hsiang Investment Co., Ltd. (19.43%) Chao Lung Investment Co., Ltd. (19.43%)

Name of Corporate Shareholder (Note1)	Institutional shareholders' main shareholders (%) (Note2)
	Chuan Yi Construction Co., Ltd. (6.93%) Fu Tai Construction Corporation (6.93%) Hong Long Enterprise Co., Ltd. (5.51%) Run Hsiang Enterprise Co., Ltd. (5.51%) Tai He Investment Co., Ltd. (4.93%) Bao Zuo Investment Co., Ltd (4.35%) Tai Sheng Investment Co., Ltd. (4.35%)
The First Insurance Co., Ltd.	Jiancheng Development Co., Ltd. (6.24%) Sheng Ching Investment Co., Ltd. (6.06%) Da Feng Construction Engineering Co., Ltd. (5.25%) Chai Cheng Enterprise Co., Ltd. (3.76%) Bao Shan Construction Co., Ltd. (3.31%) Jian Yi Enterprise Co., Ltd. (2.45%) I-Chih Co., Ltd. (1.64%) Chai Rui Enterprise Co., Ltd. (1.49%) Taian Insurance Co., Ltd. (1.39%) Gan Lin Investment Co., Ltd. (1.34%)
Hong Long Enterprise Co., Ltd.	Quanyi Construction Co., Ltd. (14.64%) Qarnet Enterprise Co, Ltd. (14.24%) Hong Yuan Construction Co., Ltd. (12.84%) Yu Bao Enterprise Co., Ltd. (12.71%) Lian Mao Investment Co., Ltd. (11.92%) Futai Construction Co., Ltd. (11.70%) Chen Huei Enterprise Co., Ltd. (9.23%) Run Hsiang Enterprise Co., Ltd. (7.19%) Deye Apartment Building Management and Maintenance Co., Ltd. (3.18%) Han Bao Enterprise Co., Ltd. (2.34%)
Chao Lung Investment Co., Ltd.	Y.L. Lin Hung Tai Education and Culture Charity Trust (92.88%) Futai Construction Co., Ltd. (2.77%) Han Bao Enterprise Co., Ltd. (2.07%) Bao Qing Investment Co., Ltd. (1.52%) Taiye Enterprise Co., Ltd. (0.69%) Quanyi investment Co., Ltd. (0.07%)
Tai Fa Investment Co., Ltd.	Y.L. Lin Hung Tai Education and Culture Charity Trust (100.00%)
Tai Hsiang Investment Co., Ltd.	Y.L. Lin Hung Tai Education and Culture Charity Trust (100.00%)
Tai He Investment Co., Ltd.	Y.L. Lin Hung Tai Education and Culture Charity Trust (89.96%) Yin Feng Enterprise Co., Ltd. (5.09%) Yu Bao Enterprise Co., Ltd. (2.98%) Taiye Enterprise Co., Ltd. (0.51%) Hong Chia Investment Co., Ltd. (0.49%) Bao Qing Investment Co., Ltd. (0.49%). Tai Jian Investment Co., Ltd. (0.43%) Quanyi investment Co., Ltd. (0.15%)
Tai He Construction Management Co., Ltd.	Qarnet enterprise Co., Ltd. (19.61%) Hong Long Enterprise Co., Ltd. (18.75%) Min Huei Enterprise Co., Ltd. (18.75%)

Name of Corporate Shareholder (Note1)	Institutional shareholders' main shareholders (%) (Note2)
	Sheng Hsiang Enterprise Co., Ltd. (15.14%) Tsai Chiang Enterprise Co., Ltd. (15.14%) Chung Lung Technology Co., Ltd. (12.50%)
Tai Lian Investment Co., Ltd.	Tai Hsiang Investment Co., Ltd. (43.02%) Hao Long Investment Co., Ltd. (16.65%) Tai Fa Investment Co., Ltd. (15.27%) Tai He Investment Co., Ltd. (11.59%) Yin Feng Enterprise Co., Ltd. (3.26%) Han Bao Enterprise Co., Ltd. (3.26%) Hong Sheng Enterprise Co., Ltd. (3.26%) Fu Tai Construction Corporation (3.23%) Hong Tai Construction Co., Ltd. (0.44%)
Tai Chun Investment Co., Ltd.	Tai Fa Investment Co., Ltd. (30.63%) Chao Lung Investment Co., Ltd. (19.71%) Tai Hsiang Investment Co., Ltd. (18.91%) Tai He Investment Co., Ltd. (15.98%) Tai Chun Enterprise Co., Ltd. (2.91%) Han Bao Enterprise Co., Ltd. (2.88%) Yin Feng Enterprise Co., Ltd. (2.74%) Kai Da Enterprise Co., Ltd. (2.49%) Run Hsiang Enterprise Co., Ltd. (1.89%) Hong Sheng Enterprise Co., Ltd. (1.85%)

Note 1: Where major shareholders listed in Table 1 are corporate entities, the names of the corporate entities are displayed.

Note 2: The above table shows the names and shareholding percentages of major shareholders (top 10 shareholders) in the respective corporate entities.

Note 3: If the corporate shareholder not belongs to an organization, the name of the shareholder and the shareholding ratio that should be disclosed, and it represent to the name of the funder or donor and the contribution ratio.

3.2.2 Professional qualifications and independence analysis of directors and supervisors

Mar. 31st, 2020

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Capital Securities Corp. Representative: Sun, Tien-Shan			✓	-	-	-	✓	-	✓	✓	✓	✓	✓	✓	-	0
Capital Securities Corp. Representative: Liu, Ching-Tsun			✓	✓	-	✓	✓	-	-	-	-	-	✓	✓	-	0
Capital Securities Corp. Representative: Wang, Jiunn-Chih			✓	-	-	✓	✓	-	-	-	-	-	✓	✓	-	0

Hung Yeh Investment Co.,Ltd Representative: Lee, Yi-Hui			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Chuang, Chih-Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen, Kuo-Tay	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note1: Adjust the number of columns as needed.

Note2: A "✓" is placed in the box if the Director or Supervisor met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of any of the Company's related companies (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, which have been appointed in accordance with local laws or laws of the registered country).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, relative of second degree or closer, or direct blood relative of third degree or closer to any person listed in the three preceding criteria.
- (5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Company; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.
- (6) A majority of the Company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor, or employee of that other company.
- (7) The chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution is not the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that doesn't have a financial or business relationship with the company.
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, not provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any of the conditions stated in Article 30 of The Company Act.
- (12) Not elected as a government or corporate representative, as described in Article 27 of The Company Act.

3.2.3 President, Executive Vice Presidents, Senior Vice Presidents, Department Heads & Branch Heads

Mar. 31st, 2020

Title (Note 1)	Nationality	Name	Gender	Date Elected/ Appointed	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major Career (academic) (Note 2)	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
CEO Chairman	Republic of China	Sun, Tien-Shan	Male	2002/03/18	1,181,162	0.56%	631,550	0.30%	-	-	Business Administration Executive Program, National Chengchi University Capital Securities Corp. Senior Executive Vice President	The Director of Capital Futures (HK) Ltd. Chairman of Capital International Technology Corp. Chairman of True Partner Capital Technology (Chengdu) Co., Ltd. Chairman of Capital Futures Technology (Shanghai) Co., Ltd. Supervisor of Taiwan Futures Exchange	-	-	NOTE 3
President	Republic of China	Lee, Wen-Chu,	Male	2015/10/01	260,690	0.12%	-	-	-	-	Executive Master of Business Administration, National Chengchi University Hua Nan Futures Corp. President	Director of Capital International Technology Corp. Director of True Partner Capital Technology (Chengdu) Co., Ltd. Director of Capital Futures Technology (Shanghai) Co., Ltd.	-	-	
Senior Executive Vice president	Republic of China	Chen, Wen-Tsay,	Male	2006/11/01	131,206	0.06%	-	-	-	-	Master of Business Administration, Florida State University Capital Futures Corp. Senior Executive Vice President	Director of Capital International Technology Corp Director of True Partner Capital Technology (Chengdu) Co., Ltd. Director of Capital Futures Technology (Shanghai) Co., Ltd.	-	-	
Senior Executive Vice president	Republic of China	Mao, Jen-Hua	Male	2005/09/06	110,394	0.05%	-	-	-	-	Department of International Trade Tunghai University Concord Futures Corp. Director	Director of Capital Futures Technology (Shanghai) Co., Ltd.	-	-	
Senior Executive Vice president	Republic of China	Lin, Chi-Cheng	Male	2019/01/02	60,000	0.03%	-	-	-	-	Master of Science in Finance Illinois Institute of Technology Guosen Securities President of Derivatives Dept.	None	-	-	
Senior Executive Vice president	Republic of China	Ho, Yu-Wen	Male	2019/01/02	-	-	-	-	-	-	Master of International Business National Taiwan University Guosen Securities Vice President of Derivatives Dept.	None	-	-	
Senior Executive	Republic of China	Xia, Huan-Ting	Male	2020/02/03	-	-	-	-	-	-	Master of Finance, Tam Kang University	None	-	-	

Title (Note 1)	Nationality	Name	Gender	Date Elected/ Appointed	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major Career (academic) (Note 2)	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relation- ship	Note
Vice president											Yuanta Futures Co., Ltd., Deputy General Manager					3
Executive Vice president	Republic of China	Yang, Rui-Ling	Female	2011/12/28	115,715	0.05%	-	-	-	-	Department of business administration Shih Chien University Masterlink Futures Corp. Sales Vice President	None	-	-	-	
Executive Vice president	Republic of China	Huang, Wei-Ben	Male	2014/04/01	70,292	0.03%	-	-	-	-	Master of Financial Operating National Kaohsiung First University of Science Sinopac Futures Corp. Sales Manager	None	-	-	-	
Senior Executive Officer	Republic of China	Hsu, Jhen-Zong	Male	2003/06/23	-	-	-	-	-	-	Department of Cooperative Economics Feng Chia University Capital Securities Corp. Vice President	None	-	-	-	
Senior Executive Officer	Republic of China	Yang, Yau-Yu	Male	2017/04/06	-	-	-	-	-	-	Master of Finance, National Taiwan University BusinessWeek Corp. Advisor of Editorial department	None	-	-	-	
Senior Vice President	Republic of China	Hsu, Ji-Ching	Male	2005/01/01	37,830	0.02%	-	-	-	-	Department of International Trade Tamkang University Masterlink Futures Corp. Deputy Manager	None	-	-	-	
Senior Vice President	Republic of China	Lin, Li-Juan	Female	2006/06/01	82,118	0.04%	-	-	-	-	Department of Business Providence University Polaris Futures Corp. Manager	Supervisor of Capital International Technology Corp	-	-	-	
Senior Vice President	Republic of China	Chen, Wei-Ting	Male	2009/08/01	155,573	0.07%	-	-	-	-	Department of International Business Administration Yuan Ze University Sinopac Futures Corp. Deputy Manager	None	-	-	-	
Senior Vice President	Republic of China	Lin, Xiao-Chian	Male	2010/06/10	78,402	0.04%	-	-	-	-	Master of Business Administration, University of La Verne	None	-	-	-	

Title (Note 1)	Nationality	Name	Gender	Date Elected/ Appointed	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major Career (academic) (Note 2)	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relation- ship	Note
											J.P. Morgan Chase & Corp. Deputy Manager					3
Senior Vice President	Republic of China	Lee, Chung-Wei	Male	2014/07/14	45,000	0.02%	-	-	-	-	None		-	-		
Senior Vice President	Republic of China	Peng, Jian-Cheng	Male	2012/07/02	1,300	0.00%	-	-	-	-	None		-	-		
Senior Vice President	Republic of China	Kuo, Shu-Zhen,	Female	2013/01/01	55,000	0.03%	-	-	-	-	None		-	-		
Senior Vice President	Republic of China	Fan, Jhen-Hong	Male	2015/10/01	-	-	-	-	-	-	None		-	-		
Senior Vice President	Republic of China	Jhuo Zheng-Gang	Male	2016/04/01	-	-	-	-	-	-	None		-	-		
Vice President	Republic of China	Ho, Zhuo-Yi	Male	2016/08/01	59,043	0.03%	-	-	-	-	None		-	-		
Vice President	Republic of China	Chen, Tzung-Yu	Male	2018/04/01	35,000	0.02%	-	-	-	-	None		-	-		

Title (Note 1)	Nationality	Name	Gender	Date Elected/ Appointed	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major Career (academic) (Note 2)	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relation- ship
Vice President	Republic of China	Jung, Jeng-Huang	Male	2018/04/02	6,000	0.00%	-	-	-	-	Ph.D. Of Finance Department National Taiwan University Waterland Securities Manager of Risk Management Dept.	None	-	-	3
Vice President	Republic of China	Ju,Shiu	Male	2019/01/02	-	-	-	-	-	-	Master of International Business National Taiwan University Guosen Securities Vice director of Derivatives Dept.	None	-	-	
Vice President	Republic of China	Yang, Shih-Chuang	Male	2019/01/02	-	-	-	-	-	-	Master of Physics National Taiwan University Waterland Securities Assistant Manager	None	-	-	
Vice President	Republic of China	Lin, Ching-Ming	Male	2019/01/02	-	-	-	-	-	-	Department of Information management Ming-Chuan University Guosen Securities Vice director of Derivatives Dept.	None	-	-	
Vice President	Republic of China	Huang, Pei-Luen	Male	2019/02/11	-	-	-	-	-	-	Master in Business Administration Long Island University Fubon Securities Senior Manager	None	-	-	
Vice President	Republic of China	Lian , Jing-Lian	Male	2003/05/02	43,300	0.02%	-	-	-	-	Department of Statistics Tamkang University Yuanta Futures Co., Ltd. Deputy Manager	None	-	-	
Assistant Vice President	Republic of China	Lee, Tuan-Kang	Male	108/10/21	-	-	-	-	-	-	Master Of Banking and Financial Law, Boston University Assistant Manager, Cathy Financial Group	None	-	-	
Assistant Vice President	Republic of China	Huang , Guo-Rong	Male	2012/06/01	25,064	0.01%	-	-	-	-	Department of Economics National Tsing Hua University Capital Futures Corp. Deputy manager of Managed Futures Department	None	-	-	
Senior Manager	Republic of China	Lin, Chih-Pin	Male	2019/04/01	-	-	-	-	-	-	Master of Finance National Chung Cheng University	None	-	-	

Title (Note 1)	Nationality	Name	Gender	Date Elected/ Appointed	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major Career (academic) (Note 2)	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers			
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relation- ship	Note
											Jihsum Futures Co., Ltd Researcher					3
Senior Specialist	Republic of China	Chang, Li-Jiao	Female	2015/10/01	18,000	0.01%	-	-	-	-	EMBA of National Taiwan Normal University Concord Securities Co., Ltd. Senior Manager	None	-	-	-	
Senior Specialist	Republic of China	Lin, Shiou-Ju	Female	2017/04/01	20,000	0.01%	-	-	-	-	Department of Insurance Shih Chien University Capital Futures Corp. Manager	None	-	-	-	
Senior Specialist	Republic of China	Tsao, Shu-Hui	Female	2015/12/29	58,774	0.03%	-	-	-	-	Department of Accounting Chinese Culture University Capital Futures Corp. Deputy Manager	None	-	-	-	
Senior Specialist	Republic of China	Liu, Bao-Hua	Male	2015/04/01	37,400	0.02%	-	-	-	-	Department of Finance National Taiwan University Capital Futures Corp. Manager	None	-	-	-	
Senior Specialist	Republic of China	Yu, Po-Liang	Male	2019/09/16	-	-	-	-	-	-	Department of Law National ChengChi University Chen & Lin Attorneys-at-law Lawyer	None	-	-	-	
Sales Vice President	Republic of China	Chang, Mu-Min	Male	2018/04/01	4,800	0.00%	-	-	-	-	Department of Transportation and Communication Management Science & Institute of Telecommunications Management National Cheng Kung University Capital Futures Corp. Sales Vice President	None	-	-	-	

Note 1: The information of Presidents, senior executive vice president, director and the head of every branch...etc. should be disclosed.

Note 2: The work experiences of anyone above relating to their current roles, e.g. previous employment in the CPA's firm or employment in a related company, are disclosed with detailed job titles and responsibilities.

Note 3: If the corporate shareholder not belongs to an organization, the name of the shareholder and the shareholding ratio that should be disclosed, and it represent to the name of the funder or donor and the contribution ratio. Chairman Tien-Shan, Sun also serves as the CEO of the Company in order to meet the Company's long-term development needs and implement the matters which decided by the Board.

3.2.4 Remuneration paid to Directors, the President, and the Vice President in 2019 (To disclose the remuneration of each director and independent director individually.)

Unit: NTD thousand

Title	Name	Director's remuneration						Remuneration as an employee				NT\$ thousand The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (Note 10)		Remuneration from invested businesses other than the subsidiaries or parent company (Note 11)					
		Remuneration(A) (Note 2)		Pension (B)		Remuneration to directors (C)(Notes)		Fees for services rendered (D) (Notes)		The sum of A, B, C and D as a percentage of after-tax net profit (Note 10)		Salaries, bonuses, special allowances etc. (E)(Note 5)			Pension (F)		Remuneration to employees (G)(Note 6)		
		The Company	All companies shown in the financial report (Note 7)	The Company	All companies shown in the financial report (Note 7)	The Company	All companies shown in the financial report (Note 7)	The Company	All companies shown in the financial report (Note 7)	The Company	All companies shown in the financial report (Note 7)	The Company	All companies shown in the financial report (Note 7)		Cash amount	Stock amount	The Company	All companies contained in the financial report (Note 7)	
Director	Capital Securities Corp.	-	-	4,753	-	4,753	240	240	-	-	-	-	-	-	-	-	0.83%	0.83%	-
Chairman	Capital Securities Corp. Representative: Sun, Tien-Shan	5,807	72	-	72	-	40	4,702	1,153	-	-	-	-	-	-	-	1.18%	1.96%	-
Director	Capital Securities Corp. Representative: Wang, Jiunn-Chih	-	-	-	-	-	35	35	-	-	-	-	-	-	-	-	0.01%	0.01%	24,812
Director	Capital Securities Corp. Representative: Liu, Ching-Tsun	-	-	-	-	-	155	155	-	-	-	-	-	-	-	-	0.03%	0.03%	4,330
Director	Hung Yeh Investment Co., Ltd	-	-	1,584	-	1,584	155	155	-	-	-	-	-	-	-	-	0.29%	0.29%	-
Director	Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Independent Director	Shea, Jia-Dong	480	-	792	-	792	90	90	-	-	-	-	-	-	-	-	0.23%	0.23%	4,950
Independent Director	Chuang, Chih-Chen	480	-	792	-	792	90	90	-	-	-	-	-	-	-	-	0.23%	0.23%	-
Independent Director	Chen, Kuo-Tay	480	-	792	-	792	60	60	-	-	-	-	-	-	-	-	0.22%	0.22%	-

1. Please describe the remuneration policies, standards, structure, the procedure for determining the remuneration of independent directors, and its linkage to their duties, time investment and future risk exposure:
All independent directors of the Company not only take the responsibilities of Board of Director's meeting, also serve as the duties of Audit committee and Remuneration committee.

The determination of the remuneration of the Company's independent directors is based on the "Company Act" and the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", which according to the independent director's participation and contribution to the Company's operation, and the operational performance and other factors will be evaluated too, it clearly stated in the Company's Articles of Association. The Board of Directors meeting will accord to the degree of participation and contribution to the Company's operations and the standard of the industry are agreed. They may also decide on reasonable remuneration different from that of general directors.

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

Note: The remuneration of driver is 1,238 thousand dollars.

Remuneration bracket table

Remunerations to individual directors in respective brackets along the salaries scale	Name of director		
	The total of the aforementioned 4 items (A+B+C+D)	The total of the aforementioned 7 items (A+B+C+D+E+F+G)	The financial report (Note 9)
<NT\$1,000,000	The Company (Note 8) Capital Securities Corp. Representative: Wang, Jiunn-Chih, Capital Securities Corp. Representative: Liu, Ching-Tsun, Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui.	The Company (Note 8) Capital Securities Corp. Representative: Wang, Jiunn-Chih, Capital Securities Corp. Representative: Liu, Ching-Tsun, Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui.	Hung Yeh Investment Co. Ltd Representative: Lee, Yi-Hui
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	Hung Yeh Investment Co. Ltd, Chuang, Chih-Chen, Shea, Jia-Dong, Chen, Kuo-Tay	Hung Yeh Investment Co. Ltd, Chuang, Chih-Chen, Shea, Jia-Dong, Chen, Kuo-Tay	Hung Yeh Investment Co. Ltd, Chuang, Chih-Chen, Chen, Kuo-Tay
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)			
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	Capital Securities Corp.	Capital Securities Corp.	Capital Securities Corp. Representative: Liu, Ching-Tsun, Capital Securities Corp.
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)	Capital Securities Corp. Representative: Sun, Tien-Shan	Capital Securities Corp. Representative: Sun, Tien-Shan	Shea, Jia-Dong Capital Securities Corp.
NT\$10,000,000 ~ NT\$15,000,000 (exclusive)		Capital Securities Corp. Representative: Sun, Tien-Shan	Capital Securities Corp. Representative: Sun, Tien-Shan
NT\$15,000,000 ~ NT\$30,000,000 (exclusive)			Capital Securities Corp. Representative: Wang, Jiunn-Chih
> NT\$100,000,000			
Total	7 persons	7 persons	7 persons

Note 1: Directors' names should be presented separately (for corporate shareholders, state separately the name of the corporate shareholder and its representatives), and also stated general director and independent director separately; the amount of benefits and allowances can be presented in aggregate sums. If directors who have also worked in the capacity as President or asst President should fill out this table or below table (3-2-1) or (3-2-2).

Note 2: Refers to Director's remuneration in the latest year (including salaries, work subsidies, severance pay, various bonuses and incentives etc.).

Note 3: Please fill in the amount of remuneration to directors resolved in the most recent board meeting.

Note 4: Refers to compensations for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other items). If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these drivers, but do not count them as part of the beneficiaries' remuneration.

Note 5: Remunerations received by directors who have also worked in the capacity as employees (including the position of President, Vice President, managers, and employees), including salaries, subsidies, severance pay, bonus, awards, traveling subsidy, special subsidy, different forms of subsidies, accommodation, company car, and other supplies in kind. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these drivers, but do not count them as part of the beneficiaries' remuneration. Besides, according to IFRS2 share-based Payment requires an entity to recognize share-bases payment transactions, including granted shares, share options or share appreciation rights.

Note 6: For the directors who are also employees (including President, Vice President, managers, and staff) of the Company in the most recent year with remuneration received (including stock and cash), the remuneration amount to employees resolved in the board meeting in the most recent year should be disclosed. If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out.

Note 7: It refers to the amount of exercisable shares vested in employees' warrants, which the Director has received up till the publishing date of this annual report (excluding those that were exercised), for taking the role of a company employee (such as President, Vice President, other managers and employees).

Note 8: The total amount of remunerations to each director of the Company under the consolidated financial statement (including the Company) shall be disclosed with the disclosure of the names of the directors falling in relevant brackets.

Note 9: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's Directors.

Note 10: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.

Note 11: a. This field must state any form of remuneration the Director has received from The Company's invested businesses other than subsidiaries or the parent company.
b. For Directors who receive remuneration from invested businesses other than subsidiaries or the parent company, the amount of remuneration from these invested businesses should be added to column J of the Remuneration brackets table. Change the name of column J to "All invested businesses".

c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees etc. which The Company's Directors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries or the parent company.

* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

3.2.5 The Company sets Audit Committee since May 20th, 2015 and there is no information about remuneration of supervisor.

3.2.6 Remuneration of the President and Vice Presidents in 2019

Unit: NTD thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and allowances etc. (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C, and D as a percentage of after-tax net profit (%) (Note 8)	Remuneration from invested businesses other than the subsidiaries or the parent company (Note 9)
		The Company	All companies included in the consolidated statements (Note 5)	The Company	All companies included in the consolidated statements (Note 5)	The Company	All companies included in the consolidated statements (Note 5)	The Company		All companies included in the consolidated statements (Note 5)	The Company		
								Cash amount	Stock amount				
CEO	Sun, Tien-Shan												
President	Lee, Wen-Chu												
Senior Executive Officer	Hsu, Jhen-Zong												
Senior Executive Officer	Yang, Yau-Yu												
Senior Executive Officer	Tseng, Wen-Jun												
Senior Executive Vice President	Chen, Wen-Tsay	20,467	20,467	938	938	19,335	19,335	1,210	0	1,210	0	6.99%	None
Senior Executive Vice President	Mao, Jen-Hua												
Senior Executive vice president	Lin, Chi-Cheng												
Senior Executive vice president	Ho, Yu-Wen												

Senior Executive vice president	Xia, Huan-Ting (Note)																			
Executive vice president	Yang, Rui-Ling																			
Executive vice president	Huang, Wei-Ben																			

*The information of president, senior executive vice president, director and the head of every branch...etc. should be disclosure.
Note: Mr. Tseng, Wen-Jun has retired on 2019/04/01 and Mr. Xia, Huan-Ting has resigned on 2019/03/11.

The brackets of remunerations to all Presidents and Vice Presidents of the Company

Remunerations to all Presidents and Vice Presidents of the Company	Names of the Presidents and the Vice Presidents	
	The Company (Note 6)	All companies shown in the financial report (Note 7)
<NT\$1,000,000	Sun, Tien-Shan, Tseng, Wen-Jun	Sun, Tien-Shan, Tseng, Wen-Jun
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	Yang, Yau-Yu	Yang, Yau-Yu
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	Hsu, Jhen-Zong, Huang, Wei-Ben, Xia, Huan-Ting, Ho, Yu-Wen	Hsu, Jhen-Zong, Huang, Wei-Ben, Xia, Huan-Ting, Ho, Yu-Wen
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	Chen, Wen-Tsay, Lin, Chi-Cheng	Chen, Wen-Tsay, Lin, Chi-Cheng
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)	Lee, Wen-Chu, Mao, Jen-Hua, Yang, Rui-Ling	Lee, Wen-Chu, Mao, Jen-Hua, Yang, Rui-Ling
NT\$10,000,000 ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 ~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 ~ NT\$100,000,000 (exclusive)	-	-
> NT\$100,000,000	-	-
Total	12 persons	12 persons

Note 1: The names of the President and Vice Presidents should be presented separately; the amount of benefits and allowances can be presented in aggregate sums. Any Directors who co-headed the President or Vice President positions must be disclosed in this table and above tables as well as the previous.

Note 2: Refers to salaries, work subsidies, pension, and severance pay made to the President and Vice Presidents in the latest year.

Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, various subsidies, accommodation, corporate vehicle or other items made to the President and Vice Presidents. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these drivers, but do not count them as part of the beneficiaries' remuneration. Besides, according to IFRS2 share-based Payment requires an entity to recognize share-based payment transactions, including granted shares, share options or share appreciation rights.

Note 4: Please fill in the remuneration amount to the President and Vice President resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out. Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.

Note 5: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's

President/Vice Presidents.

Note 6: The total remunerations to each President and Vice President of all companies in the consolidated financial statements (including the Company), and disclose the names of these Presidents and Vice Presidents in relevant brackets along the scale of remunerations.

Note 7: The disclosure should cover all companies included in the consolidated financial statements (including the Company); present the total amount of remuneration paid by all companies above to The Company's President/Vice Presidents.

Note 8: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.

Note 9: a. this field must state any form of remuneration the President and Vice President have received from The Company's invested businesses other than subsidiaries or the parent company.

b. For President/Vice Presidents who receive remuneration from invested businesses other than subsidiaries or the parent company, the amount of remuneration from these invested businesses should be added to column E of the Remuneration brackets table. Change the name of column E to "The parent company and its all invested businesses"

c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees etc. which The Company's President/Vice Presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries or the parent company.

* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

3.2.7 Name of the managers received remuneration and the distribution of remuneration in 2019

Unit: NTD thousand

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	As a percentage of net profit after tax (%)
Managers	Chief Strategy Officer	Sun, Tien-Shan	0	4,357	4,357	0.73%
	President	Lee, Wen-Chu				
	Senior Executive Vice President	Chen, Wen-Tsay				
	Senior Executive Vice President	Mao, Jen-Hua				
	Senior Executive Vice President	Lin, Chi-Cheng				
	Senior Executive Vice President	Xia, Huan-Ting,				
	Senior Executive Vice President	Ho, Yu-Wen				
	Executive Vice president	Yang, Rui-Ling				
	Executive Vice president	Huang, Wei-Ben				
	Senior Executive Officer	Yang, Yau-Yu				
	Senior Executive Officer	Hsu, Jhen-Zong				
	Senior Vice President	Lin, Li-Juan				
	Senior Vice President	Kuo, Shu-Zhen				
	Senior Vice President	Jhuo, Zheng-Gang				
	Senior Vice President	Peng, Jian-Cheng				
	Senior Vice President	Hsu, Ji-Ching				
	Senior Vice President	Chen, Wei-Ting				
	Senior Vice President	Lin, Xiao-Chian				
	Senior Vice President	Fan, Jhen-Hong,				
	Senior Vice President	Li, Zong-Wei				
	Vice president	Lian, Jing-Lian				
	Vice president	Chung, Cheng-Huang				
	Vice president	Ho, Zhuo-Yi				
	Vice president	Chen, Tzung-Yu				
	Vice president	Huang, Pei-Luen				
	Vice president	Ju, Shiu				

Vice president	Lin, Ching-Ming			
Vice president	Yang, Shih-Chuang			
Assistant Vice President	Lee, Tuan-Kang			
Assistant Vice President	Huang, Guo-Rong			
Senior Manager	Lin, Chi-Pin			
Senior Specialist	Chang, Li-Jiao			
Senior Specialist	Lin, Shiou-Ju			
Senior Specialist	Tsao, Shu-Hui			
Senior Specialist	Liu, Bao-Hua			
Senior Specialist	Chang, Mu-Min			
Senior Specialist	Yu, Po-Liang			

Note 1: The name and job title of each individual should be disclosed; however, the distribution of earnings can be disclosed aggregately.

Note 2: Please fill in the remuneration amount to the managers resolved in the board meeting in the most recent year (including stock and cash).

If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year. Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.

Note 3: According to Notice Tai-Tsai-Cheng-3-0920001301 dated 27 March 2003, the following managerial roles are required to reporting:

(1) President and equivalents (2) Vice President and equivalents (3) Junior V.P. and equivalents (4) Director of the Finance

Department (5) Director of the Accounting Department (6) Others who are responsible for business management and authorized to sign document on behalf of the Company.

Note 4: If the Directors, President, and Vice President have received remuneration (including stock and cash), in addition to filling out Attachment 1.2, this form must be filled out too.

3.2.8 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, President and vice presidents of the Company, to the after-tax net income.

Unit: NTD thousand; percentage

Item		2019		2018	
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Total remuneration paid to directors (Including the independent directors)	Total remuneration amount	18,051	22,713	34,030	38,667
	The remuneration as a percentage of net income (%)	3.01%	3.79%	4.07%	4.61%
Total remuneration paid to President and vice president	Total remuneration amount	41,950	41,950	46,253	46,253
	The remuneration as a percentage of net income (%)	6.99%	6.99%	5.54%	5.52%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

1. The Directors' remuneration policy was created in accordance with the Articles of Association. The Board of Directors are authorized to determine remuneration levels for each Director based on their involvements and contributions to the Company's operations, in reference to peer standards. Travel subsidies can also be made depending on their actual attendances to the Board of Directors meetings.
2. Remuneration to the President and Vice Presidents are determined based on their job responsibilities, the normal level of salary, and annual performance which are subject to the Board of Directors' approval.
3. Operating performance and potential risk in the future: The procedure of determine the remuneration based on the general operating performance of the Company, and consider the participation and contribution of the department revenue to the whole company, and also sets reasonable salary levels that are closely related to peer standards which are subject to the Chairman' approval.

In order to control potential risk in the future, the internal control system which reviewed by Remuneration Committee is necessary. And also, the remuneration amount would be disclosure in the annual report according to the rules and regulations for preventing mistakes, therefore, potential risk should be limited. In summary, policy and procedure for determining the remuneration of directors, President and vice president has the positive correlation with the operating performance of the Company.

3.3 Corporate Governance

3.3.1 Functionality of the Board of Directors

7 Board of Directors meetings were held in the latest year (2019); Directors' and Independent Directors' attendance are listed below:

Title	Name (Note 1)	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A)(Note 2)	Remark
Chairman	Capital Securities Corp. Representative: Sun, Tien-Shan	7	0	100%	
Director	Capital Securities Corp. Representative: Wang, Jiunn-Chih	6	0	86%	
Director	Capital Securities Corp. Representative: Liu, Ching-Tsun	6	0	86%	
Vice President	Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui	6	0	86%	
Independent director	Shea, Jia-Dong	7	0	100%	Resigned on January 2 nd , 2020.
Independent director	Chuang, Chih-Chen	7	0	100%	
Independent director	Chen, Kuo-Tay	7	0	100%	

Note 1: If Directors and Supervisors are corporate entities, then the names of corporate shareholders and their representatives must be provided.

Note 2: (1) The date of resignation must be specified for Directors or Supervisors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) should be calculated based on the number of Board of Directors meeting held during active duty and the number of actual attendances.

(2) If a re-election of Directors or Supervisors had taken place prior to the close of the financial year, Directors/Supervisors of both the previous and the current term must be listed; the remarks column must address the re-election date and whether the Director/Supervisor was elected in the previous term, the new term, or both. The percentage of actual attendance (%) is calculated based on the number of Board of Directors meetings held during active duty and the actual attendance.

Other remarks:

I. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

(a) The matters stated in Article 14-3 of the Securities Exchange Act: It was resolved to have the Audit Committee setup in the board meeting.

(b) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: None.

II. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:

Board of Directors Meeting	Agenda content/Reason of avoidance due to conflict interest/Voting decision
The 7 th meeting of the 8 th board	Agenda : It is regarding the review of the 2018 year-end performance for employees of manager grade and above.

(2019.01.28)	<ul style="list-style-type: none"> ● Chairman Mr. Sun, Tien-Shan is the related party in the case. ● After he was excused from the discussion, other directors present in the meeting passed without objection. <p>Agenda : It is regarding the distribution of the 2018 year-end remuneration for employees of manager grade and above.</p> <ul style="list-style-type: none"> ● Chairman Mr. Sun, Tien-Shan is the related party in the case. ● After he was excused from the discussion, other directors present in the meeting passed without objection. <p>Agenda : It is regarding the distribution of the 2018 festival remuneration for employees of manager grade and above.</p> <ul style="list-style-type: none"> ● Chairman Mr. Sun, Tien-Shan is the related party in the case. ● After he was excused from the discussion, other directors present in the meeting passed without objection.
The 9 th meeting of the 8 th board (2019.05.13)	<p>Agenda : It is regarding the employees' remuneration distribution in 2018.</p> <ul style="list-style-type: none"> ● Chairman Mr. Sun, Tien-Shan is the related party in the case. ● After he was excused from the discussion, other directors present in the meeting passed without objection. <p>Agenda : It is regarding the directors' remuneration distribution in 2018.</p> <ul style="list-style-type: none"> ● Every director and independent director was excused from the meeting one by one. ● Other directors present in the meeting passed without objection.
The 10 th meeting of the 8 th board (2019.08.29)	<p>Agenda : It is regarding the promotion cooperation for discretionary futures trading business with Capital Securities Corp.</p> <ul style="list-style-type: none"> ● Director Wang, Jiunn-Chih, independent director Shea, Jia-Dong, and director Liu, Ching-Ysun were excused from the discussion. ● Other directors present in the meeting passed without objection. <p>Agenda : It is regarding the distribution of the festival remuneration for manager grade and above in 2019.</p> <ul style="list-style-type: none"> ● Chairman Mr. Sun, Tien-Shan is the related party in the case. ● After he was excused from the discussion, other directors present in the meeting passed without objection.
The 12 nd meeting of the 8 th board (2019.11.11)	<p>Agenda : It is regarding the proposal of distribution for the 2019 year-end remuneration which would calculate as 2-month salary to the basis.</p> <ul style="list-style-type: none"> ● Chairman Mr. Sun, Tien-Shan is the related party in the case. ● After Mr. Sun, Tien-Shan was excused from the discussion, other directors present in the meeting passed without objection.

III. Listing companies should disclose information regarding the self-evaluation or peer evaluation of the Board of Directors, including the evaluation cycle and evaluation periods, scope and methods of evaluation, and contents...etc. and also fill out the attached table 2 (2): The implementation of the board evaluation.: The Company is going to complete the self-/peer evaluation before the end of 2019.

IV. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. the establishment of an Audit Committee, improving information transparency etc.), and the progress of such enhancements:

(a) The Company formulated the “Rules for the Conduct of Directors Meetings” in

accordance with the Competent Authority's regulation, which shall follow the rules. The Company also formulated relevant measures of the corporate governance and disclosed them on the Company's website and the Market Observation Post System (MOPS).

- (b) The Company shall establish the Remuneration Committee and Audit Committee to assist the Board of the Company to execute its responsibility, the detail description has reported in the annual report, including the composition, duties, and operation.
- (c) For enhancing the related corporate governance ability, the company would suggest constantly the suitable courses for directors and supervisors as reference.
- (d) The Company shall approve the promotion list which provided by each department according to the annual evaluation and position of employees who with potential and talent. The promotion list of managers (included and above) shall be approved by Board of Directors.
- (e) The Company has appointed designated personnel to disclose relevant information and materiality as required by the competent authority in MOPS for announcement. In addition, the Company has also disclosed the continuing education of the directors and independent directors, their attendance to Board meetings, Audit Committees, Remuneration Committee, and remunerations in MOPS.

3.3.2 The operation of the Auditing Committee:

The Auditing Committee consists of 3 independent directors which qualified by authorities for their composition, duties and operation. Mr. Shea, Jia-Dong resigned on January 2, 2020, the Company will by-election one seat of independent director in the recent general shareholder meeting.

The operation of the Auditing committee shall be mainly for the following purposes:

1. Supervision for financial Statements of the Company.
2. Supervision for the election of Certified Public Accountants and whose independence and performance
3. The effective implementation of the Company's internal control system.
4. The relevant laws and regulations for compliance of the Company.
5. The supervision for the management and control of the Company's existing or potential risks.

And the authority of Auditing committee shall be covered as following items:

1. Set or modify the internal control system and whose effectiveness evaluation.
2. Set or modify "Procedures for the Acquisition and Disposal of Assets" of the Company.
3. Matters which involved in Directors' self-interest.
4. Matter which involved in major asset or derivatives transaction, significant loan, endorsement or providing guarantee,
5. Publish/issue/private placement equity securities.
6. Authority for engagement, dismissal and remuneration of Certified Public Accountants.
7. Authority for engagement and dismissal of financial and accounting managers and internal auditing manager and approve annual financial report and semi-annual financial report.

The Auditing Committee has convened for 5 times (A) in the most recent year (2019).

The attendance of the independent directors is shown below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B / A) (Note)	Remark
Independent director	Shea, Jia-Dong	5	0	100%	Convener
Independent director	Chuang, Chih-Chen	5	0	100%	
Independent director	Chen, Kuo-Tay	5	0	100%	

Note: (1) The date of resignation must be specified for Independent Directors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) should be calculated based on the number of Board of Directors meeting held during active duty and the number of actual attendances.

(2) If a re-election of Independent Directors had taken place prior to the close of the financial year, the previous and the current term must be listed; the remarks column must address the re-election date and whether the Independent Director was elected in the previous term, the new term, or both. The percentage of actual attendance (%) is calculated based on the number of Board of Directors meetings held during active duty and the actual attendance.

Other remarks :

I. For the operation of the Audit Committee in any of the following circumstances, please specify the date, term, the contents of the proposals, the resolution of the Audit Committee, and the process of the opinions proposed by the Audit Committee:

(a) On issues stated in Article 14-5 of the Securities and Exchange Act: see below.

Board of Directors Meeting Date and Terms	Details of the relevant agendas and the subsequent	Audit Committee resolution	The Company's handling of the opinions of the Audit Committee
The 8 th meeting of the 8 th Board of Directors Meeting (2019.03.27)	<ul style="list-style-type: none"> •The statement of Anti-Money Laundering and Combating the Financing of Terrorism in 2018. • The effective implement declaration of 2018 Internal control system of the Company. •The 2018 business report and financial report. •The proposal of 2018 earning distribution. • Amendment to the Company's Internal control system. • Amendment to partial regulations of "Procedures for the Acquisition and Disposal of Assets" of the Company. 	Approved with the consent of the committee members on 2019.03.18. (The 4 th meeting of the 2 nd Audit Committee)	Resolution of Board: It presented to the Board of Directors for resolution and approved by the consent of all the attending directors.
The 9 th meeting of the 8 th Board of Directors Meeting (2019.05.13)	<ul style="list-style-type: none"> • Report the project of the difference analysis between the budget of labor service and its actual amount, and the payment status of labor service over the past years. 	Approved with the consent of the committee members on 2019.05.13. (The 5 th meeting of the 2 nd Audit Committee)	Resolution of Board: It presented to the Board of Directors for resolution and approved by the consent of all the attending directors.
The 10 th meeting of the 8 th Board of Directors Meeting (2019.08.29)	<ul style="list-style-type: none"> • The difference analysis report between the budget amount of operating expense of the Company and its actual amount. •The first-half of 2019 (Jan 1st to June 30th) Consolidated and Individual financial statement. •The independence evaluation for the accountant of the Company in 2019 fiscal year. •Amendment to the "Internal Control System" of the Company. 	Approved with the consent of the committee members on 2019.8.13. (The 6 th meeting of the 2 nd Audit Committee)	Resolution of Board: <ul style="list-style-type: none"> • It presented to the Board of Directors for resolution and approved by the consent of all the attending directors.

<p>The 12th meeting of the 8th Board of Directors Meeting (2019.11.11)</p>	<ul style="list-style-type: none"> • The difference analysis report between the budget amount of operating expense of the Company and its actual amount. • The auditing budget for accountants in the 2020 fiscal year. • The 2020 auditing plan of the Company. 	<p>Approved with the consent of the committee members on 2019.10.29. (The 7th meeting of the 2nd Audit Committee)</p>	<p>Resolution of Board:</p> <ul style="list-style-type: none"> •When the audit plan is proposed in the coming year, the branches and subsidiaries will strengthen the supplement of inspection projects. •It presented to the Board of Directors for resolution and approved by the consent of all the attending directors.
<p>The 13th meeting of the 8th Board of Directors Meeting (2019.11.28)</p>	<p>In order to enrich the working capital of the Company for meeting the long-term business development needs, the Company would issue a capital increase by cash in the 2019 fiscal year.</p>	<p>Approved with the consent of the committee members on 2019.11.18. (The 8th meeting of the 2nd Audit Committee)</p>	<p>Resolution of Board:</p> <ul style="list-style-type: none"> • It presented to the Board of Directors for resolution and approved by the consent of all the attending directors.

(b) Except for the aforementioned matters, the other matters that are not resolved by the Audit Committee must be resolved with the consent of more than two thirds of the board directors: None.

II. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: None.

III. The communication among the independent directors and the chief internal auditor and the certified public accounts (including the issues of the financial position and operation of the Company for communication, the method of communications, and the result):

(a) Procedure for the Communications between Independent Directors and chief internal auditor:

1. After reviewing internal audit report by managers, the copy of internal auditing report will deliver to independent director for the second review.
2. Chief internal auditor would present the current situation of audit affair, violations, and solutions in Audit Committee and Board of Directors meeting every season. In addition, chief internal auditor also communicates with independent directors for resolutions and the implement status of audit report.
3. Independent directors could communicate directly with internal auditors via phone calls, if they have any questions and suggestions to audit report. Also, they could discuss or change opinions from each other in Audit Committee and Board of Directors meeting every season

(b) Procedure for the Communications between Independent Directors and certified public accountant (CPA):

1. The Company held regular Audit Committee meeting, Board of Directors meeting, the review of half and annual financial report every half year, CFO and auditor would attend

the Audit Committee meeting for presenting the audit process of Financial Statements and updating the related rules, and fully discuss with independent directors. The CPA also attend the Board of Director meeting, discuss and describe the process with directors. In 2019, the CPA total attended 4 meetings of the Company, including 2 Audit Committee meetings (Mar.18, 2019 and Aug.13, 2019) and 2 Board meetings (Mar.27, 2019 and Aug.29, 2019), and audit according to the auditing standards for providing auditor's review report. The seminar on June 13th, 2019 was attended by the CPA of the Company "Chung, Tan-Tan" and "Lee, Feng-Hui" and 3 independent directors of the Company.

2. The independent directors could communicate directly with CFO via phone calls, if have any questions or suggestions to financial reports or any corporate finance questions, they also have the chance to communicate in the meeting or change opinions in Audit Committee meeting and Board of Directors meetings.

3.3.3 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee has been established, the composition, responsibilities and operations state as below:

- A. The Company's Remuneration Committee consists of 3 members who are all meet the authorized qualifications, responsible for the Board and provide suggestions for Board's discussion.
- B. The duties of Remuneration Committee: The Remuneration Committee assists the Board in discharging its responsibilities relating to form and review regularly the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.
- C. When Remuneration Committee perform duties shall follow below principles:
 1. The performance evaluation and remuneration of directors and managers shall refer the standard remuneration of competitors and also concern about the related rationality of personal performance, company operating performance and future risk.
 2. Directors and managers of the Company should not be guided to engage in behaviors beyond the risk tolerance for the sake of remuneration.
 3. The timing payment shall be determined by the characteristics of industries and the business nature of the company, especially for the proportion bonuses of short-term performance which paid to directors and senior managers and partial variable remuneration.

(a) The information of Remuneration Committee members

Title (Note 1)	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (Note 3)	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Chuang, Chih-Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Convener
Independent Director	Chen, Kuo-Tay	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly-appointed on Jan. 10 th , 2020.
Committee member	Li, Shen-Yi		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	1		
Independent Director	Shea, Jia-Dong	✓		✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	0	Resigned on Jan. 2 nd , 2020.	

Note 1: Identity is known as director, independent director or others.

Note 2: place a "✓" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or its affiliates Except for the independent directors that are appointed by the Company or the parent company and subsidiaries in accordance with this Law or the local law.
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
- (4) Not a spouse, relative of second degree, or direct kin of third degree or closer to persons described in criteria 1-3.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Some conditions do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) If a majority of the company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor, or employee of that other company. (Some conditions do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are not the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (Some conditions do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company. (Some conditions do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Does not meet any descriptions stated in Article 30 of The Company Act.

(b) Functionality of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Duration of service: from July 10th, 2018 to May 23th, 2021.

The Remuneration Committee held 7 meetings (A) in the last year (2019).

Details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remarks
Independent Director	Shea, Jia-Dong	6	0	86%	Convener
Independent Director	Chuang, Chih-Chen	7	0	100%	
Committee member	Li, Shen-Yi	7	0	100%	

Note:

(1) The date of resignation is specified for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

(2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current remuneration Committee are listed; in which case, the remarks column would specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

For the operation of the Remuneration Committee in the recent year, specify the date, term, the contents of the proposals, the resolution of the Remuneration Committee, and the process of the opinions proposed by the Remuneration Committee as following table:

Remuneration Committee Meeting	Details of the relevant content/ resolution/ and the subsequent	Remuneration committee member in attendance
The 4 th meeting of the 4 th Remuneration Committee (2019.01.24)	<ol style="list-style-type: none"> Cause of Action: It is regarding the review of the 2018 year-end performance for employees of manager grade and above. <ul style="list-style-type: none"> After the related managers were excused from the discussion, all other members present in the meeting agree without objection. Cause of Action: It is regarding the distribution of the 2018 year-end remuneration for employees of manager grade and above. <ul style="list-style-type: none"> After the related managers were excused from the discussion, all other members present in the meeting agree without objection. Cause of Action: It is regarding the distribution of the 2018 festival remuneration or employees of manager grade and above. <ul style="list-style-type: none"> After the related managers were excused from the discussion, all other members present in the meeting agree without objection. Cause of Action: It is regarding the appointment of the director of Securities proprietary department. <ul style="list-style-type: none"> After the related managers were excused from the discussion, all other members present in the meeting agree without objection and this case will be submitted and reported on shareholder's meeting 	Shea, Jia-Dong Chuang, Chih-Chen Li, Shen-Yi
The 5 th meeting of the 4 th Remuneration Committee (2019.03.18)	<ol style="list-style-type: none"> Cause of Action: It is regarding the amendment of "Guidelines of bonus distribution for the institutional clients department". <ul style="list-style-type: none"> All members present in the meeting agree without objection. Cause of Action: It is regarding the promotion for the directors of futures advisory and proprietary trading department respectively. <ul style="list-style-type: none"> All members present in the meeting agree without objection. 	Shea, Jia-Dong Chuang, Chih-Chen Li, Shen-Yi

	<p>3. Cause of Action: It is regarding the promotion suggestion for employees of manager grade and above in 2019.</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. <p>4. Cause of Action: It is regarding the employees' and directors' remuneration distribution in 2018.</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. 	
The 6 th meeting of the 4 th Remuneration Committee (2019.04.26)	<p>1. Cause of Action: It is regarding the amendment for "Guidelines of bonus distribution for Derivatives department".</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. <p>2. Cause of Action: It is regarding the suggestion of remuneration adjustment for employees of manager grade and above in 2019.</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. <p>3. Cause of Action: It is regarding the distribution of the employees' remuneration (cash) in 2018.</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. <p>4. Cause of Action: It is regarding the distribution of directors' remuneration in 2018.</p> <ul style="list-style-type: none"> • Regarding to the remuneration of independent director Chuang, Chih-Chen, after Mr. Chuang executed from the discussion, all other members present in the meeting are consulted by Chairman Shea, Jia-Dong and all of them agree without objection. • As for the remuneration of independent director Shea, Jia-Dong, after Mr. Shea executed from the discussion, all members stay in the meeting agree without objection. 	Shea, Jia-Dong Chuang, Chih-Chen Li, Shen-Yi
The 7 th meeting of the 4 th Remuneration Committee (2019.08.13)	<p>1. Cause of Action: It is regarding the change of Dedicated supervisor who is responsible for "Anti-Money laundering and countering the financing of terrorism."</p> <ul style="list-style-type: none"> • Approved with the consent of the committee members and this case will be submitted to the Board of directors meeting and effected on Sep. 16th, 2019. <p>2. Cause of Action: It is regarding the project for selling Foreign Currency Margin and the related bonus.</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. <p>3. Cause of Action: It is regarding the application from Proprietary trading department would reduce the loss amount for calculating the bonus basis.</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. <p>4. Cause of Action: It is regarding the festival bonus distribution for employees of manager grade and above in 2019 first half year.</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. 	Shea, Jia-Dong Chuang, Chih-Chen Li, Shen-Yi
The 8 th meeting of the 4 th Remuneration Committee (2019.09.18)	<p>Cause of Action: It is regarding to the engagement of vice manager for Legal compliance department.</p> <ul style="list-style-type: none"> • All members present in the meeting agree without objection. 	Shea, Jia-Dong Chuang, Chih-Chen Li, Shen-Yi
The 9 th meeting of the 4 th Remuneration Committee (2019.10.29)	<p>Cause of Action: It is regarding the proposal of distribution for the 2019 year-end remuneration which would calculate as 2-month salary to the basis.</p> <ul style="list-style-type: none"> • Approved with the consent of the committee members and submitted to Board of directors. 	Shea, Jia-Dong Chuang, Chih-Chen Li, Shen-Yi
The 10 th meeting of the 4 th Remuneration Committee (2019.12.30)	<p>1. Cause of Action: It is regarding to the engagement of manager and director for Proprietary trading department.</p> <ul style="list-style-type: none"> • Approved with the consent of the committee members and submitted to Board of directors. 	Chuang, Chih-Chen Li, Shen-Yi Shea, Jia-Dong (Take leave)

	<p>2. Cause of Action: It is regarding to the amendment of “Guidelines of bonus distribution for Direct sales department”.</p> <ul style="list-style-type: none"> •Approved with the consent of the committee members and submitted to Board of directors. <p>3. Cause of Action: It is regarding the review result of the 2019 year-end performance for employees of manager grade and above.</p> <ul style="list-style-type: none"> •After the related managers who present in the meeting were excused from the discussion, all other members agree without objection. <p>4. Cause of Action: It is regarding the distribution of the 2019 year-end bonus for employees of manager grade and above.</p> <ul style="list-style-type: none"> •After the related managers who present in the meeting were excused from the discussion, all other members agree without objection. 	
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Other mentionable items:

- I. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee: None.
- II. Should any member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.

3.3.4 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status (Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		None
	V		None
	V		None
	V		None

Evaluation Item	Implementation Status (Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies” and Reasons
	Yes	No	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) To protect shareholders’ rights and fairly treat shareholders, the Company has established the “Guidelines for Account Opening and Futures Trading by Insiders” to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience skills (such as Law, Accounting, Finance, Marketing, Technology), knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification. The member of BOD should possess the ability of financial analysis, operating management, crisis management, industry knowledge, international outlook, leadership and decision making. Except where the Competent Authority has granted approval, the spousal relationship and a familial relationship within the second degree of kinship may not exist among more than half of a company’s directors. The Company sets 6 directors in Board, including 5 male directors and 1 female director. The original independent director Shea, Jia-Dong resigned on Jan. 2 nd , 2020, the Company would by-election on the recent shareholders’ meeting. Chairman Mr. Sun, Tien-Shan, Director Wang, Jiunn-Chih, Wang, Jiunn-Chih, and Lee, Yi-Hui are all with the profession of operating management, financial & accounting, legal professional, international market and leadership strategy in futures and securities industry. Independent Director Mr. Shea, Jia-Dong was vice-president of Central Bank and finance minister. Independent Director Mr. Chen, Kuo-Tay was a professor of accounting department in Taiwan national university, and Independent Director Mr. Chuang, Chih-Chen is a current practicing lawyer. The detail background information of Directors listed on Page 10~11.

Evaluation Item	Implementation Status (Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies” and Reasons
	Yes	No	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V	(2) In order for the sound supervision and reinforcement of management, the Company is plan to establish the Nomination and Risk Management Committee in addition to the Remuneration Committee and the Audit Committee. These functional committees shall be responsibilities for the Board of Directors in the future.	None
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? And the Company would submit the evaluation result to the Board of directors meeting, and as the reference for the remuneration of individual directors and nomination of re-election?	V	(3) The company hasn't formulated related rules and procedures for measuring the Board's performance, but evaluate with the attendance status of Board of Directors meetings and corporation governance training courses and conducts it annually	None
(4) Does the company regularly evaluate the independence of CPAs?	V	(4) The Company evaluates the independence and competency of CPAs annually with the scale and reputation of accounting firm, the rotation of accountant, and constant engagement and service revenue. On the other hand, the violation affair, the loss of independence and the service quality of auditing and tax review of CPAs will also be considered. After the 6 th meeting of the 2 nd Audit Committee and the 10 th meeting of the 8 th Board of Directors approved, CPAs of KPMG Taiwan “Lee, Feng-Hui” and “Chung, Tan-Tan” are qualified to be our accounts. Please refer the below website for detail information of account. https://www.capitalfutures.com.tw/Capitalgroup/accountant/default.asp?xy=19&xt=1	None
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to	V	Administration department of the Company is responsible for handling and monitoring corporate governance related affairs and appropriate the chief of administration department Mr. Chen, Wen-Tsay responsible for corporate governance. Mr. Chen is qualified since he has rich experience in securities and futures industry, also he has above 20 years management experience in public offering companies. The mainly duties are including convene the shareholders	None

Implementation Status (Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPExList ed Companies” and Reasons
Yes	No	
<p>Evaluation Item</p> <p>perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, assisting legal compliance affairs and producing minutes of board meetings and shareholders' meetings)?</p>	<p>meeting, Board of Directors meeting and remuneration committee meeting...etc., announce the significant information, and provide the necessary materials for directors to execute their business. Arranging related courses for directors, the chief who is responsible for corporate governance affairs, or any related employees, and reporting the status.</p> <p>In addition, the chief of legal compliance department is responsible for providing the latest operating business rules to directors and assisting directors to obey the rules. The chief of internal auditing department is mainly responsible for supervising the stipulation and implement of the Company's internal audit policy. The key of implementation for related corporate governance affairs in 2019 as following:</p> <p>The implementation status of Board of directors, please refer to page30~31.</p> <p>The implementation status of Auditing committee, please refer to page33~34.</p> <p>The composition, responsibilities and operations of Remuneration committee, please refer to page37~39.</p> <p>The implementation status and related actions of integrity performance, please refer to page60~65.</p>	
<p>5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?</p>	<p>V</p> <p>The Company established the spokesperson, investment relations and customer service center, the detailed contact information has been disclosed on company website offering a channel for investors to provide suggestions. In addition, the website also established a section “Stakeholder Area” to create the maximum benefit, ensuring that various interested parties have channels to communicate with the Company. The contact information is as below:</p> <p>Spokesperson name: Lee, Wen-Chu (President) TEL:(02)2700-2888 e-mail: marklee@futures.capital.com.tw</p> <p>Deputy Spokesperson name: Chen, Wen-Tsay (Senior Executive Vice President) TEL:(02)2700-2888 e-mail:dan_chan@capital.com.tw</p> <p>Customer Service Center TEL:02-412-8878 share administration agent TEL: (02)2702-3999</p>	None

Evaluation Item	Implementation Status (Note 1)		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(1) Employee rights: The Company has a comprehensive set of human resource management rules in place, including "Workplace Sexual Harassment Prevention, Compliant and Disciplinary Guidelines" and "Notes on Use of Employee Opinion Box." Employees are encouraged to raise opinions that are helpful of improving the Company's business activities, operating procedures, administrative measures or policies, or highlight misconducts and violations.</p> <p>(2) Employee care: In addition to offering statutory leave of absence and applying labor insurance and national health insurance, the Company also provides employees with a broad variety of insurance packages at discounted premium (such as accident insurance, life insurance, medical insurance, savings insurance etc.), as well as wedding/compassionate subsidies and emergency aid. A series of motivational activities are being organized to raise employees' loyalty towards the Company.</p> <p>(3) Investor relations and stakeholders' interests: The Company has spokesperson, investor relations contact, a Customer Service Center, and a "Stakeholders" section on its website to gather opinions from stakeholders.</p> <p>Information of the above contact windows and contact methods have already been disclosed on the Company's website. We are dedicated to maximizing stakeholders' interest, and maintaining open and diverse communication channels for discovering problems and solutions.</p> <p>(4) Supplier relations: The Company assesses its suppliers for records of environmental or social misconduct prior to establishing business relationship, and avoids dealing with suppliers that operate against the Company's social responsibility policies. All contracts signed between the Company and major suppliers outline the corporate social responsibilities that the two parties are bound to comply. The Company may terminate its contract at any time if suppliers commit any violation that causes significant impact to the environment or society from which product or service is sourced.</p>

Evaluation Item	Implementation Status (Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies” and Reasons
	Yes	No	
			<p>Abstract Illustration</p> <p>(5) Directors' ongoing education: All of the Company's directors have completed the required number of training hours stated in "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies." The training hour of 7 directors (including independent directors) was 37 hours in 2019.</p> <p>(6) Risk management policies and risk assessment standards: The Company has implemented robust "Risk Management Policy" and risk assessment standards. Risk Management Committee meetings are held on a quarterly basis. The Company has risk management units that make regular reports to the management on risk-adjusted returns and capital adequacy.</p> <p>(7) Customer policy: The Company has a set of "Fair Customer Treatment Guidelines" that cover many aspects of its business activities including fair contract, duty of care and loyalty, proper presentation in advertising and business solicitation, product and service suitability, duty of notification and disclosure, sale of complex high-risk products, balanced performance and compensation, whistleblower protection, and sales employees' professionalism.</p> <p>(8) The Company arrange educational training courses for senior managers to cultivate their decision making and management ability. In terms of promotion policy, the promotion list of employees whose level below manager will be provided by each department according to their performance and position; as for the promotion list of employees whose level above manager will be approved by Board of Directors.</p> <p>Except for president, there are three senior executive vice presidents in charge of supervising the sales development, financial and administration, and market making sales of the Company respectively.</p> <p>(9) The Capital Group shall purchase the Directors Liability Insurance for directors every year.</p>

Evaluation Item	Implementation Status (Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies” and Reasons
	Yes	No	
<p>9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not applicable as the Company is not one of the evaluated subjects.)</p> <ol style="list-style-type: none"> 1. The articles of association of the Company states that the electronic voting system as one of the channels for the voting rights at shareholder’s meeting, and adopt the method for director selection to candidate nomination system. 2. Shareholder’s meeting in 2019 adopts the electronic voting rights. 3. 2019 Shareholder’s meeting: Uploading Notice of meeting, meeting handbook and annual report in English version, 3 directors in attendance (including 2 independent directors, convener of audit committee and remuneration committee), electronic voting right system, resolution case by case, uploading all outcomes of resolutions to the application system on the same day. 4. More than 1/2 remuneration committee members are independent directors. 	Abstract Illustration		

3.3.5 Fulfillment of social responsibilities and the difference analysis between Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies:

		Actual governance (Note 1)		Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
Assessment items	Yes	No	Summary description (Note 2)	
1. Does the company give due consideration to the risk evaluation about environment, society and corporate governance issues according to its principle of materiality and establish the related risk management policies or strategies? (Note 3)	V		The Company has implemented the “Corporate social responsibility policy”, “Ethical Corporate Management Best Practice Principles”, “Corporate Governance Best Practice Principles” and “Corporate Social Responsibility Best Practice Principles” within the organization; both of which have been disclosed on the Company’s website.	None
2. Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?	V		President of the Company was appointed the role of CSR Officer, and administration department was assigned the duty to assist corporate social responsibilities. The role of the Administration department in regards to corporate social responsibilities is to assist in practical actions. In addition to establishing/amending corporate social responsibility policies, Administration department is also responsible for the preparation of annual CSR reports. The CSR plans has been reported and progress during board meetings and shareholder meetings on March 27 th , 2019 and March 26 th , 2020, please refer to page55~59	None
3. Fostering a sustainable environment (1)Has the Company developed an appropriate environmental management system, given its distinctive characteristics?	V		(1) The Company is a futures trading service provider and operates in a low pollution industry. It does not manufacture any product, and not is it required to recycle packaging materials for the products sold and ISO14001 is not applicable. The Company is dedicated improving the efficiency of all resources used.	None

Assessment items	Actual governance (Note 1)		Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	
(2) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V	(2) It has been active in the promotion of a paper-less environment by introducing new measures such as: e-statement, e-bulletin, e-signature, and use of electronic presentation in meetings. Employees are encouraged to make double-sided photocopies, and a recycling tray has been placed near all photocopying machines to reduce the use of paper. The Company purchases environmentally friendly toners, and all empty toners are recycled by the original manufacturer to avoid pollution. Recycling bins have been placed at each floor to sort waste and reduce wastage, and thereby ensure the sustainability of resources. Administration department is the dedicated unit which responsible for environmental management.	None
(3) Is the Company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	V	(3) The Company is aware of some unusual impacts that were result from climate changes and will take actions to develop related operation strategies for responding.	None
(4) Does the Company monitor the impact of climate change on their operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon their operations and the result of a greenhouse gas inventory during recent two years. Such strategies should include obtaining carbon credits to promote and minimize the impact of their business operations on climate change?	V	(4) The Company belongs financial industry and has no carbon emissions. In line with the energy conservation environmental protection policy, the energy-consuming equipment are being replaced successively. Through the use of various energy-saving facilities, self-inspections and policy publicity, it promotes power and water conservation and energy conservation, and implements waste classification and resource recycling to improve the efficiency of the use of various resources. Above environmental protection policies are to reduce the impact of company operations to environment.	None

Assessment items	Actual governance (Note 1)		Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	
4. Enforcement of public welfare (1) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V	(1) All terms of employment agreed between the Company and employees, such as salary, leave of absence, pension, occupational hazard compensation etc., are compliant with "Labor Standards Act." They exist to protect employees' rights and facilitate proper personnel management as well as harmonic labor-management relations. The Company has established "Workplace Sexual Harassment Prevention, Grievance and Disciplinary Policy" in compliance with "Act of Gender Equality in Employment." The Company has specified in its "Work Rules" that all employees are covered by Labor Insurance and National Health Insurance. Insurance premiums for the above coverage are subsidized by the Company according to law. Decisions concerning workers' recruitment, interview, employment, assignment, appraisal, promotion, training, and compensation are made without discrimination whatsoever, whether in terms of gender, sexual preference, age, ethnicity, or religion.	None
(2) Has the Company stipulate the reasonable employee welfare policies (Including remuneration, vocation, and others) and appropriately reflect the corporate business performance or achievements?	V	(2) The formulation of the Company's rules and regulations is based on and abide by the related labor laws and regulations, all colleagues need to abide by them in order to implement and protect the legal rights of all employees. The Company sets a reasonable reward system, and regularly organizes remuneration committee meeting to evaluate the fairness and rationality of employee remuneration. The basis for annual salary adjustments and festivals and year-end bonuses each year will according to the Company's current year's operating conditions, price index, and personal performance of employees.	None

Assessment items	Actual governance (Note 1)		Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V	(3) The Company offers employees a clean environment to work in, and provides them with the protective equipment needed to ensure their safety and health. The work environment is being inspected regularly, whereas employee health checkups are organized and the health consultation on a regular basis, please refer to page 103~105.	None
(4) Has the Company implemented an effective training program that helps employees develop skills over their career?	V	(4) The Company has implemented the following programs to help employees developing skills over their career: Specialist training - The Company offers a comprehensive training program that supports employees of all levels in various stages of their career development. There is a broad variety of channels that employees may utilize to learn in a timely manner. The talent development system works not only in favor of employees' careers, but supports the Company's growth as well. Orientation, specialization training, management reserve training, management growth training, and seminars hosted by renowned experts and scholars on the topic of finance are just some of the courses organized by the Company. In addition, Capital Finance College was founded in 2007 to nurture the Company's managerial staff. The Company trains its sales force intensively using nation-wide video conferencing and broadcast to help them develop professional qualities and skills. Many e-learning courses have also been designed to enhance outcome of the learning process. By utilizing digital means, employees are able to learn and grow anytime, anywhere. Employees are encouraged to obtain financial certifications, and the Company has introduced a broad variety of incentives including registration fee subsidies to support their efforts.	None

Assessment items	Actual governance (Note 1)		Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	
(5) Has the Company complied with laws and international standards with regards to the customer health and safety, marketing and labeling of products and services and also formulate the relevant consumer protection policies and appeal procedures?	V	(5) The Company has "Dispute Resolution Guidelines", "Fair Customer Treatment Guidelines" and "Operating procedures for confidential reporting cases" in place, while business departments are guided by numerous procedures and policies on matters such as: KYC, protection of customers' interests, standard operations, dispute resolution etc. For the protection of customers' interests, the Company provides effective channels of communication that customers may use to raise complaints. Customer service hotline: 412-8878 (add prefix 02 when dialing with mobile) Email: cs@capital.com.tw Counter: Available at all business offices of the Company	None
(6) Has the Company formulate supplier management policy, and assess whether there is any record of a supplier's impact on the environment, society and labor issues shall abide by related regulations and the implement status?	V	(6) All suppliers that the Company chooses to sign agreements need to be reviewed for history of environmental, occupational safety and health and labor right issue, in order to determine whether the Company should begin or continue supply relationship.	None
5. Has the Company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports?	V	The Company produce the corporate social responsibility reports adopting internationally widely recognized guidelines but it doesn't obtain a third-party assurance or verification.	None

Assessment items	Actual governance (Note 1)		Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	
6. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The code of conduct has been implemented throughout the Company, there is no deviation from the Best Practice Principles.		Summary description (Note 2)	
7. Other information useful to the understanding of corporate social responsibilities: The Company published its 2018 corporate social responsibility report in June 2019. The Company has also created a CSR section on its website to disclose relevant and reliable information concerning the CSR report. Stakeholders are able to raise queries via phone, website, or email, and the Company will respond to such queries individually. Note 1: If the actual governance is checked as "Yes", please explain the adopted important policies, strategies, measures and implementation; if the actual governance is checked as "No", please explain the reasons and explain the plan to adopt related policies, strategies and measures in the future. Note 2: If the Company has prepared a corporate social responsibility report, the actual governance could be represented by checking the corporate social responsibility report and indicate the index page. Note 3: The principle of materiality refers to those who have significant environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.			

2019 Corporate Social Responsibility Program and Achievement

Stakeholders	2019 planned programs and directions	Achievement
Employees	<p>1. Investment and financial management seminars/ educational training.</p> <p>2. Talent training through Capital Financial University.</p> <p>3. Healthy-workplace series of activities.</p> <p>4. Regular health checks for employees.</p>	<p>1. In order to cultivate various professional talents, the Company accords to the different career stages and organizational development needs of personnel at all levels, and also plan a comprehensive training plan and provide colleagues with timely and diversified learning channels, so as to achieve win-win benefits of organizational talent development and personal career development.</p> <p>(1)2019.2.25 Music sharing seminar was played by Mr. Huang Shu-Shen.</p> <p>(2)2019.5.2 “The analysis of the trade war between China and The United States” presented by Dr. Chen Song Hsin.</p> <p>(3)2019.6.13 “The reborn of Taiwan industry” presented by Lawyer Mr. Huang Rih-Tsan.</p> <p>(4)2019.6.13 “The co-founder of Press play would tell you a truth that people will pay for knowledge in the future.</p> <p>(5)2019.7.11 “The education training of the related rules and processing methods in trading securities.”</p> <p>(6)2019.8.15 “Word, magician of image”.</p> <p>(7)2019.9.19 “Sharing various events which always happened during making films”.</p> <p>(8)2019.9.27 “Go crazy with painting”.</p> <p>(9)2019.10.28 “Negotiation skills” presented by Dr. Liu Bi-Rong.</p> <p>(10)2019.11.6 “The character analysis of internet stars”.</p> <p>(11)2019.11 & 2019.12 “What supervisors can help employees?”</p> <p>2. Talent training through Capital Financial University. Activity period: August 6 ~ November 20; number of students: 31.</p> <p>3. Healthy-workplace series of activities.</p> <p>(1) Engaging physicians to the Company every quarter to provide health consulting services for employees. In 2019, there are total 35 employees have been accepted the consultation.</p> <p>(2) Promoting sports activities: Renting a basketball stadium every Friday 18:30~20:30 for employees taking basketball exercise.</p> <p>(3) The healthy boxed meal information was posted on the Company's intranet.</p> <p>(4) Building a smoke-free office environment. Announcing the Company's “Smoking and Chewing of Betel Nuts Hazard Prevention Measures”</p> <p>(5) Setting “Ergonomic hazards and illegal infringement prevention” and “Abnormal loading job trigger the diseases prevention”, and implement according to the plan.</p> <p>4. In addition to regular employee health checks, the Company sign contracts with health check centers to</p>

	<p>5. Employee group insurance.</p> <p>6. Various welfare measures of the Welfare Committee.</p>	<p>provide preferential health checks for employees.</p> <p>5. Employee group insurance</p> <p>(1) The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard.</p> <p>(2) Employees are invited to include their family members into group insurance at discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members.</p> <p>6. Various welfare measures of the Welfare Committee in 2019:</p> <p>(1) Travel subsidy: 222 people; total amount of subsidy: NT\$1,442,612.</p> <p>(2) Marriage subsidy: 2 people; total amount of subsidy: NT\$6,000.</p> <p>(3) Childbirth subsidy: 5 people; total amount of subsidy: NT\$15,000.</p> <p>(4) Hospitalization subsidy: 4 people; total amount of subsidy: NT\$30,000.</p> <p>(5) Funeral subsidy: 1 person; total amount of subsidy: NT\$5,000.</p> <p>The Company obtain the Happiness Enterprise Award from 1111 Job Bank.</p>
<p>Customers and Investors</p>	<p>1. Holding investment seminars</p> <p>2. Holding public welfare investment seminar.</p> <p>3. Promoting the electronic trading system.</p>	<p>1. Held investment seminars regularly in 2019 as follows:</p> <p>(1) 2019/01/30~2019/02/10 Capital Futures was not closed during Chinese New Year.</p> <p>(2) 2019/04/01~2019/12/31 Capital Winner seminar.</p> <p>(3) 2019/05~2019/08 The new influential people in foreign exchange trading.</p> <p>(4) 2019/1/28 Global trading competition.</p> <p>(5) 2019/2/26 Analysis and discussion of Mainland stock ETF.</p> <p>(6) 2019/3/12 Winner seminar.</p> <p>(7) 2019/3/26 The investment skill of mainland stock market.</p> <p>(8) 2019/4/24 The strategy masters teach you how to pick investment targets.</p> <p>(9) 2019/7/10 The effect and analysis of the United States cutting the interest rate.</p> <p>(10) 2019/9/17 The key in investing overseas futures market.</p> <p>(11) 2019/10/04 The rare chance to talk to masters.</p> <p>(12) 2019/11/2~2019/11/3 Proprietary trading training camp.</p> <p>(13) 2019/11/11 and 2019/12/10 The global forum- invest easily in VIX.</p> <p>(14) 2019/12/23 The key investment strategies in 5G industry.</p> <p>2. Hosting 4 public welfare investment seminars in 2019, a total of 1,210 people participated.</p> <p>3. Promoting the electronic trading system.</p> <p>(1) Promoting “GOODi” to be the intelligent financial partner: GOODi is the first domestic intelligent financial robot which build with artificial intelligence as the blueprint. In the future, the goal</p>

	<p>4. Love for the Earth, and Happiness in Life" electronic statement activity</p>	<p>of GOODi is to integrate all investment accounts of Capital Group for searching and it will provide the correct solutions efficiently to customers through talking. Also, GOODi could learn automatically what the financial news, financial statements, shareholder meetings are customer's concern about, and it will be the most trusted financial partner. Customers could immediately receive financial news, financial reports, the information of ex-dividends, shareholders' meeting, etc. through talking with GOODi.</p> <p>(2) It is expected to provide the platform of LINE @ and Intelligent Winner for customers to place orders in 2020.</p> <p>(3) The Company sets the customer service center which focus on promoting the electronic trading platform service. After the Company provides App and Web online self-service inspection mechanisms, the frequency of manual operations has been reduced, allowing precious human resources to be transferred to the development of customer experience, interface design, project construction and intelligent services.</p> <p>4. Supported environmental protection and paperless operations, the Company provide continuously various APP, Web application functions and record education videos for teaching customers.</p> <p>(1) In 2019, there total 19,753 accounts were opened, and 5,086 accounts of it were opened online. The ratio of electronic trading is 26%.</p> <p>(2) In 2019, there total 25,155 accounts traded, and 24,158 accounts of it traded online, the ratio of electronic trading is 96%.</p> <p>(3) To provide customers with electronic statements of all commodities, continue to promote various electronic statements through marketing activities, reduce paper use, effectively reduce printed paper and ink and other consumables, and also reduce costs and pollution which was caused by transportation during mailing.</p> <p>(4) To provide customers with various functions of opening accounts, adding accounts, transactions, accounts, deposits and withdrawals, research reports via Web and APP, and to publicize and promote for realizing the complete electronic transaction through the official website and YouTube dual channel teaching videos. The goal is to advance and reduce the transportation cost and required time for customers to handle counters, and promote energy conservation and carbon reduction for a contribution of environmental protection.</p>
<p>Shareholders</p>	<p>1. A general shareholders' meeting is held every year</p> <p>2. The annual report and corporate social responsibility report are completely disclosed to shareholders on the Company's</p>	<p>1. The general shareholders' meeting was held on May 30, 2019.</p> <p>2. The annual report and corporate social responsibility report are published on an annual basis and will be uploaded to MOPS and the Company's website in the end of June every year.</p>

Business Integrity	<p>website</p> <p>3. The status of Directors participated training courses</p>	<p>3. The Company has 7 Directors (including 3 Independent Directors). A total of 37 hours of training was conducted in 2019, and the topics covered finance, risk management, business, commerce, legal affairs, accounting, corporate social responsibility, corporate ethics, internal control systems and financial reporting.</p> <p>The Directors and management levels implement the "Code of Business Integrity" aggressively in internal management and business activities. Through e-learning platform to hold education trainings for integrity policy, and also disclose the integrity policy on internet for letting the suppliers, customers, and other related people could know clear about the integrity policy of the Company. It has been reported on March 26, 2020, the 16th meeting of the 8th board.</p>
Social and Community Service	<p>1. Social welfare activities and donations.</p> <p>2. "Capital Group Love Reading Program"</p>	<p>1. Social welfare activities and donations.</p> <p>(1) Sponsor to the event "Chef to Your Home" of the McDonald's House Foundation, employee who participate in this event would make dinner together on July 17th, 2019.</p> <p>(2) Charitable donations in 2019 is as follows:</p> <ul style="list-style-type: none"> ➢ Mennon Social Welfare Charity Foundation: NT\$100,000. ➢ Taichung Private Trust, Hope and Love Intelligent Development Center: NT\$100,000. ➢ Financial Services Education Public Welfare Fund: NT\$100,000. ➢ Financial Governance and Law Compliance Society: NT\$750,000. ➢ Securities and Futures Institute: NT\$5,000,000 <p>2. "Capital Group Love Reading Program": To promote rural education in Taiwan and close the gap between rural and urban resources.</p> <p>(1) In 2019, a total of 9 primary schools were donated, King Young Elementary School in Yilan County, Guishan Elementary School and Dacheng Elementary School in New Taipei City, Gien Shih Elementary School in Hsinchu County, Siang Bi Elementary School in Miaoli County, Xiufeng Elementary School in Nantou County, and Chiayi County Siding Elementary School, Tainan Ruifeng Elementary School, Pingtung County Gaoshi Elementary School.</p> <p>(2) In March 2019, the launching ceremony of "Capital Group Love Reading Program" was held at King Young Elementary School in Yilan County, announcing that the scope of donation will be expanded from northern to the whole of Taiwan this year. Also, it expected to resonate with the society for caring about the education in the rural areas together through this program.</p> <p>(3) In April 2019, a total of about two hundred primary school children from New Taipei City were invited to go out of their hometowns and came to the Chiang Kai-shek Memorial Hall for a city reading tour,</p>

		<p>visiting the Ghibli Animation Manuscript Exhibition. Let children experience the world-renowned animation manuscript works, and up close peep into the creation process of well-known animations such as Totoro.</p> <p>(4) All teachers and students of Xiufeng Primary School in Nantou County were invited to visit Daohe Liuyi Cultural Museum and Science Museum in Taichung City on Christmas Eve.</p> <p>3. Blood donation activities - public welfare activities. In the twelfth year of the cooperation with the Blood Foundation, the blood donation activity expanded for 23 stations which covering the north to south districts in Taiwan. The Capital Group led its employees, employees' family members and the public to donate blood and send love to those in need, and a total of 1,500 bags which breakthrough the goal of activity in 2019.</p>
<p>Environmental Protection</p>	<p>1. Promoting energy conservation and carbon reduction policies to reduce the use of water and electricity.</p> <p>2. Giving priority to products of manufacturers with the environmental protection label.</p> <p>3. Promoting the recovery of resources to properly handle waste.</p>	<p>1. Promoted energy conservation and carbon reduction policies to reduce the use of water, electricity and fuel.</p> <p>(1) Lighting equipment in office adopt energy-saving lamps and anti-glare louver for promoting indoor lighting efficiency.</p> <p>(2) The light equipment controls by different districts in office, it would help when turn off unnecessary lighting.</p> <p>(3) Regional offices are equipped with air-conditioning control and air circulation fans are installed on the ceiling to improve the air volume to achieve room temperature needs and improve indoor air quality for reducing energy consumption.</p> <p>(4) Setting up the small air conditioner engine to replace the large one when off-peak.</p> <p>(5) Ask the manufacturer to clean and maintain the air conditioning system regularly for improving the effect of cold room and maintaining the service life of the machine.</p> <p>(6) Publishing the water-saving policies strongly and cherish water resources.</p> <p>(7) Setting time control in water fountain, it will close when off duty or holiday time.</p> <p>(8) Promoting e-operation to save paper use.</p> <p>(9) The company had news published online and replaced the paper signature with e-signature to minimize the distribution of printed information.</p> <p>2. Preferring green procurement and using the products of the manufacturers with environmental protection mark Green construction materials and certified energy-saving light fixtures should be used for decoration engineering with priority.</p> <p>3. Promoting resource recycling and properly handling waste Substantiated the Company's internal resources recycling and resource sorting; used toner cartridges were recycled by the professional manufacturers in order to avoid pollution and waste of resources.</p>

3.3.6 Integrity performance

Assessment Criteria	Actual governance (Note 1)		Deviation and causes of deviation from integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Y E S	N O	
<p>1. Establishment of integrity policies and solutions</p> <p>(1) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity?</p> <p>Are the board of directors and the management level committed in fulfilling this commitment?</p> <p>(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activity within the business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly the Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?"</p> <p>(3) Does the company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and</p>	V	<p>(1) The Company has "Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines" in place on March 27th, 2017 and amend it on Aug. 29th, 2019; both the board of directors and the management are committed to enforcing the integrity policy throughout internal management and commercial activities. By disclosing the integrity policy on website, the Company is able to convey its integrity philosophy and rules clearly to suppliers, customers and any parties it has business dealings with.</p> <p>(2) The company implements an employee honest guarantee insurance system, and insures according to the business types handled by employees. The insurance coverage includes employee robberies, snatching, theft, fraud, embezzlement, or other unlawful acts which resulting in financial losses to the Company.</p>	None
<p>(3) The Company's "Business Integrity Procedures and Behavioral Guidelines" outlines rules and procedures concerning dishonest behaviors, and associates integrity management with employees' performance appraisal and the human resource policy. The Company has clear and effective disciplinary and grievance systems in place to prohibit dishonest behaviors; actions of high severity may result in employee's dismissal according to law or human resource policy.</p>	V	<p>(3) The Company's "Business Integrity Procedures and Behavioral Guidelines" outlines rules and procedures concerning dishonest behaviors, and associates integrity management with employees' performance appraisal and the human resource policy. The Company has clear and effective disciplinary and grievance systems in place to prohibit dishonest behaviors; actions of high severity may result in employee's dismissal according to law or human resource policy.</p>	None

Assessment Criteria	Actual governance (Note 1)		Deviation and causes of deviation from integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	YES	NO	
complaint systems? 2.Enforcing ethical management (1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V	(1)Prior to signing a contract with another party, the Company would thoroughly investigate the integrity of the counterparty, and make sure that the contract contains an integrity clause that entitles information safety, personal information protection policy declaration and confidentiality agreement...etc., either party to unconditionally terminate the contract at any time if the counterparty is found to have involved in any dishonest conduct.	None
(2) Does the Company have a unit that specializes (or is involved) in business integrity, defend fairness behaviors, and monitor the implementation status? Does this unit report its progress to the Board of director meeting on a regular basis (At least report one time each year)?	V	(2) The Company has supervised by President, the legal compliance department and every department are responsible for announcing the business integrity concept and rules, and execute the relevant training courses. The business integrity status would be reported to Board of Directors on a regular basis.	None
(3) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V	(3) The Company has "Business Integrity Procedures and Behavioral Guidelines" and "Conflicting Interest Avoidance Guidelines for Sales Representatives" in place. Directors may express opinions and answer queries but are not allowed to participate in the discussion and vote on any agenda that presents a conflict against their own interests or interests of the corporate entities they represent to the extent that is likely to compromise the Company's interests. All relevant details including the discussion, voting process, and avoidance of conflicting interest by concern parties will be recorded in the minutes of the current meeting. Employees are obligated to report to the head of department and the responsible unit whenever they find themselves or stakeholders likely to receive inappropriate gains while performing duties. Upon learning of the situation, the head of department will offer proper guidance to the employee.	None

Assessment Criteria	Y E S	N O	Actual governance (Note 1)		Deviation and causes of deviation from integrity Best-Practice Principles for TWSE/TPEX Listed Companies														
			Summary Description																
(4) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal/external auditors on a regular basis and based on the results of assessment of the risk of involvement in unethical conduct, devising relevant audit plan?	V		<p>(4) In order to enforce integrity management, the Company has designed an Accounting system" and an "Internal control system" based on "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets." Both systems are regularly inspected by the internal audit department on a regular basis. 2019 internal auditing plan has already approved by the 5th meeting of the 8th Board of Director on Nov. 12nd, 2018, and was implemented by auditing department. The results of assessment of the risk in 2019 will be reported by the auditing department.</p>		None														
	(5) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V		<p>(5) The Company organizes integrity training on a regular basis. Employees are required to pass a post-course exam to be considered of having completed the course. The status of integrity training course in 2019 is as following:</p> <table border="1"> <thead> <tr> <th>Name of Course</th> <th>Number of participants</th> </tr> </thead> <tbody> <tr> <td>Declaration for regulations of Integrity management in 2019 (1hr)</td> <td>212</td> </tr> <tr> <td>Declaration for related regulations of the procedures for material inside information and insider trading in 2019 (1hr)</td> <td>38</td> </tr> <tr> <td>Legal compliance education Training course and test for Insider trading and short-term trading in the 4th quarter of 2019. (3hr)</td> <td>257</td> </tr> <tr> <td>Governing Anti-Money Laundering and countering the Financing of Terrorism in 2019. (1hr)</td> <td>33</td> </tr> <tr> <td>Legal compliance education Training course and test for Anti-Money laundering/countering the financing of terrorism in the 3rd quarter of 2019. (1hr)</td> <td>262</td> </tr> <tr> <td>Policy announcement of principle for Financial Service Industries to Treat Clients Fairly (1hr)</td> <td>31</td> </tr> </tbody> </table>		Name of Course	Number of participants	Declaration for regulations of Integrity management in 2019 (1hr)	212	Declaration for related regulations of the procedures for material inside information and insider trading in 2019 (1hr)	38	Legal compliance education Training course and test for Insider trading and short-term trading in the 4 th quarter of 2019. (3hr)	257	Governing Anti-Money Laundering and countering the Financing of Terrorism in 2019. (1hr)	33	Legal compliance education Training course and test for Anti-Money laundering/countering the financing of terrorism in the 3 rd quarter of 2019. (1hr)	262	Policy announcement of principle for Financial Service Industries to Treat Clients Fairly (1hr)	31
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Assessment Criteria	Actual governance (Note 1)		Deviation and causes of deviation from integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Y E S	N O	
		<p>Summary Description</p> <p>Declaration and test for Financial Consumer Protection Act, Personal data protection Act and Fair Dealing Policy in financial industry in the 1st quarter of 2019. (3hr) 241</p> <p>Declaration education training course of Personal data protection Act. (1hr) 33</p> <p>Declaration of information system safety (1hr) 146</p> <p>Education training for information safety in 2019 (1hr) 215</p> <p>Education training course of email social engineering. (1hr) 119</p> <p>Declaration and test of advertising materials for sales and marketing on the internet. (1hr) 148</p> <p>Declaration of securities regulations in the first half year of 2019. (1hr) 195</p> <p>Policy announcement for Prohibition by securities practitioners(1hr) 207</p> <p>Legal compliance education Training course and test for Prohibition by futures practitioners, Integrity management, and whistleblower system. (3hr) 263</p> <p>Guidelines of the dispute from business of the Company. (1hr) 190</p>	
<p>3. Whistleblowing system</p> <p>(1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?</p>	V	<p>(1) The Company has established an opinion mailbox on Mar. 17th, 2008 that is open to all employees, and implemented "Employee Opinion Mailbox Usage Guidelines" to raise employees' awareness towards risk management, improving operating procedures, and reporting misconducts. The "employee opinion mailbox" is read by the head of a dedicated department on a daily basis. The dedicated department is Internal auditing department. There is no appeal case in 2019.</p> <p>The Company has a wide range of whistleblower channels available to support a corporate culture of integrity, transparency and progress and to encourage report of illegal conducts, including appeal hot line and email box.</p> <p>Mailing address: The Company's place of business Receiver: The internal auditing department</p>	None

Assessment Criteria	Actual governance (Note 1)		Deviation and causes of deviation from integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	YES	NO	
(2) Does the company establish standard operating procedures for confidential reporting and investigation of accusation cases?	V	<p>(2) Under the Company's "Whistleblower System Implementation Guidelines," all employees are able to report crime, fraud or any occurrence within the Company that is likely to constitute a violation of law. The types of cases that employees may report on include: crime, fraud or any occurrence likely to constitute a violation of law. The Auditing Department has been assigned the responsibility to handle and investigate reported cases. The Company is bound to provide the following protection for informants:</p> <ul style="list-style-type: none"> ➢ Confidentiality over the informant's identity and refrain from leaking any information that can be used to identify the informant. ➢ Any substantiated violation of the confidentiality principle will be subject to review by the personnel review committee and treatment according to the Work Rules. <p>(3) All staff and managers who handle messages delivered via the employee opinion mailbox are bound to maintain confidentiality. The prosecutor will be protected, and may not terminate, transfer, reduce the wages of, or harm the rights and benefits in accordance with the law, contract or norm of such a worker nor take any unfavorable measures.</p>	None
(3) Has the Company provided proper whistleblower protection?	V		None
4. Enhanced information disclosure (1) Has the Company disclosed its integrity principles and progress onto its website and MOPS?	V	<p>(1) The Company's "Integrity Code of Conduct", "Business Integrity Procedures and Behavioral Guidelines" have been disclosed on the intranet, the external portal, and on Market Observation Post System. Progress of integrity management has been disclosed on the Company's website. https://www.capitalfutures.com.tw/Capitalgroup/worker_opinion.asp?xy=15&xt=6</p>	None

Assessment Criteria	Actual governance (Note 1)		Deviation and causes of deviation from integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Y E S	N O	
5.If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Principles for TWSE/TPEX Listed Companies", describe any discrepancies between the principles and their implementation: The Company's operations, "Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines" are fully compliant with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."			Best Practice
6.Other information relevant to understanding the Company's business integrity (e.g. reviews over business integrity principles) Integrity management rules and policies are reviewed and amended on unscheduled bases which are disclosed via the Company's portal, intranet, and Market Observation Post System to give investors and employees an up-to-date understanding about the Company's integrity policy.			

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

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

The Market Observation Post System, under Corporate Governance section.

<https://www.capitalfutures.com.tw/Capitalgroup/organization.asp?xy=15&xt=1>

3.3.8 Other important information material to the understanding of corporate governance within the Company: None.

3.3.9 Internal Control System

A. Statement of Internal Control System, please refer to Page 67.

B. If the internal control system was reviewed by an external CPA, the result of such review must be disclosed: None.

3.3.10 Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control policy in the most recent year up till the publication date of this annual report; describe areas of weakness and any corrective actions taken:

(1) Decision letter issued by Chinese National Futures Association on Jan. 2nd, 2019: The Company's specialist was found to provide investment analysis of futures to unspecified person who is not the appointed person in media. And the Company was issued a warning.

Improvement: The Company has required all sales cannot be interviewed by any social media before obtain the qualification of the Futures trading Analyst. And the violator has already resigned on November 2018.

(2) The Company did not report the budget difference analysis regarding to the payment for the consulting service to True Partner Advisor Limited in 2018, and also did not take any effective management actions to the substantial increase of budget amount. Otherwise, the sales bonus and consulting expenses should be accurately estimated based on relevant budget. And the Company was found to violate Paragraph 21, Article 3 of Operating Rules of Taiwan Futures Exchange Corporation on April 29th, 2019 and imposed a penalty of NT\$60,000.

Improvement:

(1) The Company intends to adopt improvement measures, and report to the Audit Committee and the Board of Directors meeting on the status of the contract with the True Partner Group and the payment of expenses over the years.

(2) For the budget management and cost estimation operations from June to December of 108, the difference analysis report has been prepared if the case whose difference between the single project operating cost amount and the estimated budget is more than 20% and exceeds NT \$ 5 million, and cooperated with the quarterly report to the Audit Committee and the Board of Directors meeting; in addition, the top five estimated costs of the changes during above period is in line with company specifications and no abnormalities have been found

Capital Futures Corp.
Statement of Internal Control System

Date: March 26, 2020

The following statement has been made based on a self-assessment of the Company's internal control system in 2019:

1. The Company is aware that creation, implementation, and maintenance of internal control system are the responsibilities of its board of directors and management, and has duly established such a system. The purpose of internal control system is to provide reasonable assurances concerning the outcome and efficiency of the Company's operations (including profitability, business performance, and asset security), the reliability, timeliness, and transparency of reported information, and compliance and accomplishment of relevant regulations and goals.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure the achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the effectiveness of its internal control system design and execution based on the criteria specified in " Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets " (hereinafter referred to as the " Regulations "). The criteria introduced by the " Regulations " consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each major element is further broken down into several sub-elements. Please refer to the " Regulations " for more details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2019¹. This system (including the supervision and management of subsidiaries) has provided assurance concerning the Company's business results, target accomplishments, reliability, timeliness, and transparency of reported information, and its compliance with relevant laws.
6. This statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure in the public statement above are subject to legal consequences described in Articles 115 of the Futures Trading Act and Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was passed during the board of directors meeting held on March 26, 2020 by all 6 attending directors without objection.

Capital Futures Corp.

Chairman : Sun, Tien-Shan

President : Lee, Wen-Chu

¹ The statement date is the end day of fiscal year.

Areas of Improvement and Rectification of the Internal Control System

Areas of improvement required	Improvements	Expected time of rectification
The Company did not report the budget difference analysis regarding to the payment for the consulting service to True Partner Advisor Limited in 2018, and also did not take any effective management actions to the substantial increase of budget amount. Otherwise, the sales bonus and consulting expenses should be accurately estimated based on relevant budget.	(1) The company intends to adopt improvement measures, and report to the Audit Committee and the Board of Directors meeting on the status of the contract with the True Partner Group and the payment of expenses over the years. (2) For the budget management and cost estimation operations from June to December of 108, the difference analysis report has been prepared if the case whose difference between the single project operating cost amount and the estimated budget is more than 20% and exceeds NT \$ 5 million, and cooperated with the quarterly report to the Audit Committee and the Board of Directors meeting.	Improvements have been completed
The Company's specialist was found to provide investment analysis of futures to unspecified person in media, who is not the appointed person.	The Company has required all sales cannot be interviewed by any social media before obtain the qualification of the Futures trading Analyst.	Improvements have been completed
The Company's specialists post the processing fee and undeclared advertising material on PPT.	The specialists have been asked to improve.	Improvements have been completed
The Company's specialist post the inappropriate words on his blog which violates the rules.	The specialists have been asked to improve.	Improvements have been completed
The specialist in Taichung branch was mistakenly registered in the head office.	The registration record has been already corrected.	Improvements have been completed
The Company uploaded the post-information of the insider's equity change on April 2019. There are three insiders' minor children's information delay in the declaration.	After the Administration department received the notification of the stock agency on May 14, 2019 has E-mail to reminded the supervisors (in accordance with the insider regulations) to comply with the insider declaration requirements.	Improvements have been completed

3.3.11 Major resolutions of the General Meeting of shareholders and the Board in the most recent year to the date this report was printed:

Important resolutions and the implementation of the 2019 general shareholder meeting:

A. Date and Time: May 30th, 2019 (Thursday) AM10:30

B. Location: B2, No. 97, Sec. 2, Dunhua S. Road. Da'an Dist., Taipei City

C. Implement status and resolutions:

Subject	Resolution	Implementation
Approval of the Company's 2018 business report and individual financial statements	This case was voted with 112,799,155 voting rights in favor (including 108,999,041 electronic voting rights), accounting for 97.73 % of the total voting rights of the presenting shareholders. There were 2,422,510 voting right not in favor of the case (including 2,955,352 electronic voting rights). There were 832,480 electronic voting rights forfeited and 0 voting right invalid. This case is passed according to the revolution reached by voting in the board meeting.	To proceed as resolved during the shareholders' meeting and announce accordingly.
Approval of the Company's 2018 earnings appropriation	This case was voted with 112,944,992 voting rights in favor (including 109,054,878 electronic voting rights), accounting for 97.85 % of the total voting rights of the presenting shareholders. There were 225,028 voting right not in favor of the case (including 225,028 electronic voting rights). There were 2,245,989 voting rights forfeited (including 655,959 electronic voting rights) and 0 voting right invalid. This case is passed according to the revolution reached by voting in the board meeting.	A cash dividend of NTD 3.4 per share was distributed based on the resolution reached in the shareholders' meeting. (ex-dividend date was June 30 th , 2018 and cash dividend were distributed on July 26 th , 2018)

D. The execution progress and resolutions of shareholder's meeting

Subject	Resolution	Implementation
Amendment to the Company's "Procedures for the Acquisition and Disposal of Assets".	This case was voted with 112,957,177 voting rights in favor (including 109,067,063 electronic voting rights), accounting for 97.86 % of the total voting rights of the presenting shareholders. There were 278,101 voting right not in favor of the case (including 278,101 electronic voting rights). There were 2,180,731 voting rights forfeited (including 590,701 electronic voting rights) and 0 voting right invalid. This case is passed according to the revolution reached by voting in the board meeting.	The Company's "Procedures for the Acquisition and Disposal of Assets" has already amended as resolved.

Major resolutions of the General Meeting of shareholders and the Board in the most recent year to the date this report was printed:

Item	The summary of important items	Attendance Status of Independent Director
The 7 th meeting of the 8 th term Board (2019.01.28)	<ul style="list-style-type: none"> ● Confirmation of the date, place and agenda for 2019 general shareholder meeting. ● Amendments of the Company's 2019 "Sales approval authority table". ● Reporting of the transfer for Senior Executive Officer Wen-Jun Tseng to Futures Managed department. ● Appointment of the head of Proprietary department. ● Discussion of 2018 performance review results for the Company's managers (including) and above. ● Discussion of 2018 bonus distribution for the Company's managers (including) and above. ● Discussion of 2018 festival bonus distribution for the Company's managers (including) and above. 	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui</p> <p>Independent Director: Shea, Jia-Dong Chen, Kuo-Tay, Chuang, Chih-Chen</p>
The 8 th meeting of the 8 th term Board (2019.03.27)	<ul style="list-style-type: none"> ● 2018 Statement on the overall implementation status of information security of the Company. ● 2018 statement on the effective implementation of Anti-Money Laundering/Countering Financing Terrorism internal control of the Company. ● 2018 statement on the effective of design and implementation for internal control system of the Company. ● The proposal of 2018 earning distribution of the Company. ● Amendment to internal control system of the Company. ● Amendment to partial regulations of "Procedures for the Acquisition and Disposal of Assets" of the Company. ● Amendment to "Procedures for the Leverage contract transaction business and KYC rules" of the Company. ● Amendment to "Rules for bonus distribution for the institutional client department". ● Report to "Corporate Social Responsibility Plan" of the Company. ● Amendment to "Corporate governance best practice" of the Company. ● Report for the promotion of managers of futures advisory futures department and proprietary department. ● Suggestion for the 2019 promotion list of managers (included and above) 	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Independent Director: Shea, Jia-Dong Chen, Kuo-Tay, Chuang, Chih-Chen</p> <p>Director Lee, Yi-Hui appointed Director Sun, Tien-Shan to attend meeting.</p>
The 9 th meeting of the 8 th term Board (2019.05.13)	<ul style="list-style-type: none"> ● Stipulation of the Company's "Standard operational protocol for responding to requests from Directors". ● Amendments of the Company's "Guidelines of bonus distribution for Derivative department". ● 2019 salary adjustment suggestions for the Company's managers (including and above). ● 2018 Remuneration distribution of the Company's directors. ● 2018 Remuneration distribution (cash) of the Company's employee. 	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Lee, Yi-Hui</p> <p>Independent Director: Shea, Jia-Dong Chen, Kuo-Tay, Chuang,</p>

Item	The summary of important items	Attendance Status of Independent Director
		Chih-Chen Mr. Jiunn-Chih, Liu commissioned Mr. Wang, Jiunn-Chih for attending the meeting.
The 10 th meeting of the 8 th term Board (2019.08.29)	<ul style="list-style-type: none"> ●The individual and consolidated financial report of the Company for the first half year of 2019 (1/1~6/30). ●The 2019 independence assessment of the Company's accountant. ●Amendment to the Company's "Articles of Association". ●Amendment to the Company's "The Ethical Corporate Management Best Practice Principles". ●Amendment to the Company's "Remuneration Committee Charter". ●Amendments of the Company's "Authorization Chart". ●Amendments of the Company's internal control system. ●Promotion activities of Discretionary transaction business for futures products with Capital Securities Corporation. ●Change of the manager who is responsible for the project of "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism". ●Confirmation of the project for foreign currency margin transaction business and referral bonus. ●Adjustment of the calculation basis of annual bonus for Securities proprietary trading department. ●The Company's festive bonus distribution for managers (including and above) in the first half year of 2019. 	Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui Independent Director: Shea, Jia-Dong Chen, Kuo-Tay, Chuang, Chih-Chen
The 11 th meeting of the 8 th term Board (2019.10.01)	<ul style="list-style-type: none"> ●Appointment of the assistant vice president of Legal compliance department. 	Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui Independent Director: Shea, Jia-Dong Chen, Kuo-Tay, Chuang, Chih-Chen
The 12 nd meeting of the 8 th term	<ul style="list-style-type: none"> ●The auditing expense for the accountant in the 2020 fiscal year of the Company. ●The internal auditing plan in the 2020 fiscal year of the 	Director: Sun, Tien-Shan, Wang,

Item	The summary of important items	Attendance Status of Independent Director
Board (2019.11.11)	<p>Company.</p> <ul style="list-style-type: none"> ● Suggestion of the 2019 year-end remuneration which would calculate as 2-month salary to the basis. 	<p>Jiunn-Chih, Lee, Yi-Hui Independent Director: Shea, Jia-Dong Chen, Kuo-Tay, Chuang, Chih-Chen</p> <p>Mr. Wang, Jiunn-Chih, commissioned Mr. Sun, Tien-Shan for attending the meeting.</p>
The 13 th meeting of the 8 th term Board (2019.11.28)	<ul style="list-style-type: none"> ● Approval of the Company's 2019 cash injection project which is mainly for replenishing operating capital. ● Amendments to the Company's "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism for Futures Managed Business" and related items. 	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui Independent Director: Shea, Jia-Dong Chen, Kuo-Tay, Chuang, Chih-Chen</p>
The 14 th meeting of the 8 th term Board (2020.01.10)	<ul style="list-style-type: none"> ● Confirmation for 2020 operating plan and budget of the Company. ● Amendment to the "Guidelines of bonus distribution for direct sales department". ● Appointment of the head of proprietary department. 	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen</p>
The 15 th meeting of the 8 th term Board (2020.02.17)	<ul style="list-style-type: none"> ● Decision of the date of capital increase and relevant affairs. ● Regarding to the 2019 capital increase project of the Company. 	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun Independent Director:</p>

Item	The summary of important items	Attendance Status of Independent Director
		Chen, Kuo-Tay, Chuang, Chih-Chen Lee, Yi-Hui commissioned Chairman Sun, Tien-Shan.
The 16 th meeting of the 8 th term Board (2020.03.26)	<ul style="list-style-type: none"> ● The directors' and employees' remuneration distribution of the Company in 2019. ● Reporting the business report and financial statement in 2019. ● Bonus distribution in 2019. ● Amendment to the "Guidelines of bonus distribution for proprietary department." ● Amendment to "Regulations Governing Leverage Transaction Merchants" of the Company. ● To apply for a leveraged dealer CFD contract of gold and crude oil business. ● Amendment to "organizational rules" of the Company. ● Amendment to the Company's "Sales approval authority table". ● Amendment to the Company's "Rules of Procedure for Board of Directors Meetings". ● Amendment to the Company's "Audit Committee Charter". ● Amendment to the Company's "Remuneration Committee Charter". ● Amendment to the Company's "Article of Association". ● Amendment to the Company's "Rules of Procedure for Shareholders Meetings". ● By-election of one seat independent director. ● Confirmation the date, location and agenda of 2020 general shareholders meeting. ● 2019 statement on the overall implementation status of information security of the Company. ● 2019 statement on the effective implementation of Anti-money Laundering/Countering Financing Terrorism internal control of the Company. ● 2019 statement on the effective of design and implementation for internal control system of the Company. ● Report to "Corporate social Responsibility Plan" of the Company. ● Suggestion for the 2020 promotion list for employees of manager grade and above. 	Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen

3.3.12 Documented opinions or declarations made by Directors or Supervisors against Board of Directors resolutions in the most recent year, up until the publishing date of this annual report: None.

3.3.13 Resignation or discharge of persons related to financial reporting (including the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, and Chief F&D Officer) in the most recent year to the date this report was printed: None.

3.3.14 The status of managers and directors participated corporate governance training courses in recent years:

Title Name	Organizer	Course Name	Course Date	Hour
Chairman Sun, Tien-Shan	Taiwan Securities Association	Countermeasures for Enterprises under the trend of global anti-tax avoidance.	2019.4.15	3
	Taiwan Stock Exchange Corporation	2019 Board Functions Enhancement Seminars	2019.11.6	3
Director Wang, Jiunn-Chih	Taiwan Listed Corporation Association	Oriental leader's lecture-Urban governance & Corporate governance	2019.9.18	2
	Taiwan Listed Corporation Association	Oriental leader's lecture- Industry trends under the U.S.-China trade war	2019.10.15	2
	Securities & Futures Institute	Discussion the responsibility of directors and supervisors from the case of securities market malfeasance	2019.11.21	3
Director Liu, Ching-Tsun	Taiwan Securities Association	Enterprise crisis management strategy and case analysis	2019.9.4	3
	Taiwan Securities Association	Discussion the fraud of financial statements from the problem enterprises	2019.10.8	3
Independent Director Shea, Jia-Dong	Taiwan Corporate Governance Association	The last defending line of Corporate Governance - Directors liability insurance	2019.4.12	3
	Taiwan Corporate Governance Association	The influence of the internal control of corporate governance and the responsibilities of directors and supervisors is discussed in the latest revision of Company law	2019.4.26	3
Independent Director Chuang, Chih-Chen	Taiwan Securities Association	Key points and interpretation analysis of the preparation of corporate financial statements	2019.3.20	3
	Taiwan Securities Association	Financial crime and fraud risk management	2019.9.19	3
Independent Director Chen, Kuo-Tay	Taiwan Stock Exchange Corporation	2019 Board Functions Enhancement Seminars	2019.11.21	3
	Taiwan Securities Association	The practice of "Forensic Accounting" in the detection of corporate fraud	2019.12.18	3

Title/Name	Organizer	Course Name	Course Date	Hour
Executive Vice president Mao, Jen-Hua	Chinese national futures association	Seminar of analysis and case study for anti-money laundering and countering financing terrorism. -From the risk assessment to see the STR suspicious transaction declaration.	2019/3/27	3
	Securities & Futures Institute	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2019/8/5	12
Executive Vice president Yang, Rui-Ling	Accupass	Six-hour practice class for Evernote to establish a high-performance task management system	2019/12/7	7
Executive Vice president Huang, Wei-Ben	Taiwan Securities Association	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2019/9/7 2019/12/12	12
Executive Vice President Jhuo, Zheng-Gang	Taiwan Securities Association	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2019/10/19 2019/12/16	12
Senior Vice President Peng, Jian-Cheng	Taiwan Securities Association	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2019/10/5 2019/10/19 2019/12/14	18
Senior Vice President Lee, Chung-Wei	Securities & Futures Institute	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2019/9/9	12
Assistant Vice President Huang, Guo-Rong	Taiwan Securities Association	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2019/7/25 2019/8/12	12
Senior Vice President Chen, Chi-Hau	Chinese national futures association	Seminar of analysis and case study for Emerging Technology Information Security Law.	2019/5/15	3
Vice President Lian, Jing-Lian	Chinese national futures association	Seminar of analysis and case study for Emerging Technology Information Security Law.	2019/5/15	3
	Securities & Futures Institute	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2019/9/9	12
Senior Vice President Lin, Li-Juan	Accounting Research and Development Foundation	In-service training course for accounting manager	2019/8/8	12
	Securities & Futures Institute	Annual continuous training of accounting manager.	2019/12/12	6
Vice President Ho, Zhuo-Yi	Taiwan Securities Association	On-job-training of information safety officers.	2019/4/17	15
Manager Liu, Bai-Shan	Chinese national futures association	Seminar of analysis and case study for anti-money laundering and countering financing terrorism.	2019/8/29	3

3.4 Disclosure of CPAs' remuneration

Unit: NTD thousand

Auditor's firm	Name of CPA	Audit remuneration	Non-audit remuneration					CPA auditing period	Remarks
			Policy design	License registration	Human resource	Others (Note2)	Subtotal		
KPMG Taiwan	Lee, Feng-Hui / Chung, Tan-Tan	1,940	-	-	-	52	52	2019.01.01~2019.12.31	

Note 1: If there is any CPA or CPA Firm being replaced in current year, the auditing period should be indicated separately and the reason for such replacement should be detailed in the remark column; also, the information regarding the audit and non-audit fee paid should be disclosed.

Note 2: non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, then services must be detailed in the remarks column.

- A. Remuneration of non-audit services to CPAs, CPAs' firm and its affiliated companies that exceed one quarter of audit remuneration: None.
- B. If a change in accounting firm resulted in a lower audit remuneration for that year compared to the previous year, the amount, percentage, and reason of the reduction must be disclosed: None.
- C. If the audit remuneration was reduced by more than 10% from the previous year, the amount, percentage, and reasons for the reduction must be disclosed: none.

3.5 Change of CPA: If the company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period: None.

3.6 Disclosure of any of the Company's Chairman, President, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company: None.

3.7 Transfer and pledge of shares by Directors, Supervisors, Managers and Major Shareholders

3.7.1 Directors, Supervisors, Managers and Major Shareholder transfers and changes in shares collateralized

Unit: shares

Title (Note 1)	Name	2019		2020 (Up till 3/31)	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Director and major shareholder	Capital Securities Corp.	0	0	20,187,169	0
Chairman, director, representative and CEO	Sun, Tien-Shan	-1,000	0	525,000	0
Director representative	Liu, Ching-Tsun	0	0	0	0
Director representative	Wang, Jiunn-Chih	0	0	0	0
Corporate Director	Hung Yeh Investment Co., Ltd	0	0	0	0

Title (Note 1)	Name	2019		2020 (Up till 3/31)	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Director representative	Lee, Yi-Hui	0	0	0	0
Independent Director	Shea, Jia-Dong (Reassigned on 2020.1.2)	0	0	-	-
Independent Director	Chen, Kuo-Tay	0	0	0	0
Independent Director	Chuang, Chih-Chen	0	0	0	0
President	Lee, Wen-Chu	-756	0	142,690	0
Senior executive vice president	Chen, Wen-Tsay,	0	0	20,000	0
Senior executive vice president	Mao, Jen-Hua	-16,000	0	80,000	0
Senior executive vice president	Lin, Chi-Cheng	0	0	60,000	0
Senior executive officer	Hsu, Jhen-Zong	0	0	0	0
Senior executive officer	Yang, Yau-Yu	0	0	0	0
Senior executive officer	Tseng, Wen-Jun (Retired on 2019.04.01)	0	0	-	-
Senior vice president	Xia, Huan-Ting	-33,000	0	0	0
Senior vice president	Ho, Yu-Wen	0	0	0	0
Executive vice president	Yang, Rui-Ling	-5,000	0	55,000	0
Executive vice president	Huang, Wei-Ben	-5,000	0	60,000	0
Senior vice president	Lin, Li-Juan	0	0	0	0
Senior vice president	Hsu, Ji-Ching	0	0	30,000	0
Senior vice president	Zong-Wei, Li	0	0	23,000	0
Senior vice president	Kuo, Shu-Zhen	0	0	0	0
Senior vice president	Lin, Xiao-Chian	0	0	45,129	0
Senior vice president	Peng, Jian-Cheng	-2,000	0	0	0
Senior vice president	Chen, Chi-Hau (Unpaid leave from 2019.09.16)	0	0	-	-
Senior vice president	Chen, Wei-Ting	0	0	72,765	0
Senior vice president	Chang, Lin-Chung (Resigned on 2019. 03.01)	0	0	-	-
Senior vice president	Fan, Jhen-Hong	0	0	0	0
Senior vice president	Jhuo, Zheng-Gang	0	0	0	0
Vice president	Ho, Zhuo-Yi	0	0	42,543	0
Vice president	Chen, Tsung-Yu	0	0	35,000	0
Vice president	Chung, Cheng-Huang	0	0	6,000	0
Vice president	Chu, Hsu	0	0	0	0
Vice president	Yang, Shih-Chuang	0	0	0	0

Title (Note 1)	Name	2019		2020 (Up till 3/31)	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Vice president	Lin, Ching-Ming	0	0	0	0
Vice president	Huang, Pei-Lun	0	0	0	0
Vice president	Lian, Jing-Lian	0	0	0	0
Assistant vice president	Lee, Tuan-Kang (Appointed on 2019. 10.21)	0	0	0	0
Assistant vice president	Huang, Guo-Rong	0	0	3,000	0
Senior Manager	Lin, Chi-Pin (Appointed on 2019. 04.01)	0	0	0	0
Senior Specialist	Lin, Shiou-Ju	0	0	-2,000	0
Senior Specialist	Liu, Bao-Hua	0	0	0	0
Senior Specialist	Chang, Li-Jiao	3,000	0	0	0
Senior Specialist	Tsao, Shu-Hui	0	0	-15,000	0
Senior Specialist	Chang, Mu-Min	0	0	0	0
Assistant vice president	You, Bo-Liang (Appointed on 2019. 09.16)	0	0	0	0

Note 1: Shareholders holding >10% of the Company's outstanding shares should be specifically marked as major shareholders.

Note 2: If the counterparty for equity transfer or equity pledge is a related party, please fill out the form referred to below: None.

3.7.2 If the counterparty for equity transfer or equity pledge is a related party: None.

3.8 Relationships among the Company's top 10 shareholders including spouses, second degree relatives or closer

Date of information: April 21th, 2020 Unit: Share

NAME (NOTE 1)	SELF SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		SHARES HELD IN THE NAMES OF OTHERS		RELATIONSHIP CHARACTERIZED AS SPOUSE OR RELATIVE OF SECOND DEGREE OR CLOSER AMONG THE TOP-10 SHAREHOLDERS. (NOTE 3)		REMARKS
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Name	Relation-ship	
Capital Securities Corp. Representative: Wang, Jiunn-Chih	119,370,014	56.72%	-	-	-	-	None	None	-
Hontai life insurance Co., Ltd. Representative: Lu, Huan-I	4,836,434	2.30%	-	-	-	-	None	None	-
Feng Yang Investment Co., Ltd Representative: Wang, Hui-Chin	3,795,343	1.80%	-	-	-	-	None	None	-
Tseng Mao Investment Co., Ltd Representative: Tung, Ta-Nien	3,793,311	1.80%	-	-	-	-	None	None	-
Gains Investment Corp. Representative: Huang,	2,003,000	0.95%	-	-	-	-	None	None	-

NAME (NOTE 1)	SELF SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		SHARES HELD IN THE NAMES OF OTHERS		RELATIONSHIP CHARACTERIZED AS SPOUSE OR RELATIVE OF SECOND DEGREE OR CLOSER AMONG THE TOP-10 SHAREHOLDERS. (NOTE 3)		REMARKS
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Name	Relation-ship	
Pai-Chien									
Sun, Tien-Shan	1,231,162	0.59%	631,550	0.30%	-	-	None	None	-
DFA found-Emerging market	838,895	0.40%			-	-			
Huang, Chin-Ming	837,000	0.40%	-	-	-	-	None	None	-
Chang, Chia-Chin	795,000	0.38%	-	-	-	-	None	None	-
Ho, Shou-Chuan	722,000	0.34%	-	-	-	-	None	None	-

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

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

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

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

Date: March 31st, 2020 Unit: shares; %

Invested Business (Note 1)	Held by the Company		Held by Directors, Supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership interest	
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage
CSC Futures (H.K.) Ltd.	214,000	97.27%	-	-	214,000	97.27%
Capital International Technology Corp.	5,000	100%	-	-	5,000	100%
True Partner Capital Advisor H.K. Ltd.	245	49%	-	-	245	49%
Capital True Partner Technology (Chengdu) Co., Ltd.	510	51%	-	-	510	51%
Capital Futures Technology (Shanghai) Co., Ltd.	4,000	100%	-	-	4,000	100%

Note 1: Invested business which is recognized as long-term investments under equity method.

IV. Funding Status

4.1 Capital and outstanding shares

4.1.1 Source of capital and share category:

A. Source of capital

Unit : Shares

Share category	Authorizes capital			Remarks
	Outstanding shares	Treasury Stock	Total	
Registered ordinary shares	210,437,584	39,562,416	250,000,000	Listed securities

B. Share capital composition

Unit: NT dollars

Year/ Month	Issue Price	Authorized capital		Paid-up capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid in properties other than cash	Others
1997.02	10	20,000,000	200,000,000	20,000,000	200,000,000	Share capital initiation	None	-
1997.11	10	120,000,000	1,200,000,000	45,000,000	450,000,000	Cash issue totaling NTD 250,000,000	None	Note 1
2003.11	10	120,000,000	1,200,000,000	61,500,000	615,000,000	Private placement totaling NTD 165,000,000	None	Note 2
2009.03	27.5	120,000,000	1,200,000,000	67,650,000	676,500,000	IPO capital increasing NTD 61,500,000	None	Note 3
2009.07	10	120,000,000	1,200,000,000	75,226,800	752,268,000	Increasing capital by NTD 75,768,000 out of earnings.	None	Note 4
2010.06	10	120,000,000	1,200,000,000	84,630,150	846,301,500	Increasing capital by NTD 94,033,500 out of earnings.	None	Note 5
2011.07	10	120,000,000	1,200,000,000	92,246,863	922,468,630	Increasing capital by NTD 76,167,130 out of earnings.	None	Note 6
2013.08	10	120,000,000	1,200,000,000	100,087,847	1,000,878,470	Increasing capital by NTD 78,409,840 out of earnings.	None	Note 7
2014.06	23.3	120,000,000	1,200,000,000	119,997,847	1,199,978,470	Increasing capital by NTD 199,100,000 out of earnings.	None	Note 8
2015.07	10	250,000,000	2,500,000,000	122,397,804	1,223,978,040	Increasing capital by NTD 23,999,570 out of earnings	None	Note 9
2017.02	31.38	250,000,000	2,500,000,000	160,397,804	1,603,978,040	Cash issue totaling NTD 380,000,000	None	Note 10
2018.08	10	250,000,000	2,500,000,000	176,437,584	1,764,375,840	Capital surplus transferred to capital NTD 160,397,800	None	Note 11
2020.03	34.4	250,000,000	2,500,000,000	210,437,584	2,104,375,840	Cash issue totaling NTD 340,000,000	None	Note 12

Note : 1. Approved under Notice(86) Tai-Tsai-Cheng-84102 dated 1997.11.27.

2. Approved under Notice Tai-Tsai-Cheng-(7)- 0920154585 dated 2003.11.27.

3. Approved under Notice Jin-Guan-Cheng-(7) - 0980012451 dated 98.03.31.

4. Approved under Notice Jin-Guan-Cheng-Chi-0980032927 dated 2009.07.02 .

5. Approved under Notice Jin-Guan-Cheng-Chi-0990032848 dated 2010.06.25.

6. Approved under Notice Jin-Guan-Cheng-Chi-1000033210 dated 2011.07.18.

7. Approved under Notice Jin-Guan-Cheng-Chi-1020028556 dated 2013.07.22.
8. Approved under Notice Jin-Guan-Cheng-Chi-1030014783 dated 2014.05.07.
9. Approved under Notice Jin-Guan-Cheng-Chi-1040025089 dated 2015.07.03.
10. Approved under Notice Jin-Guan-Cheng-Chi-1050044467 dated 2016.11.15.
11. Approved at 2018.07.04.
12. Approved at 2020.01.30.

4.1.2 Shareholder Structure:

As of April 21th, 2020

Shareholder Structure \ Quantity	Government Agencies	Financial Institutions	Other Institutional Investors	Domestic Natural Persons	Foreign Institutions & Individuals	Total
Number of shareholders	0	3	82	11,007	59	11,151
Shares held	0	5,521,966	133,669,962	66,289,238	4,956,418	210,437,584
Percentage	0%	2.62%	63.52%	31.50%	2.36%	100.00%

Note: Primary exchange (or OTC) listed companies and emerging stock companies are required to disclose the shareholding ratio of mainland Chinese investors. According to the Article 3 of Measures Governing Investment Permit to the People of Mainland Area, mainland Chinese investors include the individuals, juristic persons, organizations, other institutions from Mainland and the companies they invest into in a third area.

4.1.3 Shareholding Distribution Status:

A. Ordinary shares: Face value at ten dollars per share.

As of April, 21st, 2020

Shareholding range	Number of shareholders	Number of shares held (shares)	Shareholding percentage (%)
1 to 999	2,103	504,347	0.24%
1,000 to 5,000	6,507	13,442,495	6.39%
5,001 to 10,000	1,237	9,125,803	4.34%
10,001 to 15,000	434	5,349,145	2.54%
15,001 to 20,000	215	3,850,654	1.83%
20,001 to 30,000	247	6,114,638	2.91%
30,001 to 40,000	120	4,203,364	2.00%
40,001 to 50,000	73	3,273,313	1.56%
50,001 to 100,000	121	8,452,427	4.02%
100,001 to 200,000	60	8,404,856	3.99%
200,001 to 400,000	15	3,914,613	1.86%
400,001 to 600,000	3	1,539,832	0.73%
600,001 to 800,000	8	5,556,938	2.64%
800,001 to 1,000,000	2	1,675,895	0.80%
1,000,001 and above	6	135,029,264	64.17%
Total	11,151	210,437,584	100.00%

B. Preference shares: None.

4.1.4 List of major shareholders

As of April, 21st, 2020

Name of major shareholder	Shareholding	Number of shares held (shares)	Shareholding percentage (%)
Capital Securities Corp.		119,370,014	56.72%
Hontai life insurance Co., Ltd.		4,836,434	2.3%
Feng Yang Investment Co., Ltd		3,795,343	1.8%
Tseng Mao Investment Co., Ltd		3,793,311	1.8%
Gains Investment Corp.		2,003,000	0.95%
Sun, Tien-Shan		1,231,162	0.59%
DFA found-Emerging market		838,895	0.4%
Huang,Chin-Ming		837,000	0.4%
Chang,Chia-Chin		795,000	0.38%
Ho,Shou-Chuan		722,000	0.34%

4.1.5 Market price, net worth, earnings, and dividends per share, and other relevant information for the last two years

Item		Year	2018	2019	Year-to –date March 31 st , 2020 (Note 8)
Market price per share (Note 1)	Highest		68.80	48.90	44.85
	Lowest		39.40	41.35	31.70
	Average		55.87	45.57	39.04
Net Worth per share (Note 2)	Before dividend distribution		28.52	28.41	-
	After dividend distribution		25.12	Not distribute yet	-
Earnings per share	Weighted average outstanding shares		176,437,584	176,437,584	-
	Earnings per share (Before adjustment) (Note 3)		4.73	3.40	-
	Earnings per share (After adjustment) (Note 3)		4.73	Not distribute yet	-
Dividends per share	Cash dividend		3.40	1.90	-
	Stock dividend	0.00	-	-	
		0.00	-	-	
	Cumulative undistributed dividends (Note 4)		0.00	0.00	-
ROI analysis	P/E ratio (Note 5)		11.81	13.40	-
	Price to dividend ratio (Note 6)		16.43	23.98	-
	Cash dividend yield (Note 7)		6.09%	4.17%	-

*Where stock dividends were paid from earnings or capital surplus, market price and cash dividends per share are adjusted retrospectively for the number of new shares issued.

Note 1: The table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's shareholders meeting is presented in the table.

Note 3: Where stock dividends were issued, EPS are disclosed in amounts before and after retrospective adjustments.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up till the current year is disclosed separately.

Note 5: P/E ratio = average closing price per share for the year / earnings per share.

Note 6: Price to dividend ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of this annual report. For all other fields, calculations are based on data as at the end of their respective years.

4.1.6 Dividend Policy and execution

A. Dividend policy stated in the Company's Articles of Incorporation:

The dividend policies stated in The Company's Articles of Association is to ensure long-term financial stability and business development while satisfying the needs for future growth, and thereby maximizing shareholders' interests. According to the Company's articles of Association, any profits concluded from year-end closure are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve, a 20% provision for special reserve, and other provisions required by law.

Distribution of annual earnings, including accumulated retained earnings are distributed for the purpose of reserving capital required for operation; other dividends can be distributed in cash, and cash dividends shall not be less than 10% of the total distributed dividend. 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.

B. Dividends distribution proposed in the shareholders' meeting:

The net profit after-tax of the Company in 2019 is NT\$600,008,826 plus (1) Accumulated undistributed earnings NT\$ 558,897, and then subtracts (2) Actuarial loss on defined benefit plan included in Retained Earnings of this year NT\$ 664,244, to calculate the distributable net profit in 2019 is NT\$599,903,479 which according to the Article of Association of the Company can be distributed as following:

1. The amount of legal reserve is NT\$59,990,348.
2. The amount of special reserve is NT\$119,980,696.
3. The amount of Special reserve appropriated due to reduction of shareholders' equity occurred is NT\$18,553,248.
4. Cash dividend will amount to NT\$399,831,410 at NT\$1.9/share on the basis of 210,437,584 outstanding shares round to the nearest NTD. The fraction falling below this amount shall be recognized as other incomes of the Company, as for the unappropriated retained earnings in the end of term is NT\$1,547,777. The Chairman shall set the dividend day and related issues upon the finalization of the General Meeting of shareholders.
5. If the Company is affected the number of outstanding shares as a result of changes in share capital, so that the shareholders of the interest rate changes, intends to authorize the Chairman to adjust.

4.1.7 Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

4.1.8 Employees'/Directors'/Supervisors' remuneration

- A. According to the article 27 stated on Articles of Association, the Company should distribute 0.6% to 2% of the profit of the current year distributable as employees' compensation, and 3% or less of its profit of the current year distributable as Directors' remuneration. However, the Company's accumulated losses shall have been covered first. The Company's profit of the current year distributable mentioned above is the earnings before tax deducting employees' compensation and Directors' remuneration.
- B. The Company's profit in 2019 is NT\$ 764,374,141 (It hasn't less before-tax income that is subject to the estimation of employee' and directors' remuneration yet). According to Articles of Association, the board of directors concluded to distribute 2019 employees' remuneration totaling NT\$ 8,713,865 which percentage to profit of current fiscal year is 1.14% and directors' remuneration totaling NT\$ 8,713,865 in cash. And it is no difference with the amount which was resolved by Board meeting.
- C. The estimated amounts of remuneration to employee and director and supervisors distributed by the Company for 2018 were both NT\$ 12,082,826. There was no difference between resolution which approved by Board meeting and actual distribution.
- D. The Directors' remuneration policy and standard was created in accordance with the Articles of Association. The Board of Directors is authorized to determine remuneration levels for each Director based on their involvements and contributions to the Company's operations, in reference to peer standards. Travel subsidies can also be made depending on their actual attendances to the Board of Directors meetings. Remuneration to the Chairman and Vice Chairman are determined based on their job responsibilities, the normal level of salary, and annual performance, and are subject to the Board of Directors' approval. In order to ensure congruency between employees' goals and shareholders' interests while being able to retain quality talents, the Company has established the "Principles of Employee Performance", "Guidelines of Employee year-end awards"...etc. The Company would report the performance appraisal results, salary and bonus to the Remuneration Committee and the Board of Directors every year regularly. The company has set "Guidelines of employees' performance evaluation ", "Guidelines of employees' year-end bonus distribution" and" Guidelines of festival bonus distribution " and the "Guidelines of sales' bonus distribution" as the performance evaluation and remuneration system for the executives and employees of the Company to share the operating results together. In 2019, the earnings per share of the Company was NT\$3.4 per share, the average employee benefit expense was NT\$1,280 thousand dollars per person, and the average employee salary expense was NT\$1,137 thousand dollars per person. The average salary of full-time employees not holding supervisory positions was NT\$1,078 thousand dollars per person, and the median salary expense was NT\$813 thousand dollars per person.

4.1.9 Shares repurchased by the Company in the most recent years: None

4.2 Disclosure relating to corporate bonds, preference shares, depository receipts, employee stock warrants: None

4.3 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.4 Financing plan and Implementation status:

(I) Plan:

Cash increase issue of 34,000,000 shares, each at the denomination of \$10 and funds raised in the amount of NT\$ 340,000,000. The approval date and document number were Jan. 30, 2020 and Jin-Guan-Zheng-Chi-Zi No. 1090300222. And Taiwan Stock Exchange Corporation has already approved the share payment voucher of the Company could trade on the market on Mar. 31, 2020 as the regulations.

(II) Execution:

Cash increase issue of 34,000,000 shares, each share issued at NT\$ 34.4 per share and funds in the amount of NT\$ 1,169,600 thousand dollars and paid-in capital of the Company would raise to NT\$ 2,104,375,840. The mainly purpose of cash issue project is to supplement operating funds for long-term investment, and to raise the net value, capital and ANC ratio of the Company as well. The fund raising is used as the capital reserve for future new business applications and investment layout in the future which is predict to strengthen the Company's sustainable and stable operation, and strengthen the financial structure to reduce the debt ratio, increase the current ratio and quick ratio, and thus strengthen the Company's long-term competitive advantage in the industry.

Unit: NT\$ thousand

Plan	Scheduled completion date	Total funds required	Capital Use Situation
			2020 Q1
Replenishing Operating fund	2020 Q1	NT\$ 1,169,600	NT\$ 1,169,600

V. Operating Highlights

5.1 Content of Business

5.1.1 Business Scope

The mainly business of the Company is including futures clearing and settlement, and clearing and settlement service, futures brokerage, proprietary futures and securities trading, futures consulting business, leverage trading business, derivative financial products development....etc. Except for Taiwan's Futures clearing and settlement market, the Company also focus on global futures market, including the exchanges of the U.S., Singapore, Hong Kong, Europe and Japan, and develop an online trading system providing clients to place orders with Direct Market Access to those exchanges. In general speaking, the Company is the second largest futures dealer for overseas futures and option products in Taiwan.

The Company's subsidiary CSC Futures (HK) Ltd. has acquired memberships as Clearing Members or Trading Members in twelve international futures exchanges, and it is also the first FCM in Taiwan which acquired brokerage and proprietary trading dual memberships of Singapore Derivatives Exchange, as well as the first company approved for exchange memberships of the CME Group such as CME, CBOT, NYMEX, and COMEX. Also, the Company is a trading member of EURONEXT, ICE Futures Europe, ICE Futures U.S., and a TPH of CBOE Futures Exchange, Hong Kong Futures Exchange and Clearing House.

The Company always actively explores and cultivates every opportunity of further developments in the finance industry. Clients of the Company may learn its ambition by contacting salespersons, trading on the well-designed IT system, and experiencing the professional risk management system.

A. Principle Business Activities:

1. Futures brokerage. (Business approved by Financial Supervisory Commission R.O.C.)
2. Futures consultation services.
3. Futures managed business.
4. Futures clearing and settlement, and clearing and settlement service.
5. Securities investment consulting business.
6. Proprietary trading.
7. Leverage Transaction.

B. Business weightage

Unit: NTD Thousand; %

Item	Year	2018		2019	
		Revenue	Ratio (%)	Revenue	Ratio (%)
Brokerage commission		1,858,391	65	1,577,235	82
Futures commission		453,195	16	209,879	11
Net gains in the derivative financial instruments		538,128	19	20,408	1
Consultancy fee income		29,057	1	15,076	1
Others		(29,279)	(1)	94,180	5
Total		2,849,492	100	1,916,778	100

Source from: consolidated audited financial statements

C. Current products and services

1. Futures brokerage

- Consigned trading of futures contracts over Taiwan Futures Exchange.
- Consigned of options contracts trading over Taiwan Futures Exchange.
- The clearing and settlement service to global futures and options contracts, such as the U.S., Singapore, Japan, Hong Kong and Europe.

2. Proprietary futures trading

- Proprietary trading of domestic and overseas futures and options products.
- Market-making for futures and options to create liquidity.

3. Futures consultation

- Engaged for providing analyses, opinions, or recommendations on futures trading.
- Published books which relate to futures products.
- Organized futures related seminars and campaigns.

4. Futures introducing broker

- Commissioned by securities firms to solicit investors into securities trading.
- Accepted investors' account opening applications on behalf of securities firms.
- Accepted securities trade orders from investors and forwards them to securities firms for execution.
- Informed investors of settlement matters on behalf of securities firms.

5. Futures managed business

- Accepted investor's appointment of fully authorized futures trading business.
- Other business that approved by authorities.

6. Proprietary securities trading

- Proprietary trading of securities listed on Taiwan Stock Exchange.
- Proprietary trading of securities within business premise.

7. Leverage Transaction Merchants.

- Leverage transaction margin business

D. The new products/services

1. To invest high-speed connecting IT system

- (a) With the progress of globalization, investors are encouraged to arrange their investments globally with various strategies. As a pioneer in the futures industry, Capital Futures had launched a global research platform targeting both domestic products and international main products. This research platform offers multiple trade information including index futures, foreign exchange futures, commodity and raw material futures to fulfill different needs of clients. Through connecting theories and practices to provide the complete data charts and high-quality information service to traders. In addition, the Company has been the first Taiwanese FCM providing electronic trading of CME options and directly obtaining the DMA quotes. Therefore, the Company not only launched "Capital Leopard App" which could provide real-time global information in 2015, but launched "The king of winner strategy" which obtain the DMA quotes of options products such as EUR, gold, mini S&P index...etc. and accelerate substantially the trading process.

- (b) Hong Kong is continuously as the trading center for developing the global futures and securities platform.

The subsidiary, CSC Futures (H.K.) Ltd., is the global business center of the Company, has acquired 11 exchange memberships worldwide, also successfully made its name known in Hong Kong's among the world's leading FCMs by leveraging its headquarters' direct market access (DMA) arrangement in most major futures exchange globally. CSC Futures (H.K.) Ltd. is servicing mainland China and

global clients by its stable financial status, outstanding IT support, and fruitful product line in Hong Kong. The Company has own exclusive trading platform in the Greater China region. And Hong Kong subsidy provides one-stop integrated services and customized solutions to attract new customers trading global market with stable finance, excellent information system, and rich product content.

(c) Development of subscription economy and membership management

The Company's innovated live program "Capital View" is mainly provide exclusive financial points and investment analysis would satisfy the hedging needs from high-asset customers. Combining with social medium to develop platform subscription economy and also providing global financial information and professional research suggestions for operating membership community program and transaction. The Company expects to develop online payment services and online audiovisual teaching services, so that customers will not restrict by time, space and region on the platform of the Company. If the customers found the interested courses, they can pay online and watch audiovisual teaching immediately that could improve their investment professionalism. Capital view is to establish a self-media consultant group (cultivating online celebrities), and provide additional value-added services through one-on-one (Line @) exclusive services to maintain a professional brand image in the market.

2. Industry Overview

(a) Current industry conditions

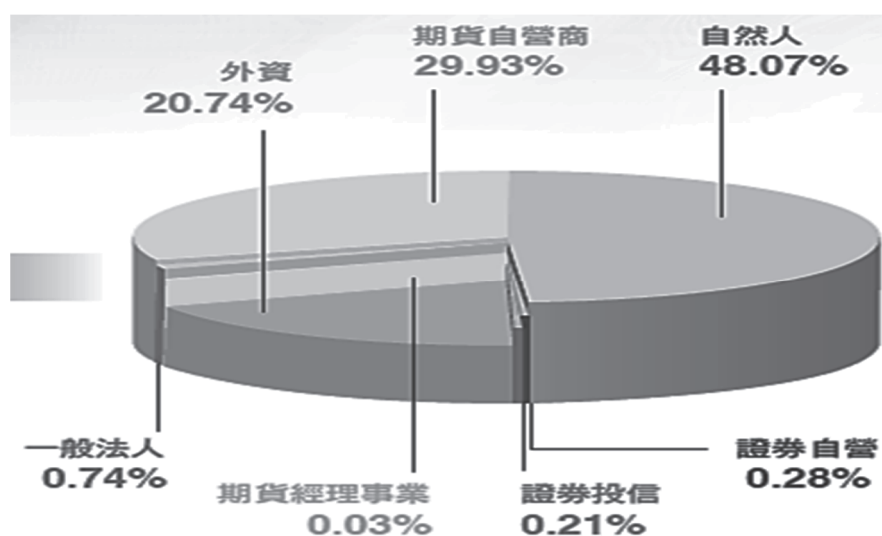
(1) Existing market participants

As of the end of 2019, the Taiwan futures industry included 16 enterprises engaged in the futures brokerage business, which operated a total of 31 locations; 15 concurrently operated futures commission merchants at 102 locations; 47 introducing brokers at 773 locations. In the area of proprietary trade, there are 12 futures firms and 20 financial institutions running proprietary futures trade. In the area of clearing and settlement, there are 9 general clearing members, 8 individual clearing members, and 9 clearing banks. The official statistics of the Taiwan Futures Exchange revealed in late 2019, there were 1,859,742 natural person (individual) accounts accumulated and 10,554 juristic person accounts.

Among the above classifications, The Company is a specialized futures commission merchant, a specialized proprietary trader, an ordinary clearing member, a composite futures consultation firm, a composite futures management firm, securities introducing broker, a composite securities proprietary trader and leverage transaction merchants.

(2) Customer structure

The structure chart for trading volume of domestic futures market is as below:



Source from: Website of Taiwan Futures Exchange

Highlights of market participants:

Unit: account; %

Year	Total number of trading accounts				Percentage of trading volume in market		
	Individuals	Percentage	Institutional investors	Percentage	Individuals	Institutional investors	
						Foreign Investors	Total
2013	1,500,489	99.39%	9,165	0.61%	51.54%	10.85%	48.46%
2014	1,551,700	99.39%	9,460	0.61%	50.03%	9.49%	49.97%
2015	1,613,705	99.40%	9,694	0.60%	47.19%	12.02%	52.81%
2016	1,673,599	99.41%	9,867	0.59%	50.00%	16.13%	50.00%
2017	1,739,050	99.41%	10,282	0.59%	54.41%	15.56%	45.59%
2018	1,802,391	99.43%	10,311	0.57%	48.30%	20.26%	51.70%
2019	1,859,742	99.43%	10,554	0.57%	48.07%	20.74%	51.93%

Source from: Website of Taiwan Futures Exchange

Since the liquidity and turnover of stock market became more mature, hedging demand and speculation channels from traders was increased gradually. Therefore, the number of accounts which opened for trading futures was increased by years. As of the end of 2019, there were a cumulative 1,870,296 trading accounts, 1,859,742 (99.43%) of which were individual investors and 10,554 (0.57%) were institutional investors. Obviously, the main traders in futures market are individual investors in Taiwan. The below table revealed trading statistics and structure which classified by market participant:

Unit: thousand contracts

Item		2015	2016	2017	2018	2019
Proprietary Trading Securities Firms	Buy	524	782	1,086	1,006	710
	Sell	515	749	1,173	1,096	756
Futures Proprietary traders	Buy	103,934	78,227	84,767	91,531	77,324
	Sell	105,935	79,610	85,204	94,113	78,771
Securities Investment Trust Companies	Buy	173	641	667	623	567
	Sell	177	673	658	609	537
Foreign & Mainland Area Institutional Investors	Buy	32,699	39,943	39,599	63,149	54,817
	Sell	30,894	38,042	36,967	61,680	53,324
Managed Futures Enterprises and Futures Trust Funds	Buy	241	184	116	135	70
	Sell	236	181	111	118	76
Other Institutional Investors	Buy	1,928	1,340	1,513	2,236	1,946
	Sell	2,092	1,318	1,493	2,230	1,928
Individual Investors	Buy	124,998	120,563	137,958	149,402	125,331
	Sell	124,646	121,105	140,098	148,234	125,374

Source from: Website of Taiwan Futures Exchange

In terms of traders' structure, individual investors and futures proprietary traders are still the main market participants, the proportion of market transactions in 2019 was 48.07% and 29.93% respectively. It is worth mentioning that the proportion of foreign investor transactions is 20.7% which grew 0.4% from the previous year and that is above 20% for two consecutive years, which can be attributed to Taiwan Futures Exchange (Abbreviation: TAIFEX) pursue strategic alliances with international and related organizations to strengthen international cooperation; continue to organize international marketing campaigns; and visit overseas futures firms to better understand their needs and increase foreign participation in our market. TAIFEX will also continue to actively participate in a variety of international organizations and conferences to share with and learn from other market. Furthermore, TAIFEX will introduce additional futures and options on major foreign equity indices to enrich the product line and enhance the international competitiveness. In addition, it continues to arrange promotional events for institutional investors in 2019, including the fifth annual Diamond award which will recognize outstanding institutions, futures firms, and securities firms for their contributions to the market. TAIFEX also visit institutional investors to exchange views, promote businesses, and jointly plan events to increase institutional participation in market.

5.1.2 Industry development

A. Market participants' trends

Due to the global economy grew slowly in 2019 and the trade conflict between the US and China continued, hedging demand would expect increased, which has resulted in the continued growth in trading volume of Taiwan stock market and index futures market under the influence of uncertain market events. Additionally, TAIFEX study and introduce several new measures in 2019 aimed at building a healthier market environment. These include implementing Dynamic Price Banding Mechanism (Abbreviation: DPBM) on TAIFEX Options, amending block trading rules by lowering the ceiling on the number of contracts in market-price orders, adjusting options position-limit standards for individual investors, planning improvements to the futures market's risk management mechanisms via measures such as establishing risk management measures for clearing members based on the liquidity of options series...etc. To plan the establishment of the centralized clearing for domestic OTC derivatives to improve the safety, efficiency, and transparency of the trading of domestic OTC derivatives and amend the default waterfall scheme to encourage more foreign institutional participation and further the development of the market.

B. Trend in customer structure

Institutional traders still accounted a low percentage, in the current customer structure. For this reason, TAIFEX has always sought to expand institutional participation in the futures market, and took a number of actions to achieve that objective in 2018. Also, TAIFEX was an active participant in international organizations and events for attracting institutional and foreign investors.

As for individual investors, due to the continuing development of new products in the futures market, promoting new systems, lifting relevant trading qualifications laws, as well as the industry's striving to propose a positive and effective marketing program, the number of new accounts has been growing stably in recent two years.

C. Association between upstream, midstream, and downstream industry participants

The primary function of a futures commission merchant is to supply derivative instruments into the market, whether the underlying assets are shares, foreign currencies, interest rates, agricultural commodities, precious metal, or energy. These instruments allow commodity suppliers or buyers to lock in their prices during volatile times, so that can transfer price risks within the futures market and run their businesses with more certainty. Therefore, the futures market is where hedgers, speculators, and arbitrageurs transact for their own causes, and is necessary to achieving free market economy. In futures market does not have upstream, mid-stream, or downstream connections as does manufacture.

D. The development trends for each product

Instruments traded over the market consisted mainly of domestic futures, domestic options, and U.S., Japanese, Singaporean, Hong Kong, and European instruments. Domestic futures mainly consisted of index futures, while trading for domestic options was mainly concentrated in options on index futures. U.S. instruments consisted mainly of foreign currency futures, stock index futures, interest rate futures, gold futures, agricultural commodity futures, and energy futures. European instruments consisted mainly of stock index futures and commodity futures. The stock index futures, gasoline futures, rubber futures and agricultural futures are the main commodities traded at Japanese Futures Exchange. Singaporean instruments consisted mainly of MSCI Taiwan index futures, A50 and Nikkei 225 futures. Hong Kong instruments consisted mainly of

Heng Seng and H Stock Index futures. The figures below represent the trading volume statistics for major products in exchanges at home and abroad over the past seven (7) years:

Unit: Contract

Year \ Item	Taiwan Futures products (unilateral)	Taiwan Options products (unilateral)	Total
2013	43,389,650	109,835,588	153,225,238
2014	50,057,345	152,353,748	202,411,093
2015	72,052,902	192,442,758	264,495,660
2016	73,102,459	168,576,097	241,678,556
2017	78,408,549	187,297,120	265,705,669
2018	112,731,243	195,352,333	308,083,576
2019	90,042,348	170,723,134	260,765,482

Source from: Website of Taiwan Futures Exchange

Unit: Contract

Year \ Item	U.S.	Singapore	Hong Kong	Japan	Others	Total
2013	6,641,148	5,320,795	443,054	172,358	279,220	12,856,575
2014	6,431,440	6,084,166	495,635	332,244	722,566	14,066,051
2015	8,968,438	16,038,782	680,263	590,129	1,272,488	27,550,100
2016	11,219,762	18,696,637	982,455	75,522	1,614,864	33,289,240
2017	12,709,462	17,702,462	1,075,054	520,921	874,618	32,882,517
2018	15,355,474	24,912,780	1,388,343	756,310	525,202	42,938,109
2019	15,433,305	17,922,573	1,055,648	683,994	514,620	35,610,140

Source from: Website of Taiwan Futures Exchange

The Taiwan futures market recorded total trading volume of 260,765,482 contracts and average daily trading volume of 1,077,543 contracts in 2019, of which the trading volume in after-hours session reached 54.81 million and 1,987 contracts. It is observed that the overall market amplitude and volatility was 82 points and 10.9% respectively which decreased by 20 points and 6.1% from the previous year, that resulted in trading volume of 2019 decreased by 15.36% from last year. In general, there is a significant positive correlation between the level of market volatility and the level of trading volume. The reason is that the increase in volatility usually comes from the special market events and bullish/bearish news. When the aforementioned situation occurs, the risk aversion and trading demand will increase simultaneously. In other words, the decline of volatility will cause the transaction demand declines, and then the trading volume naturally declines. Furthermore, due to the national holidays and typhoon holidays of last year, the number of trading days was only 242 days, which was also one of the reasons for the decline in trading volume. However, under the attention from investors increased and continuous trading, the after-hours session grew up whose trading volume accounted for daily trading of the same commodity is nearly 30% which increased by 6.50% from last year.

E. Competition

The Company is a futures commission merchant. The profitability of the major competitors in 2019 was as follows:

Rank	Name of futures merchant	Number of shares (thousand share)	Cumulative pre-tax profit/loss	Cumulative pre-tax profit/loss EPS (dollar)(note)
1	KGI	86,080	552,063	6.41
2	Yuanta	232,276	1,410,012	6.07
3	Sinopac	93,830	420,699	4.48
4	Capital	176,438	746,946	4.23
5	JP Morgan	89,500	282,822	3.16
6	Optiver	60,000	178,695	2.98
7	President	66,000	192,020	2.91
8	Masterlink	70,000	147,268	2.10
9	Credit Suisse Group AG	65,000	124,186	1.91
10	Fubon	140,000	253,830	1.81

Source from: Website of Taiwan Futures Exchange

5.1.3 Technological research and development

The Company set up the research development which configures several financial professionals, its main responsibility is for developing the new products and providing information. Over the years, it successfully cooperates with domestic/foreign institutional investors and contributes to promote institutional sales business. In terms of product development, it was the first futures merchant to develop the product which combine with stock and futures for balancing the risk and return of futures and changing the stereotype successfully.

The research development also developed the trading module program successfully and introduced it into the cloud platform in 2010. Moreover, through the Consulting department introduced high quality customers to provide the complete customer service via signing the consulting contract for diversification and international strategy. Recently, the unique options analysis model has been developed successfully, which could analyze the volatility, the Open Interest, the international market fluctuation....etc. precisely.

A. The main business of research development and technology is as below:

1. Developing the capital guarantee products which combine with futures and options for institutional clients.
2. Developing the balanced products which combine α and β with futures and options.
3. Developing global portfolio futures products and event trading module.
4. Constructing the research platform for providing one-stop service.
5. Establishing Capital Leopard App to provide mobile platform services.
6. Constructing big data analysis to provide customization, differentiation and personal services.

Technology and products had developed by Capital Futures:

1. Balanced products which link Securities and Futures products : These products mainly rely on Futures products supplemented by Securities products with low risk

- and stable return which meeting institutional investors' preference.
2. Option Greeks Evaluation Model: Evaluating options implied volatility with the distribution of open interest in market and the reasonableness of other Greeks.
 3. The program trading portfolio model of Foreign/Domestic Futures products: Developing computer program trading portfolio model through connecting cloud platform for providing more effective investment solutions, which has higher risk and 20% above annual volatility. This product mainly meets certain investors' preference, who held more money than general investors.
 4. Hedge model with the strategy of Options products copying Securities products: This product is mainly rely on Futures products supplemented by Securities products which combining different assets portfolio and obtaining profit from different markets. The characters of this product are low risk and stable return which could extend to other overseas markets with the same concept.
 5. Spread model in different products/ markets: Constructing the spread model which balancing convergence and divergence, with market characters such as strong/weak structure, periodic cycles, fundamental changes, price induction...etc. factors.
 6. Securities/Futures arbitrage and tax avoidance model: Successfully developing non-risk or low-risk arbitrage and tax avoidance model, including Securities to futures, futures to futures, futures to options...etc.

The research plan in the future and budget

The current configuration of develop department is around 20~30 research professionals, and it expected to expand in the future. In the next years, the Company will take 1%~2% of consolidated sales to continuously recruit related professionals. The predicted research expense is around NT\$30~45 million dollars.

The company actively develops the domestic/foreign financial products that would relate to futures and options with high-gross profit, high-adding value and overall solutions ability. The future research plan is including overseas futures market analysis, trading strategy development, and the risk management for derivative products, for constructing the research integrated platform and cloud strategy platform.

Academic/ career backgrounds of the R&D personnel are as below:

Unit: Person

Item \ Year	2018		2019		Up till March 2020	
	Head count	Percentage	Head count	Percentage	Head count	Percentage
Postgraduate study and above	7	35%	5	20%	5	19%
University	13	65%	20	80%	21	81%
Total	20	100%	25	100%	26	100%
Average research experience	2.60		2.05		2.25	

The research and development expense for last 3 years:

Unit: NTD Thousand

Item	2017	2018	2019
Research and Development expense	30,834	35,702	43,985

5.1.4 Long-term and Short-term Development

A. Plan of Short-term Development

1. To richly cultivate and duplicate the overseas market business: The Company develop the greater China market with the DMA advantages of overseas futures products, such as CME Group, HK, SGX, Euronext, EUREX, ICE, etc.
2. To enhance the trading performance of our futures and securities proprietary team continuously and also recruit outstanding traders who are with the profession of spread strategy, high-frequency trading, market making and operating ability for raising the profit and distributing the market risk.
3. The Company expands the leveraged trading and derivative business to provide the hedge solutions for listing companies, small and medium enterprises. Developing foreign exchange hedging module and training foreign exchange trader talent pool and VIP customers for creating new source of income.
4. To expand domestic institutional customers and raise the trading volume and margin, the Company would actively promote LME products and develop its hedge module.
5. To develop the advantages of our real-time system with combining for expanding domestic/ foreign institutional customers aggressively and focus on raising the trading volume and customer margin.
6. To optimize the order software for maintaining the customers who usually place order via APP.
7. Cross-industry integration of various financial platforms and expansion of community channels, training institution, and media channels, the Company create a win-win mechanism for mutual benefit and common prosperity through organizing marketing activities.
8. The innovated live program “Capital View” mainly provides exclusive financial points and also assists to set up hedging modules and trading strategy management mechanism for increasing the loyalty of customers to the Company.
9. To set up the digital marketing team under Futures Advisory department for recruiting professional talents and for creating the value of big data.
10. To represent information advantages, the HK subsidy of the Company develop its own exclusive global futures trading platform in connecting global futures exchanges to provide the B2C cross-market trading platform and customize services for the customers in greater China.
11. To complete the establishment of the Hong Kong official website and apply Hong Kong Type 4 and 5 business licenses for actively promoting the consultant business, the Company recruits consultants and promote professional fee-based courses in Taiwan and China.
12. The Company plans to establish the first Futures Company in China (joint venture /solely-invested) which combine with the comprehensive effect of Shanghai and Chengdu subsidiaries.
13. Continue to strengthen internal audit and internal control of the Company, carry out education and training on information security, money laundering prevention, and strictly abide by risk control and corporate governance. Also, the Company will keep going to fight for constituting in TWSE Corporate Governance 100 index and take the regular evaluation every year.

14. To carry out the corporate culture, young people are the future keep strengthen industry-university cooperation in the campus and focus on the training of new talents for promoting the balanced development of recruitment, education and retention.
15. To create a happy workplace, strengthen corporate responsibility (CSR) and integrate core strategies—sustained financial innovation and sustainable management.

B. Plan of Long-term Development

1. Getting the largest market share of overseas brokerage business, the second largest market share of domestic brokerage business, the largest profit of domestic proprietary business and the largest profit of leverage transaction.
2. Getting the first one in trading volume of market making trading business.
3. To become the preferred foreign exchange dealer for professional customers and general investors-implementation of services for listing companies, SMEs and investors.
4. To serve the real economy-actively promote domestic institutional legal persons providing LME commodities for hedging raw materials transaction and physical delivery of spot traders, and develop strively bank and bond customer groups to create products that meets market demand with exclusive view.
5. To invest high-speed connecting IT system and be the leading FCM in the speed and differentiation. Industry-leading customization attracting professional institutional customers to enter the market, lead to provide the best solutions for securities continuous trading.
6. Complete the new order system in PC version and Happy Trade App which was used for foreign mobile version.
7. Develop a futures ecosystem platform—establish new business models and expand new business channels and brokerage business.
8. Gathering the strengths of the financial advisor, research department and chief economist to provide an exclusive perspective for allowing hedgers to avoid risks and creating profits for speculators.
9. Develop subscription economy, train internet celebrities, and create new business models.
10. Continue to develop our Hong Kong subsidy as a global trading center for providing the turnkey trading system in the global market, combines the information advantage for supporting the trading platform which is highly relied on trading companies and Chinese Private Equity fund.
11. Build the official website for Hong Kong Subsidy to develop financial business and apply Hong Kong Type 4 and 5 business license.
12. The Company plans to establish a Futures Company in China (joint venture /solely-invested) which be the first Taiwanese FCM in China.
13. Strengthen corporate governance and become the leading brand in the market.
14. Maintain the brand image as a happy corporation, contribute to positive social impact and implement corporate responsibility (CSR) sustainable management

5.2 Market and Sales Overview

5.2.1 Macro-economy environment analysis for Futures market

A. Market analysis

1. Locations where products, services, are primarily sold, provided, and market share information

As a clearing-trading dual member of Taiwan Futures Exchange, the Company roots in Taiwan and activity connects to the world. Including our subsidy in HK, the Company has acquired memberships as clearing members or trading members in twelve international futures exchanges. The Company has developed an online trading system providing clients to place orders with Direct Market Access (DMA) to those exchanges. With the advantages of speedy, stable, and low latency services, the Company overwhelmed the trading environment and usages in the futures industry; thus, the Company became the most famous FCM in Taiwan. To date, the Company goes on retaining its striking reputation and pioneer status.

The Company's market share in overseas futures product business was 20.3% in 2019 which was the second largest FCM in Taiwan. Besides, we also construct Hong Kong subsidy as the global trading center for providing the turnkey trading system. Moreover, the Company's market share in futures brokerage business, futures products and options products was 7.58%, 10.28% and 6.16% respectively which all to be the third largest in Taiwan. The detail information regarding to the market share is as below table:

Table 3: The Market share information of Top 10 FCMs in brokerage futures business for consecutive 3 years—Total products:

Unit: thousand lots

Rank	2017			2018			2019		
	Name of FCM	Trading volume of brokerage business	Market Share (%)	Name of FCM	Trading volume of brokerage business	Market Share (%)	Name of FCM	Trading volume of brokerage business	Market Share (%)
1	Yuanta	88787	16.71	Yuanta	119,575	19.40	Yuanta	94,836	18.18
2	KGI	53022	9.98	KGI	67,470	10.95	KGI	57,137	10.96
3	Sinopac	35511	6.68	Capital	42,930	6.97	Capital	39,531	7.58
4	Capital	33489	6.30	Sinopac	37,490	6.08	Sinopac	26,953	5.17
5	Concords	26028	4.89	President	23,323	3.79	President	18,740	3.59
6	President	21470	4.04	Concords	20,838	3.38	Concords	18,637	3.57
7	Jih-Sun	14869	2.79	Fubon	16,522	2.68	Masterlink	14,182	2.72
8	Fubon	14071	2.65	Jih-Sun	15,438	2.51	Fubon	14,139	2.71
9	Masterlink	13472	2.54	Hua Nan	14,133	2.29	Jih-Sun	14,044	2.69
10	Hua Nan	9864	1.86	Masterlink	14,003	2.27	Hua Nan	13,105	2.51

Source from: Website of Taiwan Futures Exchange

Table 4: The Market share information of Top 10 FCMs in brokerage futures business for consecutive 3 years—Futures products:

Unit: thousand lots

Rank	2017			2018			2019		
	Rank	Name of FCM	Trading volume of brokerage business	Market Share (%)	Rank	Name of FCM	Market Share (%)	Rank	Name of FCM
1	Yuanta	34,050	21.71	Yuanta	54,071	23.98	Yuanta	41,862	23.25
2	KGI	26,246	16.74	KGI	42,537	18.87	KGI	31,794	17.66
3	Sinopac	10,243	6.53	Capital	18,793	8.34	Capital	18,515	10.28
4	Capital	11,925	7.60	Sinopac	13,845	6.14	Sinopac	9,813	5.45
5	Concords	5,807	3.70	President	8,690	3.85	President	6,894	3.83
6	President	5,912	3.77	Concords	8,420	3.73	Concords	6,163	3.42
7	Jih-Sun	5,071	3.23	Fubon	7,464	3.31	Masterlink	4,702	2.61
8	Fubon	4,912	3.13	Jih-Sun	6,552	2.91	Fubon	5,946	3.30
9	Masterlink	4,409	2.81	Hua Nan	4,559	2.02	Jih-Sun	5,178	2.88
10	Hua Nan	2,701	1.72	Masterlink	5,494	2.43	Hua Nan	4,356	2.42

Source from: Website of Taiwan Futures Exchange

Table 5: The Market share information of Top 10 FCMs in brokerage futures business for consecutive 3 years—Options products:

Unit: thousand lots

Rank	2017			2018			2019		
	Rank	Name of FCM	Trading volume of brokerage business	Market Share (%)	Rank	Name of FCM	Market Share (%)	Rank	Name of FCM
1	Yuanta	54,736	14.61	Yuanta	65,503	16.77	Yuanta	52,975	15.51
2	KGI	26,776	7.14	KGI	24,932	6.38	KGI	25,343	7.42
3	Sinopac	25,267	6.75	Capital	24,136	6.18	Capital	21,016	6.16
4	Capital	21,563	5.76	Sinopac	23,645	6.05	Sinopac	17,139	5.02
5	Concords	20,220	5.40	President	14,633	3.75	President	11,847	3.47
6	President	15,558	4.15	Concords	12,417	3.18	Concords	12,474	3.65
7	Jih-Sun	9,798	2.62	Fubon	9,058	2.32	Masterlink	9,481	2.78
8	Fubon	9,159	2.45	Jih-Sun	8,886	2.27	Fubon	8,193	2.40
9	Masterlink	9,062	2.42	Hua Nan	9,573	2.45	Jih-Sun	8,866	2.60
10	Hua Nan	7,162	1.91	Masterlink	8,509	2.18	Hua Nan	8,748	2.56

Source from: Website of Taiwan Futures Exchange

Table 6: The trading volume information of Top 10 FCMs in overseas futures business in 2019:

Unit: thousand lots

Rank	By product FCM	CME G	SGX	HKEx	EUREX	ICE	Japan (OSE,TC M.TGE)	Others	Total	Market Share (%)
1	Yuanta	3,650,365	6,192,706	238,325	59,537	107,850	78,087	38,544	10,365,414	27.2
2	Capital	3,721,179	3,539,494	151,105	94,664	115,195	111,038	4,758	7,737,433	20.3
3	KGI	1,951,674	2,868,371	187,646	24,298	79,696	139,674	173,966	5,425,325	14.2
4	Sinopac	1,188,121	2,021,946	219,662	18,514	39,666	80,802	1,146	3,569,857	9.4
5	Fubon	900,751	1,321,093	40,723	13,024	35,820	76,409	711	2,388,531	6.3
6	Concords	1,706,951	451,062	80,051	14,180	13,249	68,897	1,185	2,335,575	6.1
7	President	934,777	806,914	143,869	13,220	44,567	33,898	777	1,978,022	5.2
8	Jih-Sun	625,982	362,661	11,825	7,738	27,284	39,828	25	1,075,343	2.8
9	Masterlink	438,965	325,542	15,665	4,884	10,077	19,405	0	814,538	2.1

10	Cathay	260,460	273,765	20,648	1,584	13,499	31,817	61	601,834	1.6
Total		16,161,878	19,059,870	1,133,710	259,515	564,794	736,904	222,434	38,139,105	100

Source from: The Company summarized the information from TAIFEX and Chinese National Futures Association.

2. Future market supply/demand and growth potentials

Total trading volume on Taiwan's futures market amounted to 260,765,482 contracts in 2019 decreased by 15.36% from the previous year, although it slightly recovered but remained stable over 260 million contracts. In 2019, TAIFEX actively promotes new commodities with diversification and internationalization, such as the Nasdaq-100 and TPEX 200 which issue in the fourth quarter could satisfy the investors who want to trade US technology stocks and domestic technology stocks. The average daily trading volume of these two commodities in 2019 was 1,185 and 649 contracts respectively, both of which reached the initial target of IPO. In addition, TAIFEX issue three Taiwan stock and futures strategy index commodities with Taiwan Index Plus Corporation were "TIP TAIFEX TAIEX Futures Index", "TIP TAIFEX Covered Call OTM 5% Total Return Index" and "TIP TAIFEX Smart Multi-factor 30 Market Neutral Index". Aforementioned three index commodities could index the strategy performance of institutional investors or hedge funds and spotted the futures and options products through index, which is expected to further, inject trading volume and promote the growth of the Taiwan futures market.

In the reform of the trading system, TAIFEX built DBPM and apply it to Taiwan index options and foreign equity index futures. To lower the upper limit of the number of contracts in market-price orders to reduce the impact of the lack of liquidity of the transaction contracts or the instantaneous imbalance of the transaction volume which resulted in the market price deviated significantly from expectations. The inclusion of gold futures and options in the block trading system would expect to attract market participants such as foreign investors, life insurance institutional investors and investment trust investors. Looking forward to 2020, Brexit issue, the US presidential election and the trade conflict between China and the US still need to be concerned. In addition, the stock market in the US and Taiwan are still at historical high-end levels, therefore, market volatility and trading volume will increase as expected. TAIFEX continue to inject momentum into the futures market and provide diversified products, such "FTSE4GOOD" and "TIP Taiwan BIO Index futures" for traders to meet their different needs. It continues to optimize the DBPM of the futures market, and promote the centralized settlement mechanism of domestic store-derived derivatives to create a highly efficient, low-cost, fair, just, and open trading environment to attract various traders to participate in Taiwan futures market.

3. Favorable and unfavorable factors in the Long Term and the strategies:

(a) Favorable factors:

- TAIFEX will continue to launch new products and systems to make the product line of the domestic futures market complete and provide the traders a greater variety of choices for hedging.
- The e-commerce and on-line trading would benefit to the Company's diversified business development.

- The Company who showed the strong operating ability, not only has a user-friendly E-trading platform and strong innovation in futures and options products, but acquired memberships in twelve international futures exchanges.

(b) Unfavorable factors:

The competition in futures market for price cuts is still flourishing and affects the Company's profitability; as the Securities Companies merged and tend to become enlargement, the competition between futures introducing broker business of Securities Companies will become more intensely.

(c) Strategies:

- To promote overseas futures product actively which the Company has relative market advantages, and stabilize the revenue.
- To enhance the service quality to customers, including IT trading platform, customize service, market analysis suggestions...would let customers could feel the difference between other competitors for resisting the price cut competition.
- Marketing strategies: Through holding marketing activities of trading platforms consecutively for raising the brand recognition and expanding market scale.

5.2.2 Production Procedures of Main Products: Not applicable.

5.2.3 Supply Status of Main Materials: Not applicable.

5.2.4 Major Suppliers and Clients in the last 2 years: Not applicable.

5.2.5 Production in the last 2 Years: Not applicable.

5.2.6 Shipments and Sales in the Last 2 Years: Not applicable.

5.3 Human Resources

The number of employees, average years of service, average age, and academic background in the last 2 years up till the publication date of this annual report:

Year		2018	2019	2020 (Up till March 31 st)
Number of employees		248	266	263
Average age		36.7	37.4	37.8
Average years of service		5.83	5.99	6.21
Academic qualification	Doctoral Degree	1.2%	0.8%	0.8%
	Master's Degree	21.4%	22.9%	22.4%
	Bachelor's Degree	71.4%	70.3%	70.7%
	High school	6.0%	6.0%	6.1%

5.4 Contribution to Environmental Protection: The Company is a financial service provider and is not prone to pollution risk.

5.5 Employer and employee relationships:

The centripetal force of Employees to an enterprise is the foundation of competitiveness, the company has been held in the spirit that employees are the most important assets. Therefore, the Company insist that executes the fair human resources policy, optimize welfare system, taking care to the staff properly, and through various pipelines for recruiting more talents to join, would let employees creating value in company, and also get the balance between life and workplace

Furthermore, the Company sets the formulation of rules and regulations is based on relevant laws and regulations, and implements the protection of the legitimate rights and interests of all employees. The salary payment policy would not lower than the statutory minimum basic wage, and not differentiated by gender, sexual orientation, age, race, religion. For any personnel operations such as appointment, dismissal, transfer, and salary adjustment, the Company would subject to the provisions of Article 5 of the Employment Service Law, and would not discriminate employees by race, class, language, thought, religion, partisanship, place of origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, and physical and mental disabilities. The Company also has a reasonable reward system and holds Remuneration Committee meeting regularly to evaluate the fairness of employee rewards. The evaluation combines the annual operating status, price index, peer level and other indicators with the individual performance of employees each year and as the basis for annual salary adjustment and festival bonus.

Besides, labor-management meetings are held regularly according to law. The scope of the meeting includes employee dynamics, operational plans and business overview, coordination of labor relations, promotion of labor-management cooperation, labor conditions, and planning of labor welfare, improvement of work efficiency and labor proposals. In addition, the Company sets up "Employee Suggestion Box" in order to encourage all colleagues to provide opinions actively, strengthen the work rights of all colleagues, improve the operation process, and make profits and benefits.

5.5.1 Details regarding availability and execution of employee welfare, education, training and retirement policies, agreements made between employers and employees, and protection of employees' rights are explained below:

- A. The Company has formulated various bonus policies to appropriately reflect on the employee's salary and compensation policy which based on the Company's business performance for ensuring the recruitment, retention and encouragement of human resources. To enhance the remuneration package of grassroots employees, promote a win-win situation for labor and capital and implement corporate social responsibility, the Company would achieve the goal of sustainable management.
- B. Employee welfare: The Company registered the establishment of Employee Welfare Committee with the authority in order to provide benefits such as wedding/funeral subsidies, club activity subsidies, and group trips. Overall, the Employee Welfare Committee operates with adequate budget and has been able to carry out its plans. Various welfare measures of the Welfare Committee:

1. Travel subsidy: 222 people; total amount of subsidy: NT\$1,442,612.
2. Marriage subsidy: 2 people; total amount of subsidy: NT\$6,000.
3. Childbirth subsidy: 5 people; total amount of subsidy: NT\$15,000.
4. Hospitalization subsidy: 4 people; total amount of subsidy: NT\$30,000.
5. Funeral subsidy: 1 person; total amount of subsidy: NT\$5,000

C. Employee education and training:

In an attempt to build a strong talent base and improve management performance, the Company has been organizing a broad variety of training including: orientation, specialization training, management reserve training, management growth training, and seminars hosted by renowned experts and scholars on the topic of finance. Many e-learning courses have also been designed to enhance outcome of the learning process, which held during 2019/08/06~2019/11/20, a total 31 people participated. By utilizing digital means, employees are able to learn and grow anytime, anywhere.

In order to cultivate various professional talents, the Company accords to the different career stages and organizational development needs of personnel at all levels, and also plan a comprehensive training plan and provide colleagues with timely and diversified learning channels, so as to achieve win-win benefits of organizational talent development and personal career development.

In 2018, the Company invited external external professional lecturers to hold training courses as follow items:

1. 2019.2.25 Music sharing seminar was played by Mr. Huang Shu-Shen.
2. 2019.5.2 “The analysis of the trade war between China and The United States” presented by Dr. Chen Song Hsin.
3. 2019.6.13 “The reborn of Taiwan industry” presented by Lawyer Mr. Huang Rih-Tsan.
4. 2019.6.13 “The co-founder of Press play would tell you a truth that people will pay for knowledge in the future.
5. 2019.7.11 “The education training of the related rules and processing methods in trading securities.”
6. 2019.8.15 “Word, magician of image”.
7. 2019.9.19 “Sharing various events which always happened during making films”.
8. 2019.9.27 “Go crazy with painting”.
9. 2019.10.28 “Negotiation skills” presented by Dr. Liu Bi-Rong.
10. 2019.11.6 “The character analysis of internet stars”.
11. 2019.11 & 2019.12 “What supervisors can help employees?”

D. Pension System:

The Company established its Employee Pension Fund Supervisory Committee whose responsibilities are to implement pension guidelines for the security of employees' lifestyle after retirement, and thereby maintain a sustainable and harmonic relationship between employees and the employer. The pension fund has been contributed maximum 2% from employees' salaries for retirement preparation monthly; and funded pension according to related regulations of financial accounting standards No.18.and Financial Supervisory Commission. Since the enactment of Labor Standards Act in April 1998, the Company has been making pension fund contributions into a dedicated account held with Bank of Taiwan under the committee's name. All employees who

meet the criteria specified in the pension policy are eligible to participate. Following the enactment of Labor Pension Act in July 2005, employees are given the choice to opt for the new pension system or stay with the old plan. For those who opted for the new system, the Company has been contributing an amount equal to 6% of employees' monthly salaries into their personal pension fund accounts.

E. Employee insurance:

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

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

G. Protection of employees' rights:

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

5.5.2 The losses resulted from labor disputes in the last two years and up to the annual report published date; disclosure of the current and noncurrent estimated losses and the responsive measures; if such loss amount cannot be reasonably estimated, please state the reason why: None.

5.5.3 The Company's Workplace Environment and Employee Safety Measures:

The Company pays close attention to employee's safety and well-beings. The Company is devoted to offering a nice workplace environment, and the implementations of related protections and benefits are as follows:

Item	Content
Insurance and benefit	<ol style="list-style-type: none"> <li data-bbox="470 1538 1388 1644">1. The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard. <li data-bbox="470 1644 1388 1794">2. Employees are invited to include their family members into group insurance at discounted premium. Term life, accidental injury, medical treatment, and cancer insurance policies have been offered to care for employees and their family members. <li data-bbox="470 1794 1388 1868">3. Established the website for employee exclusive section, providing the discussion area and training announcement. <li data-bbox="470 1868 1388 1973">4. Established the "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace". <li data-bbox="470 1973 1388 2016">5. The Company sign contracts with health check centers to provide

Item	Content
	<p>preferential health checks for employees every 3 year.</p> <ol style="list-style-type: none"> 6. Hire doctors on-site to perform a variety of consultation tasks, such as providing consulting services one by one, promoting health awareness and promoting hygiene inspection, at headquarters on a regular basis. 7. Employees are entitled to the coverage of group insurances, such as group life insurance, group accident insurance, group accidental medical insurance, group occupational hazards insurance, etc. 8. Formulating the "Entertainment & charity club establishment and subsidy management regulations" to encourage the Company's employees fostering the habit of participating sports activities and charity events. 9. Holding the "Healthy mountain hiking" activity; the Company's employees may enjoy hiking on the mountains with their families after working busily; in addition, employees may inhale phytoncide in the forest to strengthen their bodies and minds. 10. Publishing the demonstration figure card for how to stretch on the Company's intranet. Holding the seminar with the issue "How office workers deal with shoulder and neck acid" in Aug. 23, a total of 65 people participated. As for the Physical fitness testing, a total of 79 people participated.
Environmental health	<ol style="list-style-type: none"> 1. Established "Tobacco Hazards Prevention Measure". 2. Published "Tobacco Hazards Prevention Act" and "Ways to quit smoking". 3. Held healthy seminar, CPR training, and cleaning and disinfecting office environment regularly.
Safety certification	<p>British Standards Institution (BSI) granted the ISO 22301 verification to the Company as a certification of business continuity management. The purposes of BSI are as follows:</p> <ol style="list-style-type: none"> (a) the Company is capable of minimizing the damage when facing accidental events; (b) employee safety; law-compliance; clients' benefits; the Company's business reputation; security of the Company's assets; (c) The Company's important businesses are capable of resuming businesses gradually within the targeted time to sustain operations.
Personal information verification	<p>Ahead of its peers, the Company is the first financial company in Taiwan that obtained international personal information verifications of securities, futures and insurance brokerage/agency. The Company's internal Personal Information Management System (PIMS) ensures safety and protection of personal information. The Company follows personal information laws relevant requirements and actively protected rights of the involved parties. The Company lowers the impacts derived from any infringement of personal information. Moreover, the Company continues to operate and improve the personal information management system.</p>
Labor safety	<ol style="list-style-type: none"> 1. Adopting access control system. 2. Setting up the office security management monitoring system. 3. Connecting with police station for keeping workplace safety.

Item	Content
	<ol style="list-style-type: none"> 4. The office environment is regularly cleaned and disinfected and checked on April and October every year. 5. The office environmental testing report has been submitted on April 7th and October 6th in 2017. 6. Set up a specialize manager and emergency care person according to the occupational safety and health Act. and arrange related training courses. 7. Maintains and inspection of electronic equipment, elevators, air conditioners, vehicles, firefighting instruments regularly.
Fire Safety	<ol style="list-style-type: none"> 1. Conduct fire drills on a regular basis. 2. Regulated by National Fire Agency, Ministry of the Interior's regulations for fire prevent manager and professional institution setup, a fire prevent manager shall receive an updated training at least once every three years.
Insurance safety	<p>The Company's places of business and subsidiaries are entitled to the insurance coverage of:</p> <ol style="list-style-type: none"> 1. Commercial fire insurance. 2. Electronic equipment insurance. 3. Public liability insurance.

5.5.4 Employee's behaviors and moral principles:

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

- A. We offer high value-adding products and services. We establish and maintain long-term relationships with customers and help them achieve their goals.
- B. We uphold the highest moral and safety standards in all our interactions and dealings with customers. We provide rigorous protection for customers' information, and make sure that information is used only to the extent permitted by law. All customers explored during our employment are owned by the Company, and shall not be referred to another company during or after employment.
- C. We never put ourselves in situations where personal interests may work in conflict to those of the Company or the customers.
- D. We do not reveal to others any news or information gained in relation to our job role. We shall refrain from holding or trading securities using own name or name of proxy.
- E. Whether during or after our employment with the Company, we shall never: (1) reveal any business secret gained during employment (including but not limited to technologies, system programs, customers' information, trade strategies, business information, personnel or organization records, accounting records, strategic plans and any other information) for own use or use by others, or make illegal use of non-public information (also referred to as "inside information"); and (2) exploit our vested authorities for illicit gains for self or any other party.
- F. We shall incorporate risk management and compliance practices into our business procedures, and follow accordingly.
- G. We report performance information and facts in a timely and accurate manner, and strive to maximize the Company's interests.
- H. We are aware of the fact that we are working with shareholders' assets. We shall

- handle the Company's properties carefully as we do our own.
- I. We do not use the Company's network and email systems for non business-related purpose such as: browsing, distribution and storage of disturbing literature, pictures or offensive articles. Neither shall the Company's network system be used for political discussions or propaganda, personal entertainment or any non business-related purpose.
 - J. We shall comply strictly with regulations and refrain from using email, e-bulletin or the Internet system (including but not limited to personal blog or online forums) to conduct inappropriate sales activities, improper competition (without commission), or make forecasts and recommendations regarding future transaction price of specific contracts or trade strategies.
 - K. We shall maintain the accuracy and completeness of all information, reports, records and data owned, used and managed by Capital Financial Group. We shall also refrain from removing or transmitting them in any inappropriate manner.
 - L. To comply with the "Personal Information Protection Act," we shall refrain from inquiring internal information and data that we do not have access to. All documents of the Company are to be used solely for internal management, and cannot be reproduced or used outside the scope mentioned above. We shall be solely responsible for any civil and criminal liabilities that arise as a result of our violation.
 - M. We shall refrain from communicating with the public on our own. Only the spokesperson may address the media on behalf of the Company.
 - N. We shall never accept or permit relatives or family members to accept any gift, service, loan or special treatment offered by any party (including customers, suppliers or any other party) for the purpose of gaining immediate or future relationship with the Company.
 - O. We shall notify the line manager, the human resource department, the internal audit department or any appropriate personnel whenever we discover a possible violation against laws or the Company's work rules.

5.6 Major Contracts

Agreement	Counterparty	Period	Major Content	Restrictions
Agreement to assume obligations	President Futures Corp.	1998.06.23~till now	Commissioned the Company to its substitute when it can't carry out related transaction Obligations.	None
Retainer agreement of Futures Introducing Broker business	Capital Securities Corp. Land bank of Taiwan Primasia Securities	2003.10.08~till now 2007.10.12~ till now 2018.09.03~ till now	Appointed those companies to be substitutes of the Company for futures introducing broker business.	None
Custodian Contract	CTBC Bank Co., Ltd. CTBC Bank Co., Ltd. Hua Nan Commercial Bank EnTie Commercial Bank EnTie Commercial Bank Taishin International Bank	1999.10.22~ till now 2012.05.28~ till now 1998.07.14~ till now 2003.05.28~ till now 2004.10.06~ till now 2004.03.05~ till now	Customer Margin Deposit	None

Agreement	Counterparty	Period	Major Content	Restrictions
	Standard Chartered Bank	2004.05.03~ till now		
	Far Eastern International Bank	2004.05.21~ till now		
	Chang Hwa Commercial Bank	2004.07.29~ till now		
	Jih Sun International Bank, Ltd.	2004.09.24~ till now		
	Cathay United Bank Co., Ltd.	2006.02.21~ till now		
	Cathay United Bank Co., Ltd.	2004.10.08~ till now		
	Taiwan Business Bank	1999.10.22~ till now		
	Tachong Bank	2011.09.27~ till now		
	ANZ Bank-Taipei Branch	2011.04.08~ till now		
	Yuanta Commercial Bank	2011.10.20~ till now		
	First Commercial Bank	2011.12.27~ till now		
	First Commercial Bank	2012.02.24~ till now		
	Taichung Commercial Bank	2013.11.21~ till now		
	Sunny Bank Ltd.	2016.08.08~ till now		
	Cathay United Bank Co., Ltd.	2016.09.19~ till now		
	O-Bank	2017.05.09~ till now		
	Taishin International Bank	2017.06.27~ till now		
	CTBC Bank Co., Ltd.	2017.11.01~ till now		
	The Shanghai Commercial & Saving Bank	2017.11.17~ till now		
	Cathay United Bank Co., Ltd.	2018.06.21~ till now		
	O-Bank	2018.11.21~ till now		
Information Contract	Capital Securities Corp.	2013.01.02~ till now	Outsourcing contract for computer information system	None
	Thomson Reuters Corporation	2009.07.15~ till now	Reuters information quotation system	None
	Eurex Exchange contract for transaction declaration	2014.10.01~ till now	Authorized Eurex to use TRICE system for declaring transactions.	None
	Eurex Exchange contract for quotation	2014.01.01~ till now	Eurex authorized information quotation	None
	Eurex Exchange contract for electronic trading connection	2012.02.07~ till now	Electronic trading contract	None
	ICE Europe contract for electronic trading	2014.03.24~ till now	Electronic trading contract	None
	ICEUS contract for electronic trading	2013.01.07~ till now	Electronic trading contract	None
	SGX Co - location contract 2.4 version	2016.03.01~ till now	Electronic trading contract	None
	SGX quotation contract	2010.01.01~ till now	For SGX information source Quotation authorization	None
	CME contract for electronic trading	2010.07.06~ till now	Electronic trading contract	None

Agreement	Counterparty	Period	Major Content	Restrictions
	CME quotation contract	2012.02.23~ till now	For CME information source Quotation authorization	None
	CFE exchange contract for quotation	2016.10.19~ till now	For CFE information Source Quotation authorization	None
	MT5 system contract	2016.09.01~ till now	For MT5 system authorization	None
Re-consigned contract	1. ADM Investor Services, Inc 2. UOB Futures Managed Corporation 3. CSC Futures (HK) Ltd. 4. Nissan Securities 5. Societe Generale International Ltd. 6. NH Futures Ltd 7. Phillip Futures	1997.04.16~ till now 1997.04.01~ till now 2004.06.15~ till now 2011.05.04~ till now 2014.01.22~ till now 2016.12.21~ till now 2019.07.01~ till now	Re-consigned brokerage business	None
Settlement Contract for Foreign Futures Products	1. Societe Generale International Ltd. 2. Phillip Future Corporation 3. Societe Generale International Ltd.	2011.01.20~ till now 2013.12.06~ till now 2018.01.16~ till now	Settlement service for foreign futures products and leveraged transaction	None
Securities Introducing Broker commissioned contract	Capital Securities Corp.	2010.04.30~ till now	Commissioned the Company for Securities Introducing Broker service	None
Consultancy contract	Cinda International Futures Limited	2012.06.01~ till now	Futures advisory service	None
Contract with Authority	1. Taiwan Stock Exchange Corporation Contract for Computer Connection. 2. Criteria Governing Handling of Stock Affairs by Public Companies 3. Participant Agreement of Taiwan Depository & Clearing Corporation 4. Gre-Tai securities market trading contract for Computer Connection. (Proprietary business) 5. Gre-Tai securities market trading contract for Computer Connection. 6. Taipei Exchange Administrative Contract for the Financial Derivative Trade Database.	2015.02.03~ till now 2015.07.22~ till now 2015.07.28~ till now 2015.02.02~ till now 2015.08.03~ till now 2016.11.21~ till now	Domestic transaction related business	None

Agreement	Counterparty	Period	Major Content	Restrictions
	7. Taiwan Futures Exchange Corporation Trading Information Use Contract	2003.12.30~ till now		
	8. Taiwan Futures Exchange Corporation Contract for Computer Connection to the Centralized Futures Exchange Market	2003.12.30~ till now		
	9. Taiwan Futures Exchange Corporation Futures Market Usage Contract	2003.12.26~ till now		

VI. Financial Summary

6.1 Summary balance sheet and comprehensive income statement for the last 5 years

6.1.1 Summary balance sheet (consolidated)- Based on IFRS

NTD: Thousand

Year		Financial information for the latest 5 years (Note1, 2)				
		2015	2016	2017	2018	2019
Item						
Current assets		19,965,045	26,383,263	32,815,403	39,895,947	40,602,721
Property and equipment		29,888	43,168	48,172	48,452	66,829
Intangible assets		76,455	79,629	83,939	78,032	82,235
Other assets		407,195	434,212	374,667	363,587	409,125
Total assets		20,478,583	26,940,272	33,322,181	40,386,018	41,160,910
Current liabilities	Before distribution	17,484,613	23,731,512	28,642,738	35,307,278	36,092,258
	After distribution	17,786,935	24,085,991	29,103,080	35,907,166	(Note 2)
Non-current liabilities		14,982	15,966	16,216	17,468	27,368
Total liabilities	Before distribution	17,499,595	23,747,478	28,658,954	35,324,746	36,119,626
	After distribution	17,801,917	24,101,957	29,119,296	35,924,634	(Note 2)
Equity attributable to parent company shareholders		2,951,929	3,167,389	4,637,732	5,032,092	5,012,996
Capital stocks		1,223,979	1,223,979	1,603,979	1,764,376	1,764,376
Capital surplus		380,185	381,180	1,207,735	1,047,338	1,047,338
Retained earnings	Before distribution	1,289,998	1,496,995	1,872,755	2,247,246	2,246,703
	After distribution	987,676	1,142,516	1,412,413	1,647,358	(Note 2)
Other equity interest		57,767	65,235	(46,737)	(26,868)	(45,421)
Treasury stocks		-	-	-	-	-
Non-controlling interests		27,059	25,405	25,495	29,180	28,288
Total equity	Before distribution	2,978,988	3,192,794	4,663,227	5,061,272	5,041,284
	After distribution	2,676,666	2,838,315	4,202,885	4,461,384	(Note 2)

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

Note 2: Appropriation of 2019 earnings had yet to be resolved in a shareholders' meeting.

6.1.2 Summary balance sheet (standalone)- Based on IFRS

Unit: NTD Thousand

Item	Year	Financial information for the latest 5 years (Note1, 2)				
		2015	2016	2017	2018	2019
Current assets		18,986,411	24,406,882	30,719,057	38,113,857	38,683,882
Property and equipment		25,269	37,908	43,566	44,122	57,721
Intangible assets		49,711	51,330	56,292	52,405	56,982
Other assets		897,830	1,387,126	1,320,860	1,406,680	1,356,566
Total assets		19,959,221	25,883,246	32,139,775	39,617,064	40,155,151
Current liabilities	Before distribution	16,992,310	22,699,891	27,485,827	34,567,504	35,119,902
	After distribution	17,294,632	23,054,370	27,946,169	35,167,392	(Note 2)
Non-current liabilities		14,982	15,966	16,216	17,468	22,253
Total liabilities	Before distribution	17,007,292	22,715,857	27,502,043	34,584,972	35,142,155
	After distribution	17,309,614	23,070,336	27,962,385	35,184,860	(Note 2)
Equity attributable to parent company shareholders		2,951,929	3,167,389	4,637,732	5,032,092	5,012,996
Capital stocks		1,223,979	1,223,979	1,603,979	1,764,376	1,764,376
Capital surplus		380,185	381,180	1,207,735	1,047,338	1,047,338
Retained earnings	Before distribution	1,289,998	1,496,995	1,872,755	2,247,246	2,246,703
	After distribution	987,676	1,142,516	1,412,413	1,647,358	(Note 2)
Other equity interest		57,767	65,235	(46,737)	(26,868)	(45,421)
Treasury stocks		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,951,929	3,167,389	4,637,732	5,032,092	5,012,996
	After distribution	2,649,607	2,812,910	4,177,390	4,432,204	(Note 2)

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

Note 2: Appropriation of 2019 earnings had yet to be resolved in a shareholders' meeting.

6.1.3 Summary statement of comprehensive income (consolidated)- Based on IFRS

Unit: NTD Thousand

Item	Year	Financial information for the latest 5 years (Note 1,2,3)				
		2015	2016	2017	2018	2019
Operating revenues		1,551,837	2,251,362	2,676,371	2,849,492	1,916,778
Gross profit		847,805	1,187,415	1,358,708	1,642,337	1,047,967
Operating profit		172,286	420,487	512,085	527,531	177,662
Non-operating revenues and expenses		330,138	183,220	317,442	427,445	568,952
Income before tax		502,424	603,707	829,527	954,976	746,614
Net income from continuing operations		434,501	511,759	733,431	838,110	599,676
Loss from discontinued operations		-	-	-	-	-
Net income (Loss)		434,501	511,759	733,431	838,110	599,676
Other comprehensive income/loss for the current period (net, after-tax)		5,642	4,369	(115,074)	19,382	(19,776)
Total comprehensive income		440,143	516,128	618,357	857,492	579,900
Net income attributable to parent company shareholders		432,927	511,809	731,015	835,205	600,009
Net income attributable to non-controlling interest		1,574	(50)	2,416	2,905	(333)
Comprehensive income attributable to parent company shareholders		437,018	516,787	618,267	853,807	580,792
Comprehensive income attributable to non-controlling interest		3,125	(659)	90	3,685	(892)
Earnings per share (NTD)		3.22	3.8	4.25	4.73	3.4

Note 1: The Company has prepared individual financial statement; therefore, the below condensed separate balance sheets within five years are provided otherwise.

Note 2 : All financial information for the last 5 years has been audited.

Note 3 : Earnings per share is calculated based on the weighted average number of ordinary shares outstanding. Retrospective calculations are made for any shares issued against capitalized earnings and reserves.

6.1.4 Summary statement of comprehensive income (standalone)- Based on IFRS

Unit: NTD Thousand

Item	Year	Financial information for the latest 5 years (Note 1,2,3)				
		2015	2016	2017	2018	2019
Operating revenues		1,561,286	1,673,875	1,904,683	2,373,305	1,735,635
Gross profit		897,716	935,438	1,130,735	1,439,465	954,017
Operating profit		329,550	330,247	454,307	512,276	238,920
Non-operating revenues and expenses		171,276	273,535	372,582	437,980	508,027
Income before tax		500,826	603,782	826,889	950,256	746,947
Net income from continuing operations		432,927	511,809	731,015	835,205	600,009
Loss from discontinued operations		-	-	-	-	-
Net income (Loss)		432,927	511,809	731,015	835,205	600,009
Other comprehensive income/loss for the current period (net, after-tax)		4,091	4,978	(112,748)	18,602	(19,217)
Total comprehensive income		437,018	516,787	618,267	853,807	580,792
Net income attributable to parent company shareholders		3.22	3.8	4.25	4.73	3.4

Note 1: The Company has prepared individual financial statement; therefore, the below condensed separate balance sheets within five years are provided otherwise.

Note 2 : All financial information for the last 5 years has been audited.

Note 3 : Earnings per share is calculated based on the weighted average number of ordinary shares outstanding. Retrospective calculations are made for any shares issued against capitalized earnings and reserves.

6.1.5 Names of financial statement auditors in the last 5 years, and their audit opinions

Year	CPA firm	Name of CPA	Audit opinion
2019	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unqualified opinion
2018	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unqualified opinion
2017	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unqualified opinion
2016	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unqualified opinion
2015	KPMG Taiwan	Lee, Feng-Hui, Chen, Fu-Wei	Unqualified opinion

6.2 Financial analysis for the previous 5 years

6.2.1 Financial analysis

A. Financial analysis (consolidated)--Based on IFRS

Year (Note 1) Analysis (Note 3)		Financial analysis for the latest 5 years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to assets ratio	85.45	88.15	86.01	87.47	87.75
	Long-term capital to property and equipment	9,967.17	7,433.19	9,714.03	10,482.00	7,584.51
Solvency (%)	Current ratio	114.19	111.17	114.57	113.00	112.50
	Quick ratio	114.14	111.10	114.54	112.95	112.47
Profitability (%)	Return on assets (%)	2.42	2.16	2.43	2.27	1.47
	Return on equity (%)	15.32	16.58	18.67	17.24	11.87
	As a percentage of paid-in capital (%) (Note 7)	41.05	49.32	51.72	54.13	42.32
	Net profit margin (%)	28.00	22.73	27.40	29.41	31.29
	Earnings per share (dollar)	3.22	3.8	4.25	4.73	3.40
Cash flow (%)	Cash flow ratio (%)	1.71	2.54	2.23	2.68	2.45
	Cash flow adequacy ratio (%)	101.00	75.67	105.77	131.70	132.08
	Cash reinvestment ratio (%)	3.91	9.24	6.03	9.45	5.49
Special Purpose Ratio (%)	Shareholders' equity to adjusted total liabilities ratio (%)	911	1161	764	1034	768
	Shareholders' equity to minimum paid-up capital ratio (%)	264.75	284.07	415.94	451.31	449.60
	Adjusted net capital to required margins on futures traders' outstanding position (%)	88.31	51.95	57.62	57.92	55.49
Please describe the reasons for the changes in the financial ratios over the last two years (If the increase or decrease is less than 20%, an analysis is exempted)						
1. The ratio of long-term capital to property, plant and equipment of 2019 has decreased from the previous period since the adoption of International Financial Reporting Standard No. 16 "Leases" first time which would increase non-current liabilities.						
2. The return on assets, return on equity, and percentage of paid-in capital and EPS in 2019 has decreased from the previous period since the revenue from proprietary business of the Company decreased.						

* The Company has prepared individual financial statement; therefore, the below financial ratios analysis is provided otherwise.

* The financial information adopting International Financial Reporting Standards has already over 5 years; therefore, the financial information adopting Taiwan financial reporting standards won't be prepared.

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

Note 2: Earnings per share is calculated based on the weighted average number of ordinary shares outstanding. Where there is any capitalization from earnings or paid-in capital, the calculation of earnings per share should be adjusted retroactively to the additional capitalization.

Note 3: Calculations for earnings per share must take into account the following:

- (1) Use weighted average outstanding ordinary shares instead of year-end outstanding shares.
- (2) The weighted average outstanding shares must take into account all cash issues or treasury stock transactions, and the length of time shares were in circulation.
- (3) Where there is any capitalization from earnings or paid-in capital, the calculation of earnings per share annually or semi-annually should be adjusted retroactively and proportionally to the additional capitalization, but with no need to consider the issuing period of the capitalization.

The formulas of the various analyses are defined below:

1. Financial structure

- (1) The ratio of total liabilities to total assets = total liabilities/total assets
- (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) /property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventories - prepaid expense) /current liabilities
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating ability

- (1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
- (2) Days sales in account receivable=365/account receivable turnover
- (3) Inventory turnover=cost of goods sold/average inventory
- (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)
- (5) Average days in sales=365/inventory turnover
- (6) Fixed property and equipment turnover=net sales/net fixed assets
- (7) Total assets turnover=net sales/average total assets

4. Profitability

- (1) Ratio or return on total assets = [post-tax profit or loss+(1-Tax)]/average total assets
- (2) Return on shareholders' equity = after tax net profit/ total average equity.
- (3) Profit ratio = net income/net sales
- (4) Earnings per share = (profits or loss attributable to owners of the parent company - preferred stock dividend) /weighted average stock shares issued (Note 4)

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities within five years/ (capital expenditure + inventory increase + cash dividend) within five years
- (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital) (Note 5)

6. Balance :

- (1) Operation balance = (net operating income-operating variable cost and expense)/operating income (Note 6)
- (2) Financial balance= operating income/ (operating income-interest expense)

Note 4: Calculations for earnings per share must take into account the following:

1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares.
2. The weighted average outstanding shares must take into account all cash issues or treasury stock transactions, and the length of time shares were in circulation.
3. Where there is any capitalization from earnings or paid-in capital, the calculation of earnings per share annually or semi-annually should be adjusted retroactively and proportionally to the additional capitalization, but with no need to consider the issuing period of the capitalization.

4. If the preferred stock is unconvertible cumulative, the current dividend (no matter distribute or not) should be deducted from after-tax earnings or increase the after-tax loss. Besides, if the preferred stock is non-cumulative, and after-tax earnings is positive, the dividend should be deducted from after-tax earnings; otherwise, if it is loss, there is no necessary to adjust.

Note 5: The cash flow analysis must take into account the following:

1. Net cash flow from operating activities is taken from the net cash flow from operating activities presented in the cash flow statement.
2. Capital expenditure refers to the amount of annual cash outflow for capital investments.
3. The increasing number of inventories shall be calculated if the ending balance is larger than beginning balance, otherwise, calculated in 0.
4. The cash dividend is including ordinary and preference shares.
5. The gross amount of property, plant, and equipment is the total amount of property, plant, and equipment before deducting accumulated depreciation.

Note 6 : The issuer should identify the operating cost and expense into fixable and variable, if the identification is subjective, the evaluation judgement should be maintained consistency.

Note 7 : The par value of share is 0 or not NTD 10, regarding to paid-up capital calculation will use the ratio attributable to parent company shareholders into balance sheet.

1. Ratio of owner's equity to adjusted total debt = owner's equity / (total liabilities - futures trader's equity - transaction loss provision - default loss provision).
2. Ratio of owner's equity to minimum paid-up capital= owner's equity / minimum paid-up capital.
3. Ratio of adjusted net capital to the total amount of futures trader's necessary margin for open interest= adjusted net capital/ total amount of futures trader's necessary margin for open interest.

B. Financial analysis (standalone)--Based on IFRS

Year (Note 1) Item (Note 3)		Financial analysis for the latest 5 years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to assets ratio	85.21	87.76	85.57	87.30	87.52
	Long-term capital to property and equipment	11,741.31	8,397.58	10,682.52	11,444.54	8,723.43
Solvency (%)	Current ratio	111.74	107.52	111.76	110.26	110.15
	Quick ratio	111.70	107.46	111.74	110.23	110.14
Profitability (%)	Return on assets (%)	2.50	2.23	2.52	2.33	1.50
	Return on equity (%)	15.34	16.73	18.73	17.27	11.95
	As a percentage of paid-in capital (%) (Note 7)	40.92	49.33	51.55	53.86	42.33
	Net profit margin (%)	27.73	30.58	38.38	35.19	34.57
	Earnings per share (dollar)	3.22	3.80	4.25	4.73	3.40
Cash flow (%)	Cash flow ratio (%)	0.94	2.40	2.18	2.50	2.05
	Cash flow adequacy ratio (%)	87.53	69.27	90.99	112.41	115.20
	Cash reinvestment ratio (%)	0.00	7.53	5.21	7.88	2.37
Special Purpose Ratio (%)	Shareholders' equity to adjusted total liabilities ratio (%)	911	1,161	764	1,034	768
	Shareholders' equity to minimum paid-up capital ratio (%)	264.75	284.07	415.94	451.31	449.60
	Adjusted net capital to required margins on futures traders' outstanding position (%)	88.31	51.95	57.62	57.92	55.49

Please describe the reasons for the changes in the financial ratios over the last two years (If the increase or decrease is less than 20%, an analysis is exempted)

1. The ratio of long-term capital to property, plant and equipment of 2019 has decreased from the previous period since the adoption of International Financial Reporting Standard No. 16 "Leases" first time which would increase non-current liabilities.
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Note 3: Calculations for earnings per share must take into account the following:

1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares.
2. The weighted average outstanding shares must take into account all cash issues or treasury stock transactions, and the length of time shares were in circulation.
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The formula of the various analyses is defined below:

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- (1) The ratio of total liabilities to total assets = total liabilities/total assets
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- (6) Fixed property and equipment turnover=net sales/net fixed assets
- (7) Total assets turnover=net sales/average total assets

4. Profitability

- (1) Ratio or return on total assets = [post-tax profit or loss+(1-Tax)]/average total assets
- (2) Return on shareholders' equity = after tax net profit/ total average equity.
- (3) Profit ratio = net income/net sales

(4) Earnings per share = (profits or loss attributable to owners of the parent company - preferred stock dividend) / weighted average stock shares issued (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years

(3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital) (Note 5)

6. Balance :

(1) Operation balance = (net operating income - operating variable cost and expense) / operating income (Note 6)

(2) Financial balance = operating income / (operating income - interest expense)

Note 4: Calculations for earnings per share must take into account the following:

1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares.
2. The weighted average outstanding shares must take into account all cash issues or treasury stock transactions, and the length of time shares were in circulation.
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4. If the preferred stock is unconvertible cumulative, the current dividend (no matter distribute or not) should be deducted from after-tax earnings or increase the after-tax loss. Besides, if the preferred stock is non-cumulative, and after-tax earnings is positive, the dividend should be deducted from after-tax earnings; otherwise, if it is loss, there is no necessary to adjust.

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1. Net cash flow from operating activities is taken from the net cash flow from operating activities presented in the cash flow statement.
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Note 6: The issuer should identify the operating cost and expense into fixable and variable, if the identification is subjective, the evaluation judgement should be maintained consistency.

Note 7: The par value of share is 0 or not NTD 10, regarding to paid-up capital calculation will use the ratio attributable to parent company shareholders into balance sheet.

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2. Ratio of owner's equity to minimum paid-up capital = owner's equity / minimum paid-up capital.
3. Ratio of adjusted net capital to the total amount of futures trader's necessary margin for open interest = adjusted net capital / total amount of futures trader's necessary margin for open interest.

6.2.2 Other significant information with regards to enhance the understanding of financial status, operating result and changing tendency: None.

6.3 Audit report on the most recent year financial statements by the audit committee: Please refer to page 118 of this annual report.

6.4 Latest financial statements: Please refer to page 119~190 of this annual report.

6.5 Standalone financial statements audited & certified by Accountants in the most recent years: Please refer to page 191~258 of this annual report.

6.6 Financial insolvency incidents encountered by the Company and affiliates in the last year, up till the publication date of this annual report: None.

Capital Futures Corp.
Audit Committees' Review Report

The Board of Directors has prepared the 2019 fiscal year Financial Statements (including the Consolidated Financial Statements) of the Company, among which the financial statements were audited by the CPAs of KPMG Taiwan, “Lee, Feng-Hui” and “Chung, Tan-Tan”, with an unqualified opinion issued in the Independent Auditor’s Report. We, as the Audit Committee of the Company, has reviewed the Financial Statements (including the Consolidated Financial Statements) that were present fairly with the reports prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law that are hereby presented for your approval.

Capital Futures Corp.
Chairman of Audit Committee

Chuang, Chih-Chen

March 26, 2020

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, 2019 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: Sun, Tien-Shan

Date: March 26, 2020

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, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018 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, 2019 and 2018, 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 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:

Commission income – brokerage recognized:

Related accounting policies of commission income – brokerage recognized, please refer to the consolidated financial report note 4(o) revenue recognized. Explanation of commission income – brokerage, please refer to the consolidated financial report note 6(o)(i). Comprehensive income statement commission income – brokerage.

Explanation of key audit matters:

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

Audit procedures in response:

According to the key audit matters main audit procedures, we perform the sampling test on brokerage business dealing internal control and commission income – brokerage recorded amount, then compare with the entrusted data from brokerage business and evaluate the revenue recognized policies are managed by the related bulletin.

Other Matter

Capital Futures Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, 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 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 LEE, FENG HUI and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
111100 Cash and cash equivalents (Note 6(a))	\$ 4,131,969	10	3,957,955	10			24,900	-
112000 Current financial assets at fair value through profit or loss (Note 6(b))	512,847	1	495,870	1	212000 Current financial liabilities at fair value through profit or loss (Note 6(b))	\$ 22,836	-	24,900
114010 Bonds purchased under resale agreements (Note 6(b))	46,000	-	198,000	1	214080 Futures traders' equity (Note 6(f))	35,435,978	87	34,787,243
114070 Customers' margin accounts (Note 6(f))	35,492,166	87	34,904,047	86	214100 Leverage contract trading - customers' equity	308,590	1	225,899
114080 Receivable - futures margin (Note 6(g))	2	-	1	-	214130 Accounts payable	43,812	-	36,918
114100 Security borrowing margin	3,874	-	-	-	214140 Accounts payable to related parties (Note 7)	10,914	-	10,922
114130 Accounts receivable	13,539	-	13,847	-	214150 Advance receipts	2,511	-	10,264
114140 Accounts receivable to related parties (Note 7)	722	-	334	-	214160 Receipts under custody	3,856	-	3,985
114150 Prepayments	8,277	-	15,819	-	214170 Other payables	132,096	-	145,580
114170 Other receivables	80,484	-	61,274	-	214180 Other payables to related parties (Note 7)	871	-	525
114180 Other receivables to related parties (Note 7)	4,068	-	19,998	-	214600 Current income tax liabilities	86,626	-	52,554
114300 Leverage contract trading - customers' margin accounts	308,543	1	228,564	1	215100 Provisions - current	5,952	-	-
114600 Current income tax assets	228	-	236	-	216000 Current lease liabilities (Note 6(i))	27,546	-	-
119000 Other current assets	2	-	2	-	219000 Other current liabilities	10,670	-	8,488
	<u>40,602,721</u>	<u>99</u>	<u>39,895,947</u>	<u>99</u>		<u>36,092,258</u>	<u>88</u>	<u>35,307,278</u>
Non-current assets:								
123200 Non-current financial assets at fair value through other comprehensive income (Note 6(b))	1,375	-	1,055	-	Non-current liabilities:			
124100 Investments under Equity Method (Note 6(c))	47,860	-	45,719	-	226000 Non-current lease liabilities (Note 6(i))	11,882	-	-
125000 Property and equipment (Note 6(d))	66,829	-	48,452	-	228000 Deferred income tax liabilities (Note 6(l))	8,767	-	9,556
125800 Right-of-use assets (Note 6(e))	39,481	-	-	-	229000 Other non-current liabilities (Note 6(k))	6,719	-	7,912
127000 Intangible assets (Note 6(h))	82,235	-	78,032	-		<u>27,368</u>	-	<u>17,468</u>
128000 Deferred income tax assets (Note 6(l))	236	-	170	-	Total liabilities	<u>36,119,626</u>	<u>88</u>	<u>35,324,746</u>
129000 Other non-current assets	320,173	1	316,643	1	Equity attributable to owners of parent:			
	<u>558,189</u>	<u>1</u>	<u>490,071</u>	<u>1</u>	301010 Common stock (Note 6(m))	1,764,376	4	1,764,376
					302000 Capital surplus (Note 6(m))	1,047,338	3	1,047,338
					304010 Legal reserve	504,667	1	421,147
					304020 Special reserve	1,142,132	3	990,784
					304040 Unappropriated earnings (Note 6(m))	599,904	1	835,315
					305000 Other equity	(45,421)	-	(26,868)
						<u>5,012,996</u>	<u>12</u>	<u>5,032,092</u>
					Total equity attributable to the parent company	<u>28,288</u>	-	<u>29,180</u>
					306000 Non-controlling interests	5,041,284	12	5,061,272
					906004 Total equity	<u>5,041,284</u>	<u>12</u>	<u>5,061,272</u>
					906002 Total liabilities and equity	<u>\$ 41,160,910</u>	<u>100</u>	<u>40,386,018</u>
								<u>100</u>

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

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

	2019		2018		
	Amount	%	Amount	%	
Income:					
401000	Commission income - brokerage (Note 6(o))	\$ 1,577,235	82	1,858,391	65
410000	Net gains (losses) on sale of trading securities	54,758	3	(68,276)	(2)
421300	Dividend revenue	1,101	-	5,853	-
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss	14,751	1	(2,554)	-
421600	Losses on covering of borrowed securities and bonds with resale agreements-short sales	(1,144)	-	-	-
421610	Net losses on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	(1,108)	-	-	-
424100	Futures commission revenue (Note 6(o))	209,879	11	453,195	16
424200	Securities commission revenue	4,622	-	7,102	-
424400	Net gains (losses) on derivative financial instruments (Note 6(o))	(16,016)	(1)	465,785	16
424500	Net gains (losses) on derivative instruments - Taipei Exchange (Note 6(o))	36,424	2	72,343	3
424800	Management fee revenue	204	-	1,379	-
424900	Consulting fee revenue	15,076	1	29,057	1
428000	Other operating revenue	20,996	1	27,217	1
		<u>1,916,778</u>	<u>100</u>	<u>2,849,492</u>	<u>100</u>
Expenses:					
501000	Brokerage fees	266,476	14	342,926	12
502000	Brokerage fees - proprietary trading	1,325	-	4,919	-
521200	Financial costs	19,791	1	10,225	1
521640	Loss from securities borrowing transactions	193	-	-	-
425300	(Reversal of) expected credit impairment loss (Note 6(p))	(2,237)	-	35,328	1
524100	Futures commission expenses (Note 6(o))	432,079	22	634,575	22
524300	Clearing and settlement expenses	149,055	8	173,218	6
528000	Other operating expenditure	2,129	-	5,964	-
531000	Employee benefit expenses (Note 6(o))	457,346	24	483,456	17
532000	Depreciation and amortization expenses (Note 6(o))	67,600	4	30,558	1
533000	Other operating expenses (Note 6(o))	345,359	18	600,792	21
		<u>1,739,116</u>	<u>91</u>	<u>2,321,961</u>	<u>81</u>
Non-operating income and expenses:					
601000	Share of profit (loss) of subsidiaries, associates and joint ventures under equity method (Note 6(c))	2,469	-	3,818	-
602000	Other gains and losses (Note 6(o))	566,483	30	423,627	15
		<u>568,952</u>	<u>30</u>	<u>427,445</u>	<u>15</u>
902001	Net income before income tax	746,614	39	954,976	34
701000	Less: Income tax expenses (Note 6(l))	146,938	8	116,866	5
	Net income	<u>599,676</u>	<u>31</u>	<u>838,110</u>	<u>29</u>
805000	Other comprehensive income:				
805500	Components that may not be reclassified to profit or loss in subsequent periods:				
805510	Actuarial gain (loss) on defined benefit plans (Note 6(k))	(664)	-	(372)	-
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other	320	-	41	-
805599	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Subtotal of components that may not be subsequently reclassified into profit or loss	<u>(344)</u>	<u>-</u>	<u>(331)</u>	<u>-</u>
805600	Components that may be reclassified to profit or loss in subsequent periods:				
805610	Foreign exchange difference from translating financial reports of foreign operations	(19,498)	(1)	28,935	1
805699	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(l))	(66)	-	9,222	-
	Subtotal of components that may be subsequently reclassified into profit or loss	<u>(19,432)</u>	<u>(1)</u>	<u>19,713</u>	<u>1</u>
805000	Other comprehensive income	<u>(19,776)</u>	<u>(1)</u>	<u>19,382</u>	<u>1</u>
902006	Total comprehensive income	<u>\$ 579,900</u>	<u>30</u>	<u>857,492</u>	<u>30</u>
Net income attributable to:					
913100	Shareholders of the parent	\$ 600,009	31	835,205	29
913200	Non-controlling interests	(333)	-	2,905	-
		<u>\$ 599,676</u>	<u>31</u>	<u>838,110</u>	<u>29</u>
Comprehensive income attributable to:					
914100	Shareholders of the parent	\$ 580,792	30	853,807	30
914200	Non-controlling interests	(892)	-	3,685	-
		<u>\$ 579,900</u>	<u>30</u>	<u>857,492</u>	<u>30</u>
975000	Basic earnings per share (Dollar) (Note 6(n))	<u>\$ 3.40</u>		<u>4.73</u>	
985000	Diluted earnings per share (Dollar) (Note 6(n))	<u>\$ 3.40</u>		<u>4.73</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Stock	Equity attributable to the parent company									
	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity interest	Total equity
	\$ 1,603,979	1,207,735	348,116	794,335	730,304	(46,737)	-	895	4,637,732	4,663,227
Balance at January 1, 2018	-	-	-	-	-	-	-	895	895	895
Effects of retrospective application	1,603,979	1,207,735	348,116	794,335	730,304	(46,737)	-	895	4,638,627	4,664,122
Balance on January 1, 2018 after adjustments	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	835,205	-	-	-	835,205	838,110
Other comprehensive income	-	-	-	-	(372)	18,933	-	41	18,602	19,382
Total comprehensive income	-	-	-	-	834,833	18,933	-	41	853,807	857,492
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	73,031	-	-	-	-	-	-	-
Special reserve	-	-	-	196,449	-	-	-	-	-	-
Cash dividends	-	-	-	-	(460,342)	-	-	-	(460,342)	(460,342)
Changes in capital surplus:										
Issuance of stock dividends from capital surplus	160,397	(160,397)	-	-	-	-	-	-	-	-
Balance at December 31, 2018	1,764,376	1,047,338	421,147	990,784	835,315	(27,804)	-	936	5,032,092	5,061,272
Net income for the year ended December 31, 2019	-	-	-	-	600,009	-	-	-	600,009	599,676
Other comprehensive income	-	-	-	-	(664)	(18,873)	-	320	(19,217)	(19,776)
Total comprehensive income	-	-	-	-	599,345	(18,873)	-	320	580,792	579,900
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	83,520	-	-	-	-	-	-	-
Special reserve	-	-	-	171,217	-	-	-	-	-	-
Cash dividends	-	-	-	-	(599,888)	-	-	-	(599,888)	(599,888)
Reversal of special reserve	-	-	-	(19,869)	19,869	-	-	-	-	-
Balance at December 31, 2019	\$ 1,764,376	1,047,338	504,667	1,142,132	599,904	(46,677)	-	1,256	5,012,996	5,041,284

See accompanying notes to consolidated financial statements.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Net income before income tax	\$ 746,614	954,976
Adjustments:		
Adjustments to reconcile:		
Depreciation expense	59,246	22,605
Amortization expense	8,354	7,953
Expected credit loss (gain)	(2,237)	35,328
Net gains on financial assets or liabilities at fair value through profit or loss	(21,723)	(9,253)
Interest expense	19,791	10,225
Interest income (including financial income)	(541,224)	(379,425)
Dividend income	(1,457)	(5,902)
Share of loss (profit) of associates and joint ventures under equity method	(2,469)	(3,818)
Total adjustments to reconcile	(481,719)	(322,287)
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	5,854	589,933
Decrease (increase) in bond purchased under resale agreements	152,000	(186,499)
Increase in customer margin accounts	(588,119)	(6,883,182)
Decrease (increase) in receivable-futures margin	2,388	(33,370)
Increase in leverage contract trading - customer's margin accounts	(79,979)	(77,024)
Increase in security borrowing margin	(3,874)	-
Decrease in accounts receivable	308	15,469
(Increase) decrease in accounts receivable to related parties	(388)	767
Decrease (increase) in prepayments	7,542	(6,799)
Increase in other receivable	(22,239)	(7,927)
Decrease (increase) in other receivable to related parties	15,762	(19,777)
Increase in other current assets	-	(1)
(Increase) decrease in clearing and settlement fund	(2,835)	893
(Increase) decrease in refundable deposits	(695)	6,085
Decrease in financial liabilities at fair value through profit or loss	(3,172)	(106,552)
Increase in futures traders' equity	648,735	6,800,864
Increase in leverage contract trading - customer's equity	82,691	73,059
Increase (decrease) in accounts payable	6,894	(59,528)
Decrease in accounts payable to related parties	(8)	(3,766)
Decrease in advance receipts	(7,753)	(14,981)
Decrease in receipts under custody	(129)	(434)
Decrease in other payable	(14,322)	(28,687)
Increase in other payable to related parties	349	179
Increase in provisions for liabilities	5,952	-
Increase (decrease) in other current liabilities	2,182	(4,315)
(Decrease) increase in non-current liabilities	(1,857)	4,784
Total changes in operating assets and liabilities	205,287	59,191
Total adjustments	(276,432)	(263,096)
Cash inflow generated from operations	470,182	691,880
Interest received	544,377	372,469
Dividends received	1,349	5,902
Interest paid	(19,071)	(10,220)
Income taxes paid	(113,773)	(112,074)
Income taxes refund	-	3
Net Cash flows from (used in) operating activities	883,064	947,960
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(47,513)	(22,746)
Acquisition of intangible assets	(12,646)	(3,912)
Proceeds from disposal of intangible assets	-	1,932
Net cash flows from (used in) investing activities	(60,159)	(24,726)
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(29,890)	-
Cash dividends paid	(599,888)	(460,342)
Net cash flows from (used in) financing activities	(629,778)	(460,342)
Effect of exchange rate changes on cash and cash equivalents	(19,113)	28,369
Net increase (decrease) in cash and cash equivalents	174,014	491,261
Cash and cash equivalents at beginning of period	3,957,955	3,466,694
Cash and cash equivalents at end of period	\$ 4,131,969	3,957,955

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, 2019 and 2018

(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 26, 2020.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in opening balance on January 1, 2019. The details of the changes in accounting policies are disclosed below.

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(m).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities on balance sheet.

The Group decided to apply recognition exemptions to short-term leases of office equipment, etc.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$41,065 thousands of right-of-use assets and \$41,065 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.61%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 43,581
Recognition exemption for:	
leases of low -value assets	(1,389)
short-term leases	<u>(516)</u>
	<u>41,676</u>
Discounted using the incremental borrowing rate at January 1, 2019	<u>41,065</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 41,065</u></u>

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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.

(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 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.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			December 31, 2019	December 31, 2018	
The Company	CSC Futures (HK) Ltd.	Futures dealing business	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, 2019, 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, 2019, the paid in capitals amounted to \$50,000 thousands.
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, 2019, 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, 2019, the paid in capitals amounted to CNY\$4,000 thousands.

(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.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

(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.

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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.

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).

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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 Company considers a debt security to have a low credit risk when the 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 overdue more than 30 days or within 30 days but breached the contract. The Group considers a financial asset to be in default when the financial asset is overdue more than 90 days or the borrower is unlikely to pay its credit obligations to the Group in full.

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.

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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control.

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.

(i) 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.

(j) 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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) 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.

(l) 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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(m) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset throughout the period of use only if either:
 - 1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - 2) the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) 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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Applicable before January 1, 2019

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

(n) 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.

(o) Revenue recognition

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

(p) 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.

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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The 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.

(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.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Share-based payment

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

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

(s) Income tax

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

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

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

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

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.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

The Company's 10% surtax on unappropriated earnings is recorded as current expense after the date of the resolution of stockholders' meeting for declaring the distribution of earnings.

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

(t) Earnings per share ("EPS")

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

(u) 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.

(5) Major sources of accounting judgments, estimation and assumptions 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 for 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.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash	\$ 129	159
Demand deposits	552,573	752,120
Time deposits	2,973,498	2,665,551
Futures margin-excess margin	594,777	517,628
Commercial paper	<u>10,992</u>	<u>22,497</u>
Total	<u>\$ 4,131,969</u>	<u>3,957,955</u>

(b) Financial assets and liabilities

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

	December 31, 2019	December 31, 2018
Open-ended funds and money-market instruments	\$ 112,948	187,344
Open-ended funds and money-market instruments valuation adjustment	1,492	(896)
Trading securities - proprietary trading	152,933	116,292
Trading securities - proprietary trading valuation adjustment	6,350	(8,404)
Securities invested by securities broker	146,849	74,553
Securities invested by securities broker valuation adjustment	(1,589)	(7,283)
Call options - non-hedging	3,482	11,580
Futures margin-proprietary fund - non-hedging	51,316	75,717
Non-hedging foreign exchange rate derivatives	<u>39,066</u>	<u>46,967</u>
Total	<u>\$ 512,847</u>	<u>495,870</u>

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remain the same), the impact on after-tax comprehensive income for 2019 and 2018 will increase \$4,190 and \$3,616, respectively. Conversely, if there is an decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Bonds purchased under resale agreements

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds purchased under resale agreements	\$ <u>46,000</u>	<u>198,000</u>
Resale price under the agreements	\$ <u>46,007</u>	<u>198,034</u>
Date of repurchase	<u>2020.1.6</u>	<u>2019.1.2~2019.1.14</u>
Interest rates	<u>0.47%</u>	<u>0.45%~0.48%</u>

(iii) Equity instruments measured at fair value through other comprehensive income

<u>Investee Company</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Ownership ratio</u>	<u>Amount</u>	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Futures Exchange Co., Ltd	0.0042 %	\$ <u>1,375</u>	0.0042 %	<u>1,055</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 years ended December 31, 2019 and 2018, the dividends of \$51 and \$49, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized. No strategic investments were disposed in 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Put options - non-hedging	\$ 11,897	15,837
Liabilities on sale of borrowed securities - non-hedging	2,257	-
Liabilities on sale of borrowed securities valuation adjustment - non-hedging	1,108	-
Non-hedging foreign exchange rate derivatives	<u>7,574</u>	<u>9,063</u>
	<u>\$ 22,836</u>	<u>24,900</u>

(c) Investments under Equity Method

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Associate	\$ <u>47,860</u>	<u>45,719</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Associate

The Group acquired 49% of True Partner Capital Advisor Co., Ltd. shares with US \$1,123 on October 2, 2015, which indicate significant. Below is the relevant information:

Name of associate	Relationship with the Company	Principal place of business /Register country of company	Ownership equity and % of right to vote	
			December 31, 2019	December 31, 2018
True Partner Capital Advisor Co., Ltd.	Its main business is assets management, and it's the Company's strategic alliances to expand assets managing business.	Hong Kong	49.00 %	49.00 %

The insignificant associate uses equity method and its financial information is summarized as follows. The information is included in the consolidated financial statement of the Group:

	December 31, 2019	December 31, 2018
Summerized ending balance of the insignificant associate	\$ <u>47,860</u>	<u>45,719</u>
	For the years ended December 31,	
	2019	2018
Shares belong to the Group:		
Net gains from continuing operations	\$ 2,469	3,818
Other comprehensive income (losses)	(262)	366
Total comprehensive income	\$ <u>2,207</u>	<u>4,184</u>

(ii) Collateral and pledge

As of December 31, 2019 and 2018, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(d) Property and equipment

For the years ended December 31, 2019 and 2018, the cost and accumulated depreciation of the property and equipment of the Group were as follows:

	Office equipment	Leasehold improvements	Total
Cost:			
Balance at January 1, 2019	\$ 107,380	20,501	127,881
Additions	45,766	1,747	47,513
Disposal	(17,793)	-	(17,793)
Effect of exchange rate changes	(740)	(62)	(802)
Balance at December 31, 2019	\$ <u>134,613</u>	<u>22,186</u>	<u>156,799</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Balance at January 1, 2018	\$ 90,655	14,156	104,811
Additions	16,488	6,258	22,746
Effect of exchange rate changes	<u>237</u>	<u>87</u>	<u>324</u>
Balance at December 31, 2018	<u><u>\$ 107,380</u></u>	<u><u>20,501</u></u>	<u><u>127,881</u></u>
Accumulated depreciation:			
Balance at January 1, 2019	\$ 70,156	9,273	79,429
Depreciation	24,262	4,708	28,970
Disposal	(17,793)	-	(17,793)
Effect of exchange rate changes	<u>(574)</u>	<u>(62)</u>	<u>(636)</u>
Balance at December 31, 2019	<u><u>\$ 76,051</u></u>	<u><u>13,919</u></u>	<u><u>89,970</u></u>
Balance at January 1, 2018	\$ 52,260	4,379	56,639
Depreciation	17,752	4,853	22,605
Effect of exchange rate changes	<u>144</u>	<u>41</u>	<u>185</u>
Balance at December 31, 2018	<u><u>\$ 70,156</u></u>	<u><u>9,273</u></u>	<u><u>79,429</u></u>
Carrying amounts:			
Balance at December 31, 2019	<u><u>\$ 58,562</u></u>	<u><u>8,267</u></u>	<u><u>66,829</u></u>
Balance at December 31, 2018	<u><u>\$ 37,224</u></u>	<u><u>11,228</u></u>	<u><u>48,452</u></u>

As of December 31, 2019 and 2018, the Group did not provide any property and equipment as collateral and pledge.

(e) Right-of-use assets

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

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application	37,696	3,369	41,065
Additions	23,525	5,608	29,133
Derecognition	(77)	-	(77)
Effect of exchange rate changes	<u>(509)</u>	<u>-</u>	<u>(509)</u>
Balance at December 31, 2019	<u><u>\$ 60,635</u></u>	<u><u>8,977</u></u>	<u><u>69,612</u></u>

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Accumulated depreciation:			
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application	-	-	-
Depreciation	27,360	2,916	30,276
Effect of exchange rate changes	(145)	-	(145)
Balance at December 31, 2019	<u>\$ 27,215</u>	<u>2,916</u>	<u>30,131</u>
Carrying amounts:			
Balance at December 31, 2019	<u>\$ 33,420</u>	<u>6,061</u>	<u>39,481</u>

(f) Customers margin accounts/futures traders' equity

As of December 31, 2019 and 2018, the difference between customers' margin accounts and futures traders' equity were reconciled as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Customers margin accounts		
Cash in bank	\$ 26,981,210	26,014,805
Balance of the futures clearing house	4,874,988	2,579,464
Balance of other futures commission merchants	3,635,783	6,309,528
Marketable securities	<u>185</u>	<u>250</u>
Balance of customers margin accounts	<u>35,492,166</u>	<u>34,904,047</u>
Plus adjustment items:		
Commision cost	1,248	5,035
Others	(66)	52
Deduction adjustment items:		
Commision income	(7,426)	(17,259)
Futures transaction tax	(1,342)	(1,426)
Interest income	(5,699)	(3,726)
Temporary credits	(1,817)	(669)
Remittance amount of the customers after the market closed	(9,235)	(7,179)
Other receivables	<u>(31,851)</u>	<u>(91,632)</u>
Balance of futures traders' equity	<u>\$ 35,435,978</u>	<u>34,787,243</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Receivable - futures margin

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Receivable - futures margin - current	\$ 386	422
Less: Loss allowance	<u>384</u>	<u>421</u>
Subtotal	<u>2</u>	<u>1</u>
Receivable - futures margin - non-current	30,597	32,949
Less: Loss allowance	<u>30,597</u>	<u>32,949</u>
Subtotal	<u>-</u>	<u>-</u>
Total	<u>\$ 2</u>	<u>1</u>

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

	<u>2019</u>	<u>2018</u>
Balance on January 1	\$ 33,370	-
Impairment losses recognized (reversed)	<u>(2,389)</u>	<u>33,370</u>
Balance on December 31	<u>\$ 30,981</u>	<u>33,370</u>

(h) Intangible assets

For the years ended December 31, 2019 and 2018, the costs, amortization, and impairment loss of intangible assets were as follows:

	<u>Goodwill</u>	<u>The seats of foreign futures exchanges (Note)</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance at January 1, 2019	\$ 22,088	50,550	25,491	98,129
Additions	-	-	12,646	12,646
Scrap	-	-	(9,621)	(9,621)
Effect of exchange rate changes	<u>-</u>	<u>(114)</u>	<u>(154)</u>	<u>(268)</u>
Balance at December 31, 2019	<u>\$ 22,088</u>	<u>50,436</u>	<u>28,362</u>	<u>100,886</u>
Balance at January 1, 2018	\$ 22,088	52,257	24,929	99,274
Additions	-	-	3,912	3,912
Scrap	-	-	(3,266)	(3,266)
Disposal	-	(1,932)	-	(1,932)
Effect of exchange rate changes	<u>-</u>	<u>225</u>	<u>(84)</u>	<u>141</u>
Balance at December 31, 2018	<u>\$ 22,088</u>	<u>50,550</u>	<u>25,491</u>	<u>98,129</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Goodwill</u>	<u>The seats of foreign futures exchanges (Note)</u>	<u>Computer software</u>	<u>Total</u>
Amortization and impairment loss:				
Balance at 1 January 1, 2019	\$ -	4,280	15,817	20,097
Amortization	-	-	8,354	8,354
Scrap	-	-	(9,621)	(9,621)
Effect of exchange rate changes	-	(79)	(100)	(179)
Balance at December 31, 2019	<u>\$ -</u>	<u>4,201</u>	<u>14,450</u>	<u>18,651</u>
Balance at January 1, 2018	\$ -	4,155	11,180	15,335
Amortization	-	-	7,953	7,953
Scrap	-	-	(3,266)	(3,266)
Effect of exchange rate changes	-	125	(50)	75
Balance at December 31, 2018	<u>\$ -</u>	<u>4,280</u>	<u>15,817</u>	<u>20,097</u>
Carrying value:				
Balance at December 31, 2019	<u>\$ 22,088</u>	<u>46,235</u>	<u>13,912</u>	<u>82,235</u>
Balance at December 31, 2018	<u>\$ 22,088</u>	<u>46,270</u>	<u>9,674</u>	<u>78,032</u>

Note: 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.

(i) Lease liabilities

The Group’s lease liabilities are as follows:

	December 31, 2019
Current	<u>\$ 27,546</u>
Non-current	<u>\$ 11,882</u>

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

The amounts recognized in profit or loss were as follows :

	For the years ended December 31, 2019
Interest on lease liabilities	<u>\$ 796</u>
Expenses relating to short-term leases	<u>\$ 3,175</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 303</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31, 2019
Total cash outflow for leases	\$ 34,164

(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.

(j) Operating lease

Lessee's non-cancellable operating lease payables are as follows:

	December 31, 2018
Within 1 year	\$ 24,407
1-5 years	19,174
	\$ 43,581

The Group rents several offices and equipment under operating lease, the lease terms are within 1 to 5 years. For the year ended December 31, 2018, the operating lease expenses recognized in profit or loss \$26,890.

(k) Employee benefits

(i) Defined benefit plans

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ (24,616)	(26,128)
Fair value of plan assets	17,897	18,216
Recognized liabilities for defined benefit obligations	\$ (6,719)	(7,912)

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Composition of plan assets

The Company set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Labor Pension Fund Supervisory Committee. In regards to the utilization of the fund under the “ Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Company’s labor pension preparatory special account in Bank of Taiwan amounted to \$17,897 at the reporting date. The utilization of the labor pension fund includes the assets allocation and yield of the fund. Please refer to the information published on the website under Labor Pension Fund Supervisory Committee of the Council of Labor Affairs Executive Yuan.

2) Movement in present value of defined benefit obligation

The Change in the present value of defined benefit obligation of the Company in 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Defined benefit obligation at January 1	\$ 26,128	29,511
Current service costs and interest	607	669
Benefits paid	(3,444)	(4,943)
Remeasurement of net defined benefit obligation		
- Experience gain or loss	963	699
- Actuarial loss (gain) arising from changes in financial assumptions	362	192
Defined benefit obligation at December 31	\$ 24,616	26,128

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Fair value of plan assets at January 1	\$ 18,216	17,656
Interest revenue	172	188
Benefits paid	(1,590)	(630)
Remeasurement of net defined benefit obligation		
- Return on plan assets (except net interests of period)	661	519
Contributions to the plan assets	438	483
Fair value of plan assets at December 31	\$ 17,897	18,216

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expense recognized in profit or loss

The expenses recognized in profit or loss of the Company in 2019 and 2018 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current service cost	\$ 363	359
Net interest of net defined benefit obligation	<u>72</u>	<u>122</u>
	<u>\$ 435</u>	<u>481</u>

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

For the years ended December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Accumulated amount on January 1	\$ (11,466)	(11,094)
Recognized during the period	<u>(664)</u>	<u>(372)</u>
Accumulated amount on December 31	<u>\$ (12,130)</u>	<u>(11,466)</u>

6) Actuarial assumptions

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

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Discount rate	0.67 %	0.93 %
Future salary growth rate	2.50 %	2.50 %

The expected contribution to the defined benefit plan for the next year is \$435. The weighted average duration of the defined benefit obligation is 2 years.

7) Sensitivity Analysis

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

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	Effects to defined benefit obligations	
	Increase 0.5%	Decrease 0.5%
December 31, 2019		
Discount reate	\$ (582)	606
Future salary increasing rate	470	(457)
December 31, 2018		
Discount reate	(674)	703
Future salary increasing rate	559	(543)

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 Company has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Company contributed \$12,059 and \$11,802 under defined contribution plan to the Bureau of the Labor Insurance in the year 2019 and 2018, respectively.

(iii) For the years ended December 31, 2019 and 2018 the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$3,031 and \$2,714, respectively.

(l) Income taxes

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

The Company and its subsidiary Capital International Technology Corp. are founded in Taiwan. The corporate income tax rate are both 20% for the years ended December 31, 2019 and 2018.

The subsidiary CSC Futures (HK) Ltd. is founded in Hong Kong. The corporate income tax rate are both 16.5% for the years ended December 31, 2019 and 2018.

The tax rate of reinvestment business of subsidiaries including Capital True Partner Technology Co., Ltd. and Capital Futures Technology (Shanghai) Co., Ltd. which founded in Mainland are both 25% for the years ended December 31, 2019 and 2018.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income tax expense

- 1) The amount of income tax expense (benefit) for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Current income tax expense	\$ 147,727	111,671
Deferrd income tax expense	(789)	5,195
Total	<u>\$ 146,938</u>	<u>116,866</u>

- 2) The amount of income tax benefit (expense) recognized in other comprehensive income of the Group in 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Foreign exchange difference from translating financial reports of foreign operations	<u>\$ 66</u>	<u>(9,222)</u>

Reconciliation of income tax expense (benefit) and profit before tax of the Group for 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Profit excluding income tax	\$ 746,614	954,976
Income tax using the Company's domestic tax rate	148,744	190,999
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	-	978
Adjustment in tax rate	-	770
Tax exempt income	603	(78,403)
Unrecognized deferred tax assets for current-year losses	54	272
Unrecognized temporary differences for current year	(220)	(256)
Adjustments to prior year's income tax	(4,074)	(2,817)
Alternative minimum tax	-	6,510
10% surtax on undistributed earnings	4	42
Others	1,827	(1,229)
Total	<u>\$ 146,938</u>	<u>116,866</u>

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax liabilities

As of December 31, 2019 and 2018, the details of the Group's unrecognized deferred tax liabilities were as follows:

	December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 14,845</u>	<u>29,063</u>

The dividend policies of the Group's subsidiaries, CSC Futures (HK) Ltd. and Capital Futures Technology (Shanghai) Co., Ltd, were prescribed not to appropriate the retain earning until December 31, 2019. 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.

2) Unrecognized deferred income tax assets

As of December 31, 2019 and 2018, the details of the Group's unrecognized deferred tax assets were as follows:

	December 31, 2019	December 31, 2018
Unrealized losses on foreign investments under Equity Method	\$ 275	269
Tax loss carried forward	<u>874</u>	<u>779</u>
	<u>\$ 1,149</u>	<u>1,048</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, 2019, 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>
2016 (Declared)	\$ 874	2026
2017 (Declared)	1,661	2027
2018 (Declared)	1,564	2028
2019 (Estimated)	<u>269</u>	2029
Total	<u>\$ 4,368</u>	

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Recognized deferred income tax assets and liabilities

As of December 31, 2019 and 2018, the details of the Group's recognized deferred tax assets and liabilities were as follows:

	December 31, 2019	December 31, 2018
Recognized deferred tax assets:		
Foreign exchange difference from translating financial reports of foreign operations	\$ 236	170
Recognized deferred tax liabilities:		
Unrealized gains on foreign investments under Equity Method	\$ 2,469	1,975
Unrealized gains on derivative financial instruments	6,298	7,581
Total	\$ 8,767	9,556

(iv) Income tax assessment status

The Company's income tax returns through 2017 were assessed by the Tax Authority.

The subsidiary Capital International Technology Corp.'s income tax returns through 2018 were assessed by the Tax Authority.

(m) Capital and other equity

(i) Common stock

According to the resolution of shareholders' meeting on May 24, 2018, the Company issued share dividends 16,040 thousand shares with par value of \$10 dollars per share from capital surplus. The paid-in capital became \$1,764,376 after the capital increase. The capital increase was agreed and was immediately effective on July 4, 2018. The based-capital increased date was on August 11, 2018 under the resolution of board meeting on July 10, 2018.

As of December 31, 2019 and 2018, the Company had authorized capital both of \$2,500,000, with par value of \$10 dollars per share; the issued common stock were both 176,438 thousand shares.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Share premium		
Capital addition-Share premium	\$ 1,019,733	1,019,733
Capital addition-Employee stock option	24,134	24,134
Difference arising from disposal the subsidiaries' share price and its carry value	2,476	2,476
Changes in ownership interests in subsidiaries	<u>995</u>	<u>995</u>
	<u>\$ 1,047,338</u>	<u>1,047,338</u>

In accordance with the ROC 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.

(iii) Retained earnings

1) Legal reverse

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 distributed the part that the reserve exceeds 25% of the paid in capital.

2) Special reserve

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

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

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

According to the resolution of shareholders' meeting on May 30, 2019 and May 24, 2018, the Company's 2018 and 2017 earnings distribution for owners were as follows:

	For the years ended December 31,	
	2018	2017
Dividends for owners of common stock		
Cash	\$ 599,888	460,342

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

(n) Earnings per share

The basic earnings per share and dilutive earnings per share for the years ended December 31, 2019 and 2018 were calculated as follows:

(i) Basic earnings per share

	For the years ended December 31,	
	2019	2018
Net income attributable to common shareholders of the Company	\$ 600,009	835,205
Weighted-average number of common stock shares outstanding (thousands of shares)	176,438	176,438
Basic earnings per share (dollar)	\$ 3.40	4.73

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
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(ii) Dilutive earnings per share

	For the years ended December 31,	
	2019	2018
Net income attributable to common shareholders of the Company	\$ <u>600,009</u>	<u>835,205</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	176,438	176,438
Influence from stock dividends for employee (thousands of shares)	<u>202</u>	<u>268</u>
Weighted-average outstanding shares of diluted earnings per share (thousands of shares)	<u>176,640</u>	<u>176,706</u>
Dilutive earnings per share (dollar)	\$ <u>3.40</u>	<u>4.73</u>

(o) Items of the statements of comprehensive income

(i) Commission income - brokerage

	For the years ended December 31,	
	2019	2018
Brokerage commission - Domestic futures	\$ 793,127	978,958
Brokerage commission - Foreign futures	<u>784,108</u>	<u>879,433</u>
	\$ <u>1,577,235</u>	<u>1,858,391</u>

(ii) Futures commission revenue

	For the years ended December 31,	
	2019	2018
Futures commission revenues - CSC Futures (HK) Ltd.	\$ <u>209,879</u>	<u>453,195</u>

Future commission revenues 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 revenues” in the consolidated financial statements.

(iii) Net gains (losses) on derivative financial instruments

	For the years ended December 31,	
	2019	2018
Non-hedging		
Net gains (losses) on futures contracts		
Gains on futures contracts	\$ 83,421	712,241
Losses on futures contracts	<u>(79,563)</u>	<u>(965,617)</u>
	\$ <u>3,858</u>	<u>(253,376)</u>

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31,	
	2019	2018
Net gains (losses) on option contracts		
Gains on option contracts	\$ 23,460	938,971
Losses on option contracts	<u>(32,539)</u>	<u>(271,226)</u>
	<u>\$ (9,079)</u>	<u>667,745</u>
Net gains (losses) on foreign exchange rate derivatives		
Gains on foreign exchange rate derivatives	\$ 203,064	280,261
Losses on foreign exchange rate derivatives	<u>(166,640)</u>	<u>(207,918)</u>
	<u>\$ 36,424</u>	<u>72,343</u>
Net gains (losses) on derivative financial instruments - overseas subsidiaries	<u>\$ (10,795)</u>	<u>51,416</u>
Non-hedging		
Total Gains on derivative financial instruments	\$ 309,945	1,931,473
Total Losses on derivative financial instruments	<u>(278,742)</u>	<u>(1,444,761)</u>
Net gains (losses) on derivative financial instruments - overseas subsidiaries	<u>(10,795)</u>	<u>51,416</u>
	<u>\$ 20,408</u>	<u>538,128</u>

(iv) Futures commission expenses

	For the years ended December 31,	
	2019	2018
Re-consigned futures trading	\$ 246,008	273,044
Futures introducing broker business	131,039	168,627
Commission expenses - CSC Futures (HK) Ltd.	<u>55,032</u>	<u>192,904</u>
	<u>\$ 432,079</u>	<u>634,575</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Employee benefit, depreciation and amortization expenses

	For the years ended December 31,	
	2019	2018
Employee benefit expenses		
Salary	\$ 389,244	401,351
Labor and health insurance	22,823	22,861
Pension	15,525	14,997
Director remuneration	21,559	36,026
Others	8,195	8,221
Depreciation	59,246	22,605
Amortization	8,354	7,953
	<u>\$ 524,946</u>	<u>514,014</u>

(vi) Other operating expenses

	For the years ended December 31,	
	2019	2018
Postage expenses	\$ 55,304	42,936
Taxes	48,327	75,345
Rental	3,478	26,890
Information technology service	139,799	134,990
Professional service fees	6,418	225,466
Others	92,033	95,165
	<u>\$ 345,359</u>	<u>600,792</u>

(vii) Other income and expenses

	For the years ended December 31,	
	2019	2018
Interest revenue	\$ 541,224	379,425
Dividend revenue	356	49
Net gain (loss) on non-operating financial instruments at fair value through profit or loss	8,080	11,807
Net gain (loss) on foreign exchange	(5,327)	17,821
Net gain (loss) on disposal of investments	6,954	158
Other non-operating revenue - other	16,465	15,252
Other non-operating expense - other	(1,269)	(885)
	<u>\$ 566,483</u>	<u>423,627</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 years ended December 31, 2019 and 2018, the estimated amounts of remuneration to employee were \$8,714 and \$12,083, and to directors and supervisors by the Company were \$8,714 and \$12,083, 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 is recognized as operating expense for the years ended December 31, 2019 and 2018. 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 2018 were both \$12,083. There was no difference between accounting estimates and actual distribution. Related information would be available at the Market Observation Post System website.

(p) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represent the maximum credit exposure. As of December 31, 2019 and 2018 the maximum credit exposure amounted to \$40,915,762 and \$40,197,588, respectively.

2) Concentration of credit risk

The main counterparties which the Group transacts with regarding cash and cash equivalents, bonds purchased under resale agreements and customer margin deposit are domestic and overseas financial institutions.

The exposure area of credit risk in December 31, 2019 as shown in below, focusing on Taiwan (proportion 85.65%), secondly was Asia (proportion 13.89% excluded Taiwan), thirdly was North America (proportion 0.38%), and then Europe (proportion 0.04%) and Oceania (proportion 0.04%). The proportion of investment area did not change significantly compared to the same period last year.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Area	December 31, 2019	December 31, 2018
Taiwan	\$ 33,979,742	30,943,716
Asia (excluded Taiwan)	5,510,080	7,904,845
North America	150,403	128,822
Europe	14,983	-
Oceania	14,927	82,619
Total	<u><u>\$ 39,670,135</u></u>	<u><u>39,060,002</u></u>

3) Impairment loss

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

	December 31, 2019		December 31, 2018	
	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 107,352	8,537	103,830	8,376
Past due 0~30 days	-	-	-	-
Past due 31~120 days	-	-	-	-
Past due 121~360 days	-	-	25,146	25,146
Past due more than 360 days	22,444	22,444	-	-
	<u><u>\$ 129,796</u></u>	<u><u>30,981</u></u>	<u><u>128,976</u></u>	<u><u>33,522</u></u>

Allowance for doubtful debts under receivables is recorded for the bad debt expense or impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2019 and 2018, the loss allowance of accrued receivables were recognized \$30,981 and \$33,522, respectively.

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, 2019 and 2018 was as follows:

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019						
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL - credit impaired			Total
			Accounts receivable	Receivable- futures margin	Other receivables	
Balance on January 1	\$ -	-	-	33,370	152	33,522
Provision or reversal of Impairment loss	-	-	-	(2,389)	152	(2,237)
Amounts written off	-	-	-	-	(304)	(304)
Balance on December 31	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>30,981</u>	<u>-</u>	<u>30,981</u>

For the years ended December 31, 2018						
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL - credit impaired			Total
			Accounts receivable	Receivable- futures margin	Other receivables	
Balance on January 1 per IAS39	\$ -	-	-	-	-	-
Adjustment on initial application of IFRS9	-	-	-	-	-	-
Balance on January 1 per IFRS 9	-	-	-	-	-	-
Provision of Impairment loss	-	-	1,806	33,370	152	35,328
Amounts written off	-	-	(1,806)	-	-	(1,806)
Balance on December 31	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>33,370</u>	<u>152</u>	<u>33,522</u>

(ii) Liquidity risk

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

	Carrying amount	Contract cash flow	Within 6 months	6-12 months	1-2 year	2-5 year	More than 5 year
December 31, 2019							
Financial liabilities at fair value through profit or loss	\$ 22,836	22,836	22,836	-	-	-	-
Futures traders' equity	35,435,978	35,435,978	35,435,978	-	-	-	-
Leverage contract trading- customers' equity	308,590	308,590	308,590	-	-	-	-
Accounts payable	54,726	54,726	54,726	-	-	-	-
Receipts under custody	3,856	3,856	3,856	-	-	-	-
Other payable	132,967	132,967	132,967	-	-	-	-
Lease liabilities	39,428	40,117	17,924	10,147	9,520	2,526	-
	<u>\$ 35,998,381</u>	<u>35,999,070</u>	<u>35,976,877</u>	<u>10,147</u>	<u>9,520</u>	<u>2,526</u>	<u>-</u>
December 31, 2018							
Financial liabilities at fair value through profit or loss	\$ 24,900	24,900	24,900	-	-	-	-
Futures traders' equity	34,787,243	34,787,243	34,787,243	-	-	-	-
Leverage contract trading- customers' equity	225,899	225,899	225,899	-	-	-	-
Accounts payable	47,840	47,840	47,840	-	-	-	-
Receipts under custody	3,985	3,985	3,985	-	-	-	-
Other payable	146,105	146,105	146,105	-	-	-	-
	<u>\$ 35,235,972</u>	<u>35,235,972</u>	<u>35,235,972</u>	<u>-</u>	<u>-</u>	<u>-</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:

	December 31, 2019		
	Foreign Currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 588,514,556.92	29.9800	17,643,666
EUR	6,829,880.85	33.5900	229,416
GBP	3,088,904.16	39.3600	121,579
JPY	783,993,334.00	0.2760	216,382
HKD	112,564,168.71	3.8490	433,259
AUD	1,707,065.83	21.0100	35,865
CHF	62,191.27	30.9300	1,924
SGD	253,894.15	22.2800	5,657
KRW	327,068,503.00	0.0262	8,569
CNY	36,372,495.76	4.3050	156,584
MYR	26,959.54	7.0330	190
THB	3,513,779.81	1.0098	3,548
NZD	62,939.96	20.1900	1,271
CAD	74,905.50	22.9900	1,722
<u>Non-monetary items</u>			
USD	4,203,877.55	29.9800	126,032
JPY	1,408,881.00	0.2760	389
AUD	4,538.28	21.0100	95
CNY	4,699,184.91	4.3050	20,230
NZD	7,544.96	20.1900	152
CAD	21.90	22.9900	1
<u>Investments under equity method</u>			
HKD	12,434,330.74	3.8490	47,860

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019		
	Foreign Currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 564,365,654.36	29.9800	16,919,682
EUR	6,798,658.00	33.5900	228,367
GBP	3,020,578.48	39.3600	118,890
JPY	846,895,131.00	0.2760	233,743
HKD	153,308,836.36	3.8490	590,086
AUD	1,737,739.71	21.0100	36,510
CHF	62,129.83	30.9300	1,922
SGD	279,407.99	22.2800	6,225
KRW	172,660,349.98	0.0262	4,524
CNY	27,420,049.66	4.3050	118,043
MYR	25,963.00	7.0330	183
THB	1,766,250.00	1.0098	1,784
<u>Non-monetary items</u>			
USD	175,268.09	29.9800	5,254
CNY	538,827.12	4.3050	2,320

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018		
	Foreign Currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 535,108,073.50	30.7150	16,435,844
EUR	9,245,081.82	35.2000	325,427
GBP	3,655,388.21	38.8800	142,121
JPY	897,927,184.32	0.2782	249,803
HKD	94,673,998.68	3.9210	371,217
AUD	3,101,759.03	21.6700	67,215
CHF	49,563.86	31.1900	1,546
SGD	161,724.11	22.4800	3,636
KRW	347,903,128.00	0.0278	9,672
CNY	42,675,055.12	4.4720	190,843
MYR	248.44	7.1120	2
THB	5,447,232.27	0.9532	5,192
NZD	50,761.30	20.6200	1,047
CAD	231,506.17	22.5800	5,227
<u>Non-monetary items</u>			
USD	9,389,934.61	30.7150	288,412
JPY	8,392,500.00	0.2782	2,335
HKD	82,672.00	3.9210	324
GBP	2,024.62	38.8800	79
<u>Investments under equity method</u>			
HKD	11,659,965.31	3.9210	45,719

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018		
Financial liabilities	Foreign Currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Monetary items</u>			
USD	\$ 517,790,682.84	30.7150	15,903,941
EUR	8,547,919.47	35.2000	300,887
GBP	3,552,592.53	38.8800	138,125
JPY	877,063,512.32	0.2782	243,999
HKD	88,926,530.78	3.9210	348,681
AUD	3,160,808.66	21.6700	68,495
CHF	49,558.86	31.1900	1,546
SGD	171,496.56	22.4800	3,855
KRW	168,065,533.74	0.0278	4,672
CNY	36,793,155.89	4.4720	164,539
THB	4,727,360.00	0.9532	4,506
NZD	1,273.64	20.6200	26
CAD	7,224.19	22.5800	163
<u>Non-monetary items</u>			
USD	178,910.18	30.7150	5,495
JPY	9,729,960.00	0.2782	2,707
CNY	112,732.03	4.4720	504
CAD	13,566.14	22.5800	306
NZD	192.03	20.6200	4
AUD	2,150.07	21.6700	47

Due to the variety of currencies, the Group disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange gain (loss) amounted to \$(7,023) and \$21,258 for the years ended December 31, 2019 and 2018, respectively.

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, customers' margin accounts, financial assets at fair value through profit or loss and futures traders' equity, which are denominated in foreign currency. Foreign exchange gain or loss occurs as foreign currency was translated to TWD currency. For the years ended December 31, 2019 and 2018, with all other variable factors that remain constant, when TWD currency increases or decreases 1% contrary to other currency, the Group's after-tax comprehensive income will increase or decrease \$6,295 and \$7,626, respectively. The analytical basis was the same in both years.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Analysis in interest rates

For the years ended December 31, 2019 and 2018, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, the Group's after-tax comprehensive income will increase or decrease by \$6,948 and \$6,856. This is mainly due to the Group's time deposits and guaranty deposited for business operations in variable rates and settlement fund in variable rate.

(v) Fair value and hierarchy information

1) Fair value information

a) General description

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

		December 31, 2019			
Assets and Liabilities items	Total	Public quote of the same financial instrument in an active market (Level 1)	Observable price except public quote in an active market (Level 2)	Based neither on direct market data nor from the counter party (Level 3)	
<u>Fair value evaluated on a recurring basis</u>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 264,548	264,548	-	-	
Stock investment	154,435	154,435	-	-	
Financial assets at fair value through other comprehensive income	1,375	-	-	1,375	
Liabilities:					
Financial liabilities at fair value through profit or loss	3,365	3,365	-	-	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 93,864	54,798	39,066	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	19,471	11,897	7,574	-	
		December 31, 2018			
Assets and Liabilities items	Total	Public quote of the same financial instrument in an active market (Level 1)	Observable price except public quote in an active market (Level 2)	Based neither on direct market data nor from the counter party (Level 3)	
<u>Fair value evaluated on a recurring basis</u>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 285,658	285,658	-	-	
Stock investment	75,948	75,948	-	-	
Financial assets at fair value through other comprehensive income	1,055	-	-	1,055	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 134,264	87,297	46,967	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	24,900	15,837	9,063	-	

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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, 2019 and 2018.

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

(In Thousands Dollars)

		For the years ended December 31, 2019							
		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	\$ 1,055	-	320	-	-	-	-	1,375	

		For the years ended December 31, 2018							
		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	\$ 1,014	-	41	-	-	-	-	1,055	

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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.

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

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable	Unfavorable
December 31, 2019		
Financial assets fair value through other comprehensive income	\$ <u>14</u>	<u>(14)</u>
December 31, 2018		
Financial assets fair value through other comprehensive income	\$ <u>11</u>	<u>(11)</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, customers' margin accounts, accounts receivables, deposits, future traders' equity, leverage contract traders' equity and account payables. The carrying amount is a reasonable approximation of the fair value. Therefore, the Group does not disclose the fair value.

(q) 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.

(Continued)

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.

(r) 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, 2019, the Group didn't change the method of capital management.

(s) 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, 2019, were as follows:

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

	January 1, 2019	Cash flows	Non-cash changes			December 31, 2019
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 41,065	(30,686)	29,737	(688)	-	39,428
Total liabilities from financing activities	\$ <u>41,065</u>	<u>(30,686)</u>	<u>29,737</u>	<u>(688)</u>	<u>-</u>	<u>39,428</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 56.21% of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

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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.	An Associate
Capital Investment Trust Corp. (Note)	An Associate

Note: The Corporation has become an associate of the Group from February 9, 2018.

(c) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 72,512	95,741
Post-employment benefits	1,080	1,171
Total	<u>\$ 73,592</u>	<u>96,912</u>

(d) Significant transactions with related parties

(i) The amounts of futures trading between the Group and related parties for the years ended December 31, 2019 and 2018 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>Commission income-brokerage</u>		
Capital Securities Corporation	\$ 9,441	21,562
Capital Investment Trust Corp.	1,148	856
Total	<u>\$ 10,589</u>	<u>22,418</u>
<u>Management Fee income</u>		
Capital Securities Corporation	<u>\$ -</u>	<u>1,117</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
<u>Futures traders' equity</u>		
Capital Securities Corporation	\$ 688,447	1,628,417
Capital Investment Trust Corp.	142,376	287,357
Total	<u>\$ 830,823</u>	<u>1,915,774</u>

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Transaction terms are the same as those with general clients.

Capital Securities Corporation deposits margins to the Group for futures proprietary trading, and the Group paid the interest of excess margin annually. In 2019 and 2018, interest expense amounted to \$422 and \$436, respectively.

Capital Investment Trust Corp. deposits margins to the Group for futures proprietary trading, and the Group paid the interest of excess margin annually. In 2019 and 2018, interest expense amounted to \$92 and \$78, respectively.

(ii) Accounts payable and receivable:

	December 31, 2019	December 31, 2018
Accounts receivable		
Capital Securities Corporation	\$ 374	228
CSC Securities (HK) Ltd.	348	106
	\$ 722	334
Accounts payable		
Capital Securities Corporation	\$ 10,914	10,922
Other receivables (Note 1)		
Capital Securities Corporation	\$ 4,052	19,981
CSC Securities (HK) Ltd.	16	17
	\$ 4,068	19,998
Other payables		
Capital Securities Corporation (Note 2)	\$ 789	444
CSC Securities (HK) Ltd. (Note 3)	82	81
	\$ 871	525

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

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

(Note 3) Payables for routine expenses to the associate.

(iii) Futures commission expenses

The Group delegated Capital Securities Corporation for introducing brokers. In 2019 and 2018, futures commission expenses amounted to \$130,341 and \$166,348, respectively.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Leases

The Group signed three-year lease contracts and rented the office and parking spaces from Capital Securities Corporation. The total value of contracts before modification was \$49,557 and the total value of contracts after modification was \$49,989. Rental expenses for the year ended December 31, 2018 amounted to \$16,601. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized an additional amounts of \$26,404 of right-of-use assets and \$26,404 of lease liabilities. For the year ended December 31, 2019, the Group recognized the amount of \$254 as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to \$10,170.

The Group signed two-year lease contracts and rented the office from CSC Securities (HK) Ltd. The total value of contracts was \$23,341 (HKD\$6,112). This lease transaction recognized an additional amounts of \$23,018 (HKD\$5,925) of right-of-use assets and \$23,018 (HKD\$5,925) of lease liabilities. For the year ended December 31, 2019, the Group recognized the amount of \$354 as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to \$16,167.

(v) Information technology service

Computer information system service contract was signed between the Group and Capital Securities Corporation. In 2019 and 2018, the service fee amounted to \$46,378 and \$41,637, respectively.

(vi) Securities commission income

The Group was delegated by Capital Securities Corporation and CSC Securities (HK) Ltd. for securities introducing brokers. In 2019 and 2018, the commission income amounted to \$4,622 and \$7,102, respectively.

(vii) Stock service fee

In 2019 and 2018, the Group paid the stock service fee to Capital Securities Corporation amounted to \$448 and \$406, respectively.

(viii) Human resource and legal service fees

In 2019 and 2018, the Group paid the human resource and legal service fee to Capital Securities Corporation amounted to \$345 and \$360, respectively.

(ix) Securities brokerage charge

In 2019 and 2018, the Group paid the securities brokerage charge to Capital Securities Corporation amounted to \$10 and \$436, respectively.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Bonds under resell agreement

The Group conducted investments with the Capital Securities Corporation for bonds purchased under resell agreements. In 2019 and 2018, the interest income amounted to \$461 and \$321, respectively. As of December 31, 2019 and 2018, the remaining investment amounted to \$46,000 and \$198,000, respectively. The maturity dates are January 6, 2020 and from January 2 to January 14, 2019, respectively. The agreed interest rate is 0.47% and 0.45% to 0.48%, respectively.

(xi) Management service fees

In 2019 and 2018, the Group paid the management service fees to CSC Securities (HK) Ltd. amounted to \$9,096 and \$16,692, respectively.

(8) Pledged assets:None

(9) Significant contingent liability and unrecognized contract commitment:

The Group purchased software and hardware systems for business development. The price amounted to NT\$2,520, as of December 31, 2019, the Group had outstanding balance NT\$1,452.

(10) Significant catastrophic losses:None

(11) Significant subsequent events:

The Board of Directors of the Company approved to raise new cash capital on November 28, 2019 for \$340,000, and issue new common stock of 34,000 thousand shares with \$10 dollars face value per share. On February 25, 2020, the Board of Directors approved to issue the stock at \$34.4 dollars per share. The capital increase plan got the approval by the FSC No.1090300222 on January 30, 2020 and the capital increase date is set to be March 26, 2020.

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Disclosure of information as related to derivative financial instruments:

(a) As of December 31, 2019 and 2018, the open positions of futures and option contracts were as follows:

December 31, 2019

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	Short	112	\$ (268,932)	(268,666)	
	Mini Taiex Futures	Short	10	(5,998)	(5,997)	
	Electronic Sector Index Futures	Short	2	(4,258)	(4,218)	
	Stock Futures	Long	62	6,873	6,969	
	Stock Futures	Short	18	(727)	(723)	
	JPY Dollar Futures	Short	5	(17,355)	(17,324)	
	10-Year U.S. Treasury Note Futures	Short	5	(19,421)	(19,250)	
	Ultra U.S. Treasury Bond Futures	Short	3	(16,889)	(16,338)	
	Subtotal			<u>(326,707)</u>		
Options contract:						
	Stock Options (Call)	Long	10	\$ 1	1	
	Stock Options (Call)	Short	10	(96)	(127)	
	Stock Options (Put)	Short	1	(3)	(1)	
	Stock Options (Put)	Long	14	1	1	
	TAIEX Options (Call)	Long	377	454	357	
	TAIEX Options (Call)	Short	588	(2,298)	(1,728)	
	TAIEX Options (put)	Long	160	284	332	
	TAIEX Options (put)	Short	556	(2,332)	(2,779)	
	TAIEX Weekly Options (Call)	Long	2,487	621	221	
	TAIEX Weekly Options (Call)	Short	1,148	(1,109)	(680)	
	TAIEX Weekly Options (put)	Long	2,494	1,943	2,548	
	TAIEX Weekly Options (put)	Short	2,714	(3,813)	(6,527)	
	Electronic Sector Index Options(Call)	Long	10	51	22	
	Electronic Sector Index Options(put)	Short	20	(76)	(33)	
	Finance Sector Index Options(Call)	Short	20	(10)	(3)	
	Gold Option (Call)	Short	10	(20)	(19)	
	Gold Option (put)	Long	2	3	-	
	Subtotal			<u>(6,399)</u>		
Total				<u>\$ (333,106)</u>		

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2018

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	219	\$ 419,425	423,418	
	TAIEX Futures	Short	95	(183,069)	(183,350)	
	Mini Taiex Futures	Short	264	(126,317)	(127,524)	
	Electronic Sector Index Futures	Long	23	35,333	35,397	
	Finance Sector Index Futures	Short	30	(35,369)	(35,358)	
	USD/JPY FX Futures	Long	53	32,509	32,120	
	USD/JPY FX Futures	Short	213	(130,851)	(130,068)	
	Nifty 50 Index Futures	Long	48	26,045	26,189	
	Nifty 50 Index Futures	Short	4	(2,193)	(2,192)	
	EUR/USD FX Futures	Long	113	79,609	80,110	
	US Dollar Index Futures	Short	1	(2,946)	(2,940)	
	Euro Dollar Futures	Short	18	(79,280)	(79,631)	
	DJIA Index Futures	Short	58	(26,931)	(26,880)	
	MSCI India Index Futures	Short	36	(24,058)	(24,155)	
	JPY Dollar Futures	Short	28	(97,593)	(98,591)	
	Mini Hang Seng Index Futures	Long	4	4,067	4,055	
	2-Year U.S. T-Note Futures	Short	1	(6,495)	(6,521)	
	Mini-Dow Futures	Long	5	17,770	17,867	
	Mini-Dow Futures	Short	2	(7,113)	(7,151)	
	Mini-S&P 500 Futures	Long	16	60,226	61,558	
	Mini-S&P 500 Futures	Short	6	(22,746)	(23,115)	
	S&P 500 Futures (TAIFEX)	Long	18	9,008	9,005	
	S&P 500 Futures (TAIFEX)	Short	12	(6,009)	(5,993)	
	MSCI Taiwan Index Futures	Short	70	(76,977)	(76,654)	
	Hang Seng China Enterprises Index Futures	Long	7	13,704	13,757	
	FTSE China A50 Index Futures	Short	42	(13,227)	(13,325)	
	S&P 500 Futures (CME)	Long	24	89,463	91,597	
	Subtotal			(54,015)		
Options contract:						
	Stock Options (Call)	Long	1	\$ 98	30	
	Stock Options (Call)	Short	1,151	(3,776)	(2,063)	
	Stock Options (Put)	Short	172	(2,263)	(2,749)	
	Stock Options (Put)	Long	54	184	127	
	TAIEX Options (Call)	Short	538	(4,898)	(3,805)	
	TAIEX Options (Call)	Long	572	1,584	1,183	
	TAIEX Options (put)	Long	1,475	8,648	9,788	
	TAIEX Options (put)	Short	385	(3,753)	(3,161)	
	S&P 500 Options (call)	Short	24	(1,684)	(4,059)	
	S&P 500 Options (put)	Long	24	654	427	
	TAIEX Weekly Options (Put)	Long	240	72	25	
	Subtotal			(5,134)		
Total				\$ (59,149)		

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CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) As of December 31, 2019 and 2018, the nominal amount of open positions of foreign exchange rate derivatives contracts were as follows:

Item	December 31, 2019	December 31, 2018
Foreign exchange rate derivatives - buyer	<u>\$ 2,700,301</u>	<u>1,568,749</u>
Foreign exchange rate derivatives - seller	<u>\$ 2,448,322</u>	<u>1,510,240</u>

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

- (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	5,012,996	7.68	5,032,092	10.34	≥ 1	Satisfactory to requirement
	(Total liabilities –futures traders' equity)			486,790			
17	Current Assets	38,683,882	1.10	38,113,857	1.10	≥ 1	"
	Current Liabilities	35,119,902		34,567,504			
22	Stockholders' equity	5,012,996	449.60 %	5,032,092	451.31 %	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Post-adjustment net capital	3,630,546	55.49 %	3,659,697	57.92 %	≥ 20%	"
	Total customer margin deposits required for open positions of customers			6,542,582		6,318,099	

(14) Unique risks to specific futures commission merchant services:

Transactions in futures and options carry a high degree of risk because of the amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily leveraged, the fluctuation of underlying markets is unpredictable, and the variance risk of the exchange rate is high. Futures industry thus bears higher operation risk than other industries. If the customers can't exercise the contract or maintain the proper margin, in order to 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 (Note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum Balance of the Period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables -Customer	No	41,639	41,639	17,845	5%	2	-	Tradings	-	-	-	193,301	966,505
1	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables -Customer	No	83,278	83,278	37,177	5.09%	2	-	Tradings	-	-	-	193,301	966,505
1	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables -Customer	No	83,278	83,278	-	5%	2	-	Tradings	-	-	-	193,301	966,505
1	CSC Futures (HK) Ltd.	Alpha Rnd Singapore Pte Ltd	Account receivables -Customer	No	83,278	83,278	-	5.09%	2	-	Tradings	-	-	-	193,301	966,505
1	CSC Futures (HK) Ltd.	Derivatives China Alpha Fund	Account receivables -Customer	No	83,278	83,278	-	5.09%	2	-	Tradings	-	-	-	193,301	966,505

Remark: Each loan limit by an individual is 10% 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.

Note 1: Type of Numbering

(1) 0 represents Parent company

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

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short-term financing

(ii) Guarantees and endorsements for other parties:None

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

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

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

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

(vii) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	CSC Futures (HK) Ltd.	Capital True PartnerTechnology Co., Ltd.	3	Information technology expense	245	General transaction	0.02%
1	CSC Futures (HK) Ltd.	Capital True PartnerTechnology Co., Ltd.	3	Professional service fees	21,117	General transaction	1.10%
1	CSC Futures (HK) Ltd.	Capital True PartnerTechnology Co., Ltd.	3	Other expense	187	General transaction	-%
2	Capital True PartnerTechnology Co., Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	21,549	General transaction	1.12%
1	CSC Futures (HK) Ltd.	Capital True PartnerTechnology Co., Ltd.	3	Other payables	185		-%
2	Capital True PartnerTechnology Co., Ltd.	CSC Futures (HK) Ltd.	3	Accounts receivable	185		-%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Customers' margin account	215,941		0.52%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures traders' equity	215,941		0.52%

(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			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Customers' margin account	4,010,621		9.74%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Customers' margin account	365,233		0.89%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Futures traders' equity	4,375,854		10.63%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Futures commission expense	8,345	General transaction	0.44%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures commission revenue	8,345	General transaction	0.44%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Brokerage commissions revenue	61,245	General transaction	3.20%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures commission expense	61,245	General transaction	3.20%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Financial costs	7,702	General transaction	0.40%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Interests revenue	7,702	General transaction	0.40%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Other payables	2,909		0.01%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Other receivables	2,909		0.01%

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, 2019			Revenue of investee	Net income (losses) of investee	Share of profits/losses of investee	Cash dividend	Note
						December 31, 2019	December 31, 2018		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 brokerage and other businesses permitted by local law of Hong Kong	862,631	862,631	97.27 %	214,000	97.27 %	940,119	249,672	(50,944)	(49,554)	-	Subsidiary
Capital Futures Corporation	Capital International Information Technology Co., Ltd.	Taiwan	2014.12.29	Gin Guan Zheng Zhi No. 1030038387 letter	Consultancy, information software service	50,000	50,000	100 %	5,000	100.00 %	42,249	-	(3,224)	(3,224)	-	Subsidiary
Capital Futures Corporation	True Partner Capitaladviser Co., Ltd.	Hong Kong	2010.5.31	Gin Guan Zheng Zhi No. 1040027513 letter	Assets Manangement	36,701	36,701	49 %	245	49.00 %	47,860	129,089	5,038	2,469	-	Associate

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

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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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	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	(3)	24,372	-	-	24,372	2,159	51.00%	51.00%	1,101 B (2)	24,068	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business	18,863	(3)	18,863	-	-	18,863	(4,057)	100.00%	100.00%	(4,057) B (2)	17,792	-

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:

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Capital International Technology Corp.	43,235	43,235	80,000

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 years ended December 31, 2019 and 2018, the above segments did not meet the quantitative thresholds.

(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 of the Group's operating segments' accounting policies are no material difference from the ones described in Note 4 "significant accounting policies". The Group evaluates segment performance based on the net profit before tax but not including any extraordinary activity and foreign exchange gain/loss. The Group does not evaluate segment's performance based on its assets and liabilities so that there was no disclosure of assets and liabilities of the operating segment.

	For the years ended December 31, 2019			
	Brokerage business	Others	Adjustment and elimination	Total
Segment Revenue	\$ 2,095,368	324,639	(503,229)	1,916,778
Segment profit or loss	\$ 682,987	63,627	-	746,614

	For the years ended December 31, 2018			
	Brokerage business	Others	Adjustment and elimination	Total
Segment Revenue	\$ 2,566,313	621,805	(338,626)	2,849,492
Segment profit or loss	\$ 840,629	114,347	-	954,976

(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 single customer accounted for 10% or more of the Group's revenues for the current periods.

Independent Auditors' Report

To the Board of Directors of Capital Futures Corporation

Opinion

We have audited the financial statements of Capital Futures Corporation (“the Company”), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Futures Enterprises and the Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

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

Key Audit Matters

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

Commission income – brokerage recognized:

Related accounting policies of commission income – brokerage recognized, please refer to the financial report note 4(o) revenue recognized. Explanation of commission income – brokerage, please refer to the financial report note 6(o)(i). Comprehensive income statement commission income – brokerage.

Explanation of key audit matters:

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

Audit procedures in response:

According to the key audit matters main audit procedures, we perform the sampling test on brokerage business dealing internal control and commission income – brokerage recorded amount, then compare with the entrusted data from brokerage business and evaluate the revenue recognized policies are managed by the related bulletin.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are LEE, FENG HUI and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2020

Notes to Readers

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

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

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

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018		
	Amount	%	Amount	%	Amount	%	Amount	%	
Assets									
Current assets:									
111100 Cash and cash equivalents (Note 6(a))	\$ 3,258,958	8	3,211,143	8	212000 Current financial liabilities at fair value through profit or loss (Note 6(b))	\$ 22,836	-	9,063	-
112000 Current financial assets at fair value through profit or loss (Note 6(b))	512,716	1	269,845	1	214080 Futures traders' equity (Note 6(f))	34,489,833	86	34,098,182	86
114010 Bonds purchased under resale agreements (Note 6(b))	46,000	-	198,000	-	214100 Leverage contract trading customers' equity	308,590	1	225,899	1
114070 Customers margin accounts (Note 6(f))	34,512,680	86	34,122,952	86	214130 Accounts payable	41,651	-	34,175	-
114080 Receivable futures margin (Note 6(g))	2	-	1	-	214140 Accounts payable to related parties (Note 7)	10,914	-	10,922	-
114100 Security borrowing margin	3,874	-	-	-	214150 Advance receipts	2,422	-	3,117	-
114130 Accounts receivable	11,379	-	11,986	-	214160 Receipts under custody	3,811	-	3,946	-
114140 Accounts receivable to related parties (Note 7)	374	-	228	-	214170 Other payables	118,233	1	118,899	-
114150 Prepayments	3,955	-	10,925	-	214180 Other payables to related parties (Note 7)	3,698	-	2,395	-
114170 Other receivables	21,347	-	40,230	-	214600 Current income tax liabilities	86,372	-	52,418	-
114180 Other receivables to related parties (Note 7)	4,052	-	19,981	-	215100 Provisions - current	5,952	-	-	-
114300 Leverage contract trading customers' margin accounts	308,543	1	228,564	1	216000 Current lease liabilities (Note 6(i))	14,920	-	-	-
119000 Other current assets	2	-	2	-	219000 Other current liabilities	10,670	-	8,488	-
	<u>38,683,882</u>	<u>96</u>	<u>38,113,857</u>	<u>96</u>		<u>35,119,902</u>	<u>88</u>	<u>34,567,504</u>	<u>87</u>
Non-current assets:					Non-Current liabilities:				
123200 Non-current financial assets at fair value through other comprehensive income (Note 6(b))	1,375	-	1,055	-	226000 Non-current lease liabilities (Note 6(i))	6,767	-	-	-
124100 Investments under Equity Method (Note 6(c))	1,030,228	3	1,099,476	3	228000 Deferred income tax liabilities (Note 6(l))	8,767	-	9,556	-
125000 Property and equipment (Note 6(d))	57,721	-	44,122	-	229000 Other non-current liabilities (Note 6(k))	6,719	-	7,912	-
125800 Right-of-use assets (Note 6(c))	21,602	-	-	-		<u>22,253</u>	<u>-</u>	<u>17,468</u>	<u>-</u>
127000 Intangible assets (Note 6(h))	56,982	-	52,405	-	Total liabilities	<u>35,142,155</u>	<u>88</u>	<u>34,584,972</u>	<u>87</u>
128000 Deferred income tax assets (Note 6(l))	236	-	170	-	301010 Common stock (Note 6(m))	1,764,376	4	1,764,376	4
129000 Other non-current assets	303,125	1	305,979	1	302000 Capital surplus (Note 6(m))	1,047,338	3	1,047,338	3
	<u>1,471,269</u>	<u>4</u>	<u>1,503,207</u>	<u>4</u>	304010 Legal reserve	504,667	1	421,147	1
					304020 Special reserve	1,142,132	3	990,784	3
					304040 Unappropriated earnings (Note 6(m))	599,904	1	835,315	2
					305000 Other equity	(45,421)	-	(26,868)	-
					906004 Total equity	<u>5,012,996</u>	<u>12</u>	<u>5,032,092</u>	<u>13</u>
906001 Total assets	<u>\$ 40,155,151</u>	<u>100</u>	<u>\$ 39,617,064</u>	<u>100</u>	906002 Total liabilities and equity	<u>\$ 40,155,151</u>	<u>100</u>	<u>\$ 39,617,064</u>	<u>100</u>

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

	<u>2019</u>		<u>2018</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
Incomes:					
401000	Commission income - brokerage (Note 6(o))	\$ 1,638,480	94	1,926,768	81
410000	Net gains (losses) on sale of trading securities	36,165	2	(81,713)	(3)
421300	Dividend revenue	1,101	-	5,842	-
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss	13,966	1	(1,803)	-
421600	Losses on covering of borrowed securities and bonds with resale agreements short sales	(1,144)	-	-	-
421610	Net losses on borrowed securities and bonds with resale agreements short sales at fair value through profit or loss	(1,108)	-	-	-
424200	Securities commission revenue	3,492	-	4,721	-
424400	Net gains (losses) on derivative financial instruments (Note 6(o))	(5,221)	-	414,369	18
424500	Net gains (losses) on derivative instruments Taipei Exchange (Note 6(o))	36,424	2	72,343	3
424800	Management fee revenue	204	-	1,379	-
424900	Consulting fee revenue	15,076	1	29,057	1
428000	Other operating revenue	(1,800)	-	2,342	-
		<u>1,735,635</u>	<u>100</u>	<u>2,373,305</u>	<u>100</u>
Expenses:					
501000	Brokerage fees	219,170	13	251,847	11
502000	Brokerage fees proprietary trading	1,325	-	4,919	-
521200	Financial costs	26,592	2	12,410	1
521640	Loss from securities borrowing transactions	193	-	-	-
425300	(Reversal of) expected credit impairment loss (Note 6(p))	(2,237)	-	33,522	1
524100	Futures commission expenses (Note 6(o))	385,391	22	451,960	19
524300	Clearing and settlement expenses	149,055	9	173,218	7
528000	Other operating expenditure	2,129	-	5,964	-
531000	Employee benefit expenses (Note 6(o))	384,246	22	414,995	18
532000	Depreciation and amortization expenses (Note 6(o))	55,275	3	26,505	1
533000	Other operating expenses (Note 6(o))	275,576	16	485,689	20
		<u>1,496,715</u>	<u>87</u>	<u>1,861,029</u>	<u>78</u>
Non-operating income and expenses:					
601100	Share of profit (loss) of subsidiaries, associates and joint ventures under equity method (Note 6(c))	(50,309)	(3)	60,171	2
602000	Other gains and losses (Note 6(o))	558,336	32	377,809	16
		<u>508,027</u>	<u>29</u>	<u>437,980</u>	<u>18</u>
902001	Net income before income tax	746,947	42	950,256	40
701000	Less: Income tax expenses (Note 6(l))	146,938	8	115,051	5
	Net income	<u>600,009</u>	<u>34</u>	<u>835,205</u>	<u>35</u>
Other comprehensive income:					
Components that may not be reclassified to profit or loss in subsequent periods:					
805510	Actuarial gain (loss) on defined benefit plans (Note 6(k))	(664)	-	(372)	-
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other	320	-	41	-
805599	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Subtotal of components that may not be subsequently reclassified into profit or loss	<u>(344)</u>	<u>-</u>	<u>(331)</u>	<u>-</u>
Components that may be reclassified to profit or loss in subsequent periods:					
805600	Foreign exchange difference from translating financial reports of foreign operations	(18,129)	(1)	28,630	1
805660	Share of other comprehensive income of subsidiaries, associates and joint ventures - Items that may be reclassified to profit or loss in subsequent periods	(810)	-	(475)	-
805699	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(l))	(66)	-	9,222	-
	Subtotal of components that may be subsequently reclassified into profit or loss	<u>(18,873)</u>	<u>(1)</u>	<u>18,933</u>	<u>1</u>
805000	Other comprehensive income	<u>(19,217)</u>	<u>(1)</u>	<u>18,602</u>	<u>1</u>
902006	Total comprehensive income	<u>\$ 580,792</u>	<u>33</u>	<u>853,807</u>	<u>36</u>
975000	Basic earnings per share (Dollar) (Note 6(n))	<u>\$ 3.40</u>		<u>4.73</u>	
985000	Diluted earnings per share (Dollar) (Note 6(n))	<u>\$ 3.40</u>		<u>4.73</u>	

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Stock			Retained earnings			Total other equity interest			Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
Balance at January 1, 2018	\$ 1,603,979	1,207,735	348,116	794,335	730,304	(46,737)	-	4,637,732	895	
Effects of retrospective application	-	-	-	-	-	-	-	-	895	
Balance on January 1, 2018 after adjustments	1,603,979	1,207,735	348,116	794,335	730,304	(46,737)	-	4,638,627	895	
Net income for the year ended December 31, 2018	-	-	-	-	835,205	-	-	-	835,205	
Other comprehensive income	-	-	-	-	(372)	18,933	41	18,602	18,602	
Total comprehensive income	-	-	-	-	834,833	18,933	41	18,602	853,807	
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	73,031	-	(73,031)	-	-	-	-	
Special reserve	-	-	-	196,449	(196,449)	-	-	-	-	
Cash dividends	-	-	-	-	(460,342)	-	-	-	(460,342)	
Changes in capital surplus:										
Issuance of stock dividends from capital surplus	160,397	(160,397)	-	-	-	-	-	-	-	
Balance at December 31, 2018	1,764,376	1,047,338	421,147	990,784	835,315	(27,804)	-	5,032,092	936	
Net income for the year ended December 31, 2019	-	-	-	-	600,009	-	-	600,009	600,009	
Other comprehensive income	-	-	-	-	(664)	(18,873)	320	(19,217)	(19,217)	
Total comprehensive income	-	-	-	-	599,345	(18,873)	320	580,792	580,792	
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	83,520	-	(83,520)	-	-	-	-	
Special reserve	-	-	-	171,217	(171,217)	-	-	-	-	
Cash dividends	-	-	-	-	(599,888)	-	-	-	(599,888)	
Reversal of special reserve	-	-	-	(19,869)	19,869	-	-	-	-	
Balance at December 31, 2019	\$ 1,764,376	1,047,338	504,667	1,142,132	599,904	(46,677)	1,256	5,012,996	1,256	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
Cash flows from (used in) operating activities:		
Net income before income tax	\$ 746,947	950,256
Adjustments:		
Adjustments to reconcile:		
Depreciation expense	47,206	18,844
Amortization expense	8,069	7,661
Expected credit loss (gain)	(2,237)	33,522
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(20,238)	9,341
Interest expense	26,592	12,410
Interest income (including financial income)	(529,587)	(363,732)
Dividend income	(1,457)	(5,891)
Share of loss (profit) of associates and joint ventures under equity method	50,309	(60,171)
Total adjustments to reconcile profit (loss)	<u>(421,343)</u>	<u>(348,016)</u>
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(221,525)	486,135
Decrease (increase) in bond purchased under resale agreements	152,000	(186,499)
Increase in customer margin accounts	(389,728)	(7,215,225)
Decrease (increase) in receivable-futures margin	2,388	(33,370)
Increase in leverage contract trading - customer's margin accounts	(79,979)	(77,024)
Increase in security borrowing margin	(3,874)	-
Decrease in accounts receivable	607	17,330
(Increase) decrease in accounts receivable to related parties	(146)	466
Decrease (increase) in prepayments	6,970	(5,655)
Decrease (increase) in other receivable	18,544	(19,065)
Decrease (increase) in other receivable to related parties	15,761	(19,766)
Increase in other current assets	-	(1)
Decrease (increase) in clearing and settlement fund	2,954	(5,924)
(Increase) decrease in refundable deposits	(100)	144
Increase (decrease) in financial liabilities at fair value through profit or loss	12,665	(113,913)
Increase in futures traders' equity	391,651	7,203,341
Increase in leverage contract trading - customer's equity	82,691	73,059
Increase (decrease) in accounts payable	7,476	(59,531)
Decrease in accounts payable to related parties	(8)	(3,766)
(Decrease) increase in advance receipts	(695)	736
Decrease in receipts under custody	(135)	(405)
Decrease in other payable	(1,504)	(22,706)
Increase in other payable to related parties	1,086	375
Increase in provisions for liabilities	5,952	-
Increase (decrease) in other current liabilities	2,182	(4,315)
(Decrease) increase in non-current liabilities	(1,857)	4,784
Total changes in operating assets and liabilities	<u>3,376</u>	<u>19,205</u>
Total adjustments	<u>(417,967)</u>	<u>(328,811)</u>
Cash inflow generated from operations	328,980	621,445
Interest received	530,050	357,997
Dividends received	1,349	5,891
Interest paid	(25,652)	(12,168)
Income taxes paid	(113,773)	(110,395)
Net Cash flows from (used in) operating activities	<u>720,954</u>	<u>862,770</u>
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(38,619)	(19,400)
Acquisition of intangible assets	(12,646)	(3,774)
Net cash flows from (used in) investing activities	<u>(51,265)</u>	<u>(23,174)</u>
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(21,986)	-
Cash dividends paid	(599,888)	(460,342)
Net cash flows from (used in) financing activities	<u>(621,874)</u>	<u>(460,342)</u>
Net increase (decrease) in cash and cash equivalents	47,815	379,254
Cash and cash equivalents at beginning of period	3,211,143	2,831,889
Cash and cash equivalents at end of period	<u>\$ 3,258,958</u>	<u>3,211,143</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

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

(1) Company history

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

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

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

The financial statements were authorized for issuance by the Board of Directors on March 26, 2020.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in opening balance on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(m)

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities on-balance sheet.

The Company decided to apply recognition exemptions to short term leases of office equipment, etc.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or

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CAPITAL FUTURES CORPORATION
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- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional \$37,672 thousands of right-of-use assets and \$37,672 thousands of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.35%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	\$ 39,672
Recognition exemption for:	
leases of low-value assets	(1,389)
short-term leases	<u>(173)</u>
	<u>38,110</u>
Discounted using the incremental borrowing rate at January 1, 2019	<u>37,672</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 37,672</u></u>

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

(4) Summary of significant accounting policies:

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

- (a) Statement of compliance

The 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 Futures Enterprises and the Regulations Governing the Preparation of Financial Reports by Securities Firms.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies 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.

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

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

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

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

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

An entity shall classify a liability as current when:

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

(e) Cash and cash equivalents

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

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CAPITAL FUTURES CORPORATION
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(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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CAPITAL FUTURES CORPORATION
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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 ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

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

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

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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

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

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.

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities

1) Financial liabilities

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

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

2) Derecognition of financial liabilities

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

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.

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3) Offsetting of financial assets and liabilities

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

(iii) Non-hedging derivative financial instruments

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

(g) Investments in associates and joint ventures

Associates are those entities in which the Company has significant influence, but not control or joint control.

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.

(h) Investments in subsidiaries

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

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

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(i) Securities under agreements

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

(j) Securities borrowing transactions

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

(k) 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.

(l) 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 Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

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(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.

(m) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset throughout the period of use only if either:
 - 1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

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

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

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

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

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

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

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

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

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- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

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

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease.

The Company presents rightofuse 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 Company has elected not to recognize rightofuse assets and lease liabilities for shortterm leases of office equipment and transportation equipment etc. that have a lease term of 12 months or less and leases of lowvalue assets. The Company recognizes the lease payments associated with these leases as an expense on a straightline basis over the lease term.

Applicable before January 1, 2019

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

(n) Intangible assets

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

(o) Revenue recognition

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

(p) Employee benefits

(i) Defined contribution plans

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

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(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(q) 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.

(r) 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 Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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.

The Company's 10% surtax on unappropriated earnings is recorded as current expense after the date of the resolution of stockholders' meeting for declaring the distribution of earnings.

(s) Earnings per share ("EPS")

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

(t) Segment information

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

(5) Major sources of accounting judgments, estimation and assumptions 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 for Futures Enterprises and Regulations Governing the Preparation of Financial Reports by Securities Firms requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

The impairment of investments accounted for using equity method: the Company performed the impairment test of investments accounted for using equity method annually. The recoverable amount of the cash-generating unit was based on the calculation of the value in use that choosing the appropriate discount rate and estimating the expected cash flows of the cash-generating unit.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash	\$ 60	60
Demand deposits	314,751	621,489
Time deposits	2,723,900	2,337,230
Futures margin-excess margin	209,255	229,867
Commercial paper	<u>10,992</u>	<u>22,497</u>
Total	<u>\$ 3,258,958</u>	<u>3,211,143</u>

(b) Financial assets and liabilities

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

	December 31, 2019	December 31, 2018
Open-ended funds and money-market instruments	\$ 112,948	35,000
Open-ended funds and money-market instruments valuation adjustment	1,492	(195)
Trading securities - proprietary trading	152,674	87,054
Trading securities - proprietary trading valuation adjustment	6,478	(7,488)
Securities invested by securities broker	146,849	74,553
Securities invested by securities broker valuation adjustment	(1,589)	(7,283)
Call options - non-hedging	3,482	25
Futures margin-proprietary fund - non-hedging	51,316	41,212
Non-hedging foreign exchange rate derivatives	<u>39,066</u>	<u>46,967</u>
Total	<u>\$ 512,716</u>	<u>269,845</u>

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remain the same), the impact on after-tax comprehensive income for 2019 and 2018 will increase \$4,189 and \$1,816, respectively. Conversely, if there is an decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Bonds purchased under resale agreements

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds purchased under resale agreements	\$ <u>46,000</u>	<u>198,000</u>
Resale price under the agreements	\$ <u>46,007</u>	<u>198,034</u>
Date of repurchase	<u>2020.1.6</u>	<u>2019.1.2~2019.1.14</u>
Interest rates	<u>0.47%</u>	<u>0.45%~0.48%</u>

(iii) Equity instruments measured at fair value through other comprehensive income

<u>Investee Company</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Ownership ratio</u>	<u>Amount</u>	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Futures Exchange Co., Ltd	0.0042 %	\$ <u>1,375</u>	0.0042 %	<u>1,055</u>

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

During the years ended December 31, 2019 and 2018, the dividends of \$51 and \$49, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized. No strategic investments were disposed in 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Put options - non-hedging	\$ 11,897	-
Liabilities on sale of borrowed securities - non-hedging	2,257	-
Liabilities on sale of borrowed securities valuation adjustment - non-hedging	1,108	-
Non-hedging foreign exchange rate derivatives	<u>7,574</u>	<u>9,063</u>
	<u>\$ 22,836</u>	<u>9,063</u>

(c) Investments under Equity Method

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ 982,368	1,053,757
Associates	<u>47,860</u>	<u>45,719</u>
	<u>\$ 1,030,228</u>	<u>1,099,476</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(i) Subsidiaries

The accounting figures of investee, which is controlled by the Company, are combined into the consolidated financial statements; please refer to the consolidated financial report of 2019.

For the years ended December 31, 2019 and 2018, the Company's share of gains or losses of the subsidiaries were as follows:

	For the years ended December 31,	
	2019	2018
Audited by the certified public accountants	\$ (52,778)	56,353

(ii) Associates

The Company acquired 49% of True Partner Capital Advisor Co., Ltd. shares with US \$1,123 on October 2, 2015, which indicate significant. Below is the relevant information:

Name of associate	Relationship with the Company	Principal place of business /Register country of company	Ownership equity and % of right to vote	
			December 31, 2019	December 31, 2018
True Partner Capital Advisor Co., Ltd.	Its main business is assets management, and it's the Company's strategic alliances to expand assets managing business.	Hong Kong	49.00 %	49.00 %

The insignificant associate uses equity method and its financial information is summarized as follows. The information is included in the financial statement of the Company:

	December 31, 2019	December 31, 2018
Summerized ending balance of the insignificant associate	\$ 47,860	45,719

	For the years ended December 31,	
	2019	2018
Shares belong to the Company:		
Net gains from continuing business units	\$ 2,469	3,818
Other comprehensive income (losses)	(262)	366
Total comprehensive income	\$ 2,207	4,184

(iii) Collateral and pledge

As of December 31, 2019 and 2018, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(d) Property and equipment

For the years ended December 31, 2019 and 2018, the cost and accumulated depreciation of the property and equipment of the Company were as follows:

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ 82,528	17,283	99,811
Additions	36,872	1,747	38,619
Disposal	<u>(17,793)</u>	<u>-</u>	<u>(17,793)</u>
Balance at December 31, 2019	<u>\$ 101,607</u>	<u>19,030</u>	<u>120,637</u>
Balance at January 1, 2018	\$ 69,386	11,025	80,411
Additions	<u>13,142</u>	<u>6,258</u>	<u>19,400</u>
Balance at December 31, 2018	<u>\$ 82,528</u>	<u>17,283</u>	<u>99,811</u>
Accumulated depreciation:			
Balance at January 1, 2019	\$ 49,082	6,607	55,689
Depreciation	20,864	4,156	25,020
Disposal	<u>(17,793)</u>	<u>-</u>	<u>(17,793)</u>
Balance at December 31, 2019	<u>\$ 52,153</u>	<u>10,763</u>	<u>62,916</u>
Balance at January 1, 2018	\$ 33,773	3,072	36,845
Depreciation	<u>15,309</u>	<u>3,535</u>	<u>18,844</u>
Balance at December 31, 2018	<u>\$ 49,082</u>	<u>6,607</u>	<u>55,689</u>
Carrying amounts:			
Balance at December 31, 2019	<u>\$ 49,454</u>	<u>8,267</u>	<u>57,721</u>
Balance at December 31, 2018	<u>\$ 33,446</u>	<u>10,676</u>	<u>44,122</u>

As of December 31, 2019 and 2018, the Company did not provide any property and equipment as collateral and pledge.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(e) Right of use assets

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

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application	34,303	3,369	37,672
Additions	<u>508</u>	<u>5,608</u>	<u>6,116</u>
Balance at December 31, 2019	<u>\$ 34,811</u>	<u>8,977</u>	<u>43,788</u>
Accumulated depreciation:			
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application	-	-	-
Depreciation	<u>19,270</u>	<u>2,916</u>	<u>22,186</u>
Balance at December 31, 2019	<u>\$ 19,270</u>	<u>2,916</u>	<u>22,186</u>
Carrying amounts:			
Balance at December 31, 2019	<u>\$ 15,541</u>	<u>6,061</u>	<u>21,602</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(f) Customers margin accounts/ futures traders' equity

As of December 31, 2019 and 2018 the difference between customers' margin accounts and futures traders' equity were reconciled as follows:

	December 31, 2019	December 31, 2018
Customers margin accounts		
Cash in bank	\$ 26,413,775	25,603,099
Balance of the futures clearing house	4,544,421	2,339,834
Balance of other futures commission merchants	3,554,299	6,179,769
Marketable securities	185	250
Balance of customers margin accounts	<u>34,512,680</u>	<u>34,122,952</u>
Plus adjustment items:		
Commision cost	1,248	4,288
Others	59	52
Deduction adjustment items:		
Commision income	(7,123)	(16,348)
Futures transaction tax	(1,342)	(1,426)
Interest income	(5,699)	(3,726)
Temporary credits	(755)	(431)
Remittance amount of the customers after the market closed	(9,235)	(7,179)
Balance of futures traders' equity	<u>\$ 34,489,833</u>	<u>34,098,182</u>

(g) Receivable - futures margin

	December 31, 2019	December 31, 2018
Receivable - futures margin - current	\$ 386	422
Less: Loss allowance	384	421
Subtotal	<u>2</u>	<u>1</u>
Receivable - futures margin - non - current	30,597	32,949
Less: Loss allowance	30,597	32,949
Subtotal	<u>-</u>	<u>-</u>
Total	<u>\$ 2</u>	<u>1</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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

	<u>2019</u>	<u>2018</u>
Balance on January 1	\$ 33,370	-
Impairment losses recognized (reversed)	<u>(2,389)</u>	<u>33,370</u>
Balance on December 31	<u><u>\$ 30,981</u></u>	<u><u>33,370</u></u>

(h) Intangible assets

For the years ended December 31, 2019 and 2018, the costs, amortization, and impairment loss of intangible assets were as follows:

	<u>The seats of foreign futures exchanges (Note)</u>	<u>Computer software</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ 44,325	21,410	65,735
Additions	-	12,646	12,646
Scrap	<u>-</u>	<u>(9,621)</u>	<u>(9,621)</u>
Balance at December 31, 2019	<u><u>\$ 44,325</u></u>	<u><u>24,435</u></u>	<u><u>68,760</u></u>
Balance at January 1, 2018	\$ 44,325	20,902	65,227
Additions	-	3,774	3,774
Scrap	<u>-</u>	<u>(3,266)</u>	<u>(3,266)</u>
Balance at December 31, 2018	<u><u>\$ 44,325</u></u>	<u><u>21,410</u></u>	<u><u>65,735</u></u>
Amortization and impairment loss:			
Balance at 1 January 1, 2019	\$ -	13,330	13,330
Amortization	-	8,069	8,069
Scrap	<u>-</u>	<u>(9,621)</u>	<u>(9,621)</u>
Balance at December 31, 2019	<u><u>\$ -</u></u>	<u><u>11,778</u></u>	<u><u>11,778</u></u>
Balance at January 1, 2018	\$ -	8,935	8,935
Amortization	-	7,661	7,661
Scrap	<u>-</u>	<u>(3,266)</u>	<u>(3,266)</u>
Balance at December 31, 2018	<u><u>\$ -</u></u>	<u><u>13,330</u></u>	<u><u>13,330</u></u>
Carrying value:			
Balance at December 31, 2019	<u><u>\$ 44,325</u></u>	<u><u>12,657</u></u>	<u><u>56,982</u></u>
Balance at December 31, 2018	<u><u>\$ 44,325</u></u>	<u><u>8,080</u></u>	<u><u>52,405</u></u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

Note : The Company 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.

(i) Lease liabilities

The Company’s lease liabilities were as follows:

	December 31, 2019
Current	<u>\$ 14,920</u>
Non-current	<u>\$ 6,767</u>

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

The amounts recognized in profit or loss were as follows :

	For the years ended December 31 2019
Interest on lease liabilities	<u>\$ 329</u>
Expenses relating to short-term leases	<u>\$ 2,047</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 303</u>

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

	For the years ended December 31, 2019
Total cash outflow for leases	<u>\$ 24,665</u>

(i) Real estate leases

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

(ii) Other leases

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(j) Operating lease

Lessee's non-cancellable operating lease payables are as follows:

	December 31, 2018
Within 1 year	\$ 22,251
1-5 years	17,421
	\$ 39,672

The Company rents several offices and equipment under operating lease, the lease terms are within 1 to 5 years. For the year ended December 31, 2018, the operating lease expenses recognized in profit or loss \$24,254.

(k) Employee benefits

(i) Defined benefit plans

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ (24,616)	(26,128)
Fair value of plan assets	17,897	18,216
Recognized liabilities for defined benefit obligations	\$ (6,719)	(7,912)

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

1) Composition of plan assets

The Company set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Labor Pension Fund Supervisory Committee. In regards to the utilization of the fund under the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Company's labor pension preparatory special account in Bank of Taiwan amounted to \$17,897 at the reporting date. The utilization of the labor pension fund includes the assets allocation and yield of the fund. Please refer to the information published on the website under Labor Pension Fund Supervisory Committee of the Council of Labor Affairs Executive Yuan.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

2) Movement in present value of defined benefit obligation

The Change in the present value of defined benefit obligation of the Company in 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Defined benefit obligation at January 1	\$ 26,128	29,511
Current service costs and interest	607	669
Benefits paid	(3,444)	(4,943)
Remeasurement of net defined benefit obligation		
- Experience gain or loss	963	699
- Actuarial loss (gain) arising from changes in financial assumptions	<u>362</u>	<u>192</u>
Defined benefit obligation at December 31	<u>\$ 24,616</u>	<u>26,128</u>

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Fair value of plan assets at January 1	\$ 18,216	17,656
Interest revenue	172	188
Benefits paid	(1,590)	(630)
Remeasurement of net defined benefit obligation		
- Return on plan assets (except net interests of period)	661	519
Contributions to the plan assets	<u>438</u>	<u>483</u>
Fair value of plan assets at December 31	<u>\$ 17,897</u>	<u>18,216</u>

4) Expense recognized in profit or loss

The expenses recognized in profit or loss of the Company in 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Current service cost	\$ 363	359
Net interest of net defined benefit obligation	<u>72</u>	<u>122</u>
	<u>\$ 435</u>	<u>481</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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

For the years ended December 31, 2019 and 2018, the accumulated remeasurement of net defined benefit obligation recognized in other comprehensive income was as follows:

	For the years ended December 31,	
	2019	2018
Accumulated amount on January 1	\$ (11,466)	(11,094)
Recognized during the period	(664)	(372)
Accumulated amount on December 31	\$ (12,130)	(11,466)

- 6) Actuarial assumptions

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

	For the years ended December 31,	
	2019	2018
Discount rate	0.67 %	0.93 %
Future salary growth rate	2.50 %	2.50 %

The expected contribution to the defined benefit plan for the next year is \$435. The weighted average duration of the defined benefit obligation is 2 years.

- 7) Sensitivity Analysis

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

For the years ended December 31, 2019 and 2018, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	Effects to defined benefit obligations	
	Increase 0.5%	Decrease 0.5%
December 31, 2019		
Discount reate	\$ (582)	606
Future salary increasing rate	470	(457)
December 31, 2018		
Discount reate	(674)	703
Future salary increasing rate	559	(543)

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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 Company has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Company contributed \$12,059 and \$11,712 under defined contribution plan to the Bureau of the Labor Insurance in the year 2019 and 2018, respectively.

(l) Income taxes

(i) Income tax expense

1) The amount of income tax expense (benefit) for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Current income tax expense	\$ 147,727	109,856
Deferrd income tax expense	(789)	5,195
Total	\$ 146,938	115,051

2) The amount of income tax benefit (expense) recognized in other comprehensive income of the Company in 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Foreign exchange difference from translating financial reports of foreign operations	\$ 66	(9,222)

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

Reconciliation of income tax expense (benefit) and profit before tax of the Company for 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Profit excluding income tax	\$ 746,947	950,256
Income tax using the Company's domestic tax rate	149,389	190,051
Adjustment in tax rate	-	770
Tax exempt income	603	(78,403)
Adjustments to prior year's income tax	(4,074)	(2,817)
Alternative minimum tax	-	6,510
10% surtax on undistributed earnings	4	42
Others	1,016	(1,102)
Total	\$ 146,938	115,051

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax liabilities

As of December 31, 2019 and 2018, the details of the Company's unrecognized deferred tax liabilities were as follows:

	December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 14,845	28,316

The dividend policies of the Company's subsidiary, CSC Futures (HK) Ltd., were prescribed not to appropriate the retain earning until December 31, 2019. Also, the Company does not plan to dispose of the investee in foreseeable future. Thus, the temporary differences related to investments in subsidiary for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

2) Recognized deferred income tax assets and liabilities

As of December 31, 2019 and 2018, the details of the Company's recognized deferred tax assets and liabilities were as follows:

	December 31, 2019	December 31, 2018
Recognized deferred tax assets:		
Foreign exchange difference from translating financial reports of foreign operations	\$ 236	170
Recognized deferred tax liabilities:		
Unrealized gains on foreign investments under Equity Method	\$ 2,469	1,975
Unrealized gains on derivative financial instruments	6,298	7,581
Total	\$ 8,767	9,556

(iii) Income tax assessment status

The Company's income tax returns through 2017 were assessed by the Tax Authority.

(m) Capital and other equity

(i) Common stock

According to the resolution of shareholders' meeting on May 24, 2018, the Company issued share dividends 16,040 thousand shares with par value of \$10 dollars per share from capital surplus. The paid-in capital became \$1,764,376 after the capital increase. The capital increase was agreed and was immediately effective on July 4, 2018. The based-capital increased date was on August 11, 2018 under the resolution of board meeting on July 10, 2018.

As of December 31, 2019 and 2018, the Company had authorized capital both of \$2,500,000, with par value of \$10 dollars per share; the issued common stock were both 176,438 thousand shares.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Capital surplus

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Share premium		
Capital addition-Share premium	\$ 1,019,733	1,019,733
Capital addition-Employee stock option	24,134	24,134
Difference arising from disposal the subsidiaries' share price and its carry value	2,476	2,476
Changes in ownership interests in subsidiaries	<u>995</u>	<u>995</u>
	<u>\$ 1,047,338</u>	<u>1,047,338</u>

In accordance with the ROC 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.

(iii) Retained earnings

1) Legal reverse

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 distributed the part that the reserve exceeds 25% of the paid in capital.

2) Special reserve

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

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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 the 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.

According to the resolution of shareholders' meeting on May 30, 2019 and May 24, 2018, the Company's 2018 and 2017 earnings distribution for owners were as follows:

	For the years ended December 31,	
	2018	2017
Dividends for owners of common stock		
Cash	\$ 599,888	460,342

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

(n) Earnings per share

The basic earnings per share and dilutive earnings per share for the years ended December 31, 2019 and 2018 were calculated as follows:

(i) Basic earnings per share

	For the years ended December 31,	
	2019	2018
Net income attributable to common shareholders of the Company	\$ 600,009	835,205
Weighted-average number of common stock shares outstanding (thousands of shares)	176,438	176,438
Basic earnings per share (dollar)	\$ 3.40	4.73

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Dilutive earnings per share

	For the years ended December 31,	
	2019	2018
Net income attributable to common shareholders of the Company	\$ 600,009	835,205
Weighted-average number of common stock shares outstanding (thousands of shares)	176,438	176,438
Influence from stock dividends for employee (thousands of shares)	202	268
Weighted-average outstanding shares of diluted earnings per share (thousands of shares)	176,640	176,706
Diluted earnings per share (dollar)	\$ 3.40	4.73

(o) Items of the statements of comprehensive income

(i) Commission income - brokerage

	For the years ended December 31,	
	2019	2018
Brokerage commission-Domestic futures	\$ 843,573	1,021,406
Brokerage commission-Foreign futures	794,907	905,362
	\$ 1,638,480	1,926,768

(ii) Net gains (losses) on derivative financial instruments

	For the years ended December 31,	
	2019	2018
Non hedging		
Net gains (losses) on futures contracts		
Gains on futures contracts	\$ 83,421	712,241
Losses on futures contracts	(79,563)	(965,617)
	\$ 3,858	(253,376)
Non hedging		
Net gains (losses) on option contracts		
Gains on option contracts	\$ 23,460	938,971
Losses on option contracts	(32,539)	(271,226)
	\$ (9,079)	667,745

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

	For the years ended December 31,	
	2019	2018
Non hedging		
Net gains (losses) on foreign exchange rate derivatives		
Gains on foreign exchange rate derivatives	\$ 203,064	280,261
Losses on foreign exchange rate derivatives	(166,640)	(207,918)
	<u>\$ 36,424</u>	<u>72,343</u>
Non hedging		
Total Gains on derivative financial instruments	\$ 309,945	1,931,473
Total Losses on derivative financial instruments	(278,742)	(1,444,761)
	<u>\$ 31,203</u>	<u>486,712</u>
 (iii) Futures commission expenses		
	For the years ended December 31,	
	2019	2018
Re-consigned futures trading	\$ 254,352	283,333
Futures introducing broker business	131,039	168,627
	<u>\$ 385,391</u>	<u>451,960</u>
 (iv) Employee benefit, depreciation and amortization expenses		
	For the years ended December 31,	
	2019	2018
Employee benefit expenses		
Salary	\$ 326,398	342,332
Labor and health insurance	21,708	21,807
Pension	12,494	12,193
Director remuneration	16,897	31,389
Others	6,749	7,274
Depreciation	47,206	18,844
Amortization	8,069	7,661
	<u>\$ 439,521</u>	<u>441,500</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(v) Other operating expenses

	For the years ended December 31,	
	2019	2018
Postage expenses	\$ 40,072	27,661
Taxes	48,322	75,332
Rental	2,350	24,254
Information technology service	114,239	109,140
Professional service fees	3,460	186,564
Others	67,133	62,738
	<u>\$ 275,576</u>	<u>485,689</u>

(vi) Other income and expenses

	For the years ended December 31,	
	2019	2018
Interest revenue	\$ 529,587	363,732
Dividend revenue	356	49
Net gain (loss) on non-operating financial instruments at fair value through profit or loss	7,380	(7,538)
Net gain (loss) on foreign exchange	(1,460)	18,815
Net gain (loss) on disposal of investments	10,746	(8,366)
Other non-operating revenue - other	12,996	12,002
Other non-operating expense - other	(1,269)	(885)
	<u>\$ 558,336</u>	<u>377,809</u>

(vii) Remuneration to employees, directors and supervisors

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

For the years ended December 31, 2019 and 2018, the estimated amounts of remuneration to employee were \$8,714 and \$12,083, and to directors and supervisors by the Company were \$8,714 and \$12,083, 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 is recognized as operating expense for the years ended December 31, 2019 and 2018. 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.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

The estimated amounts of remuneration to employee and director and supervisors by the Company for 2018 were both \$12,083. There was no difference between accounting estimates and actual distribution. Related information would be available at the Market Observation Post System website.

(p) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represent the maximum credit exposure. As of December 31, 2019 and 2018 the maximum credit exposure amounted to \$38,984,425 and \$38,409,964, respectively.

2) Concentration of credit risk

The main counterparties which the Company transacts with regarding cash and cash equivalents, bonds purchased under resale agreements and customer margin deposit are both domestic and overseas financial institutions.

The exposure area of credit risk in December 31, 2019 as shown in below, focusing on Taiwan (proportion 90.52%), secondly was Asia (proportion 9.24% excluded Taiwan), thirdly was North America (proportion 0.20%), and then Oceania (proportion 0.04%). The proportion of investment area did not change significantly compared to the same period last year.

Area	December 31, 2019	December 31, 2018
Taiwan	\$ 34,233,319	31,214,655
Asia (excluded Taiwan)	3,494,763	6,229,925
North America	74,629	4,896
Oceania	14,927	82,619
Total	<u>\$ 37,817,638</u>	<u>37,532,095</u>

3) Impairment loss

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

	December 31, 2019		December 31, 2018	
	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 45,691	8,537	80,802	8,376
Past due 0~30 days	-	-	-	-
Past due 31~120 days	-	-	-	-
Past due 121~360 days	-	-	25,146	25,146
Past due more than 360 days	22,444	22,444	-	-
	<u>\$ 68,135</u>	<u>30,981</u>	<u>105,948</u>	<u>33,522</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

Allowance for doubtful debts under receivables is recorded for the bad debt expense or impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2019 and 2018, the loss allowance of accrued receivables were recognized \$30,981 and \$33,522, respectively.

4) Credit risk of receivables

Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). The Company regards a financial asset as a default when the client of brokerage business is unable to fulfill the margin call or settlement obligation or accrued receivables past due, as well as other receivable of stock default that the company as securities interactive business, which the counterparty is unable to pay the Company. Thus, the Company regarded the financial assets as default and recognized impairment losses. The movement of loss allowance for the years ended December 31, 2019 and 2018 was as follows:

For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL - credit impaired		Total
			Receivable- futures margin	Other receivables	
Balance on January 1	\$ -	-	33,370	152	33,522
Provision or reversal of Impairment loss	-	-	(2,389)	152	(2,237)
Amounts written off	-	-	-	(304)	(304)
Balance on December 31	<u>\$ -</u>	<u>-</u>	<u>30,981</u>	<u>-</u>	<u>30,981</u>
For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL - credit impaired		Total
			Receivable- futures margin	Other receivables	
Balance on January 1 per IAS39	\$ -	-	-	-	-
Adjustment on initial application of IFRS 9	-	-	-	-	-
Balance on January 1 per IFRS 9	-	-	-	-	-
Provision of Impairment loss	-	-	33,370	152	33,522
Balance on December 31	<u>\$ -</u>	<u>-</u>	<u>33,370</u>	<u>152</u>	<u>33,522</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contract cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 year</u>	<u>2-5 year</u>	<u>More than 5 year</u>
December 31, 2019							
Financial liabilities at fair value through profit or loss	\$ 22,836	22,836	22,836	-	-	-	-
Futures traders' equity	34,489,833	34,489,833	34,489,833	-	-	-	-
Leverage contract trading- customers' equity	308,590	308,590	308,590	-	-	-	-
Accounts payable	52,565	52,565	52,565	-	-	-	-
Receipts under custody	3,811	3,811	3,811	-	-	-	-
Other payable	121,931	121,931	121,931	-	-	-	-
Lease liabilities	21,687	21,954	11,425	3,666	4,337	2,526	-
	<u>\$ 35,021,253</u>	<u>35,021,520</u>	<u>35,010,991</u>	<u>3,666</u>	<u>4,337</u>	<u>2,526</u>	<u>-</u>
December 31, 2018							
Financial liabilities at fair value through profit or loss	\$ 9,063	9,063	9,063	-	-	-	-
Futures traders' equity	34,098,182	34,098,182	34,098,182	-	-	-	-
Leverage contract trading- customers' equity	225,899	225,899	225,899	-	-	-	-
Accounts payable	45,097	45,097	45,097	-	-	-	-
Receipts under custody	3,946	3,946	3,946	-	-	-	-
Other payable	121,294	121,294	121,294	-	-	-	-
	<u>\$ 34,503,481</u>	<u>34,503,481</u>	<u>34,503,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019		
	Foreign Currency (dollar)	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 551,690,117.58	29.9800	16,539,670
EUR	6,699,078.78	33.5900	225,022
GBP	3,088,904.16	39.3600	121,579
JPY	779,730,412.00	0.2760	215,206
HKD	174,042,499.51	3.8490	669,890
AUD	1,707,065.83	21.0100	35,865
CHF	62,191.27	30.9300	1,924
SGD	193,628.01	22.2800	4,314
CNY	9,570,071.52	4.3050	41,199
NZD	62,939.96	20.1900	1,271
CAD	74,905.50	22.9900	1,722
<u>Non-monetary items</u>			
USD	4,203,877.55	29.9800	126,032
JPY	1,408,881.00	0.2760	389
AUD	4,538.28	21.0100	95
CNY	4,699,184.91	4.3050	20,230
NZD	7,544.96	20.1900	152
CAD	21.90	22.9900	1
<u>Investments under equity method</u>			
HKD	256,684,610.03	3.8490	987,979

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

				December 31, 2019			
				Foreign Currency			New Taiwan
				(dollar)	Exchange rate	Dollars	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD	\$	544,153,710.05	29.9800	16,313,728		
	EUR		6,700,142.02	33.5900	225,058		
	GBP		3,020,884.73	39.3600	118,902		
	JPY		844,794,946.00	0.2760	233,163		
	HKD		170,987,237.21	3.8490	658,130		
	AUD		1,737,739.71	21.0100	36,510		
	CHF		62,129.83	30.9300	1,922		
	SGD		215,388.39	22.2800	4,799		
	CNY		5,561,659.00	4.3050	23,943		
<u>Non-monetary items</u>							
	USD		175,268.09	29.9800	5,254		
	CNY		538,827.12	4.3050	2,320		
				December 31, 2018			
				Foreign Currency			New Taiwan
				(dollar)	Exchange rate	Dollars	
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD	\$	508,608,787.98	30.7150	15,621,919		
	JPY		886,599,094.00	0.2782	246,652		
	HKD		168,930,402.87	3.9210	662,376		
	GBP		3,655,300.68	38.8800	142,118		
	EUR		8,575,803.51	35.2000	301,868		
	AUD		3,101,759.03	21.6700	67,215		
	SGD		160,061.50	22.4800	3,598		
	CHF		49,563.86	31.1900	1,546		
	CNY		21,841,083.04	4.4720	97,673		
	NZD		50,761.30	20.6200	1,047		
	CAD		231,506.17	22.5800	5,227		

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

December 31, 2018			
	<u>Foreign Currency (dollar)</u>	<u>Exchange rate</u>	<u>New Taiwan Dollars</u>
<u>Non-monetary items</u>			
USD	\$ 4,412,934.61	30.7150	135,543
HKD	82,672.00	3.9210	324
GBP	2,024.62	38.8800	79
JPY	8,392,500.00	0.2782	2,335
<u>Investments under equity method</u>			
HKD	268,602,885.23	3.9210	1,053,193
December 31, 2018			
	<u>Foreign Currency (dollar)</u>	<u>Exchange rate</u>	<u>New Taiwan Dollars</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 500,037,837.54	30.7150	15,358,662
HKD	165,005,037.99	3.9210	646,985
GBP	3,552,856.78	38.8800	138,135
AUD	3,160,808.66	21.6700	68,495
CAD	7,224.19	22.5800	163
SGD	168,666.16	22.4800	3,792
CHF	49,558.86	31.1900	1,546
JPY	869,904,919.00	0.2782	242,008
NZD	1,273.64	20.6200	26
EUR	8,298,223.03	35.2000	292,097
CNY	18,659,311.38	4.4720	83,444
<u>Non-monetary items</u>			
USD	178,910.18	30.7150	5,495
JPY	9,729,960.00	0.2782	2,707
CAD	13,566.14	22.5800	306
AUD	2,150.07	21.6700	47
CNY	112,732.03	4.4720	504
NZD	192.03	20.6200	4

Due to the variety of currencies, the Company disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange gain (loss) amounted to \$(3,156) and \$22,252 for the years ended December 31, 2019 and 2018, respectively.

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

2) Sensitivity analysis

The currency risk of the Company arises mainly from cash and cash equivalents, customers' margin accounts, financial assets at fair value through profit or loss, available-for-sale financial assets and futures traders' equity, which are denominated in foreign currency. Foreign exchange gain or loss occurs as foreign currency was translated to TWD currency. For the years ended December 31, 2019 and 2018, with all other variable factors that remain constant, when TWD currency increases or decreases 1% contrary to other currency, the Company's after-tax comprehensive income will increase or decrease \$10,950 and \$11,986, respectively. The analytical basis was the same in both years.

(iv) Analysis in interest rates

For the years ended December 31, 2019 and 2018, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, the Company's after-tax comprehensive income will increase or decrease by \$6,945 and \$6,856. This is mainly due to the Company's time deposits and guaranty deposited for business operations in variable rates and settlement fund in variable rate.

(v) Fair value and hierarchy information

1) Fair value information

a) General description

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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

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

		December 31, 2019			
<u>Assets and Liabilities items</u>	<u>Total</u>	<u>Public quote of the same financial instrument in an active market (Level 1)</u>	<u>Observable price except public quote in an active market (Level 2)</u>	<u>Based neither on direct market data nor from the counter party (Level 3)</u>	
<u>Fair value evaluated on a recurring basis</u>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 264,548	264,548	-	-	
Stock investment	154,304	154,304	-	-	
Financial assets at fair value through other comprehensive income	1,375	-	-	1,375	
Liabilities:					
Financial liabilities at fair value through profit or loss	3,365	3,365	-	-	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 93,864	54,798	39,066	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	19,471	11,897	7,574	-	
		December 31, 2018			
<u>Assets and Liabilities items</u>	<u>Total</u>	<u>Public quote of the same financial instrument in an active market (Level 1)</u>	<u>Observable price except public quote in an active market (Level 2)</u>	<u>Based neither on direct market data nor from the counter party (Level 3)</u>	
<u>Fair value evaluated on a recurring basis</u>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 106,368	106,368	-	-	
Stock investment	75,273	75,273	-	-	
Financial assets at fair value through other comprehensive income	1,055	-	-	1,055	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 88,204	41,237	46,967	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	9,063	-	9,063	-	

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

b) Valuation techniques

i) Non-derivative financial instruments

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

ii) Derivative financial instruments

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

iii) Transfer between Level 1 and Level 2

There is no transfer between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

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

(In Thousands Dollars)

Item	For the years ended December 31, 2019							
	Beginning Balance	Gains and losses on valuation		Addition		Reduction		Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 1,055	-	320	-	-	-	-	1,375

Item	For the years ended December 31, 2018							
	Beginning Balance	Gains and losses on valuation		Addition		Reduction		Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 1,014	-	41	-	-	-	-	1,055

(Continued)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

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

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

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

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

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable	Unfavorable
December 31, 2019		
Financial assets fair value through other comprehensive income	\$ <u>14</u>	<u>(14)</u>
December 31, 2018		
Financial assets fair value through other comprehensive income	\$ <u>11</u>	<u>(11)</u>

(Continued)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

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

c) Financial instruments not measured at fair value

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

(q) Financial risk management

(i) General description

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

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

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

(ii) Risk management structure

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(iii) Credit risk

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

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

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

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

(iv) Liquidity risk

Liquidity risks are market liquidity risk and capital liquidity risk

- 1) Market liquidity risk:

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

2) Capital liquidity risk:

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

Liquidity risk management of the Company includes :

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

(v) Market risk

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

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

Quantitative Measurement on Market Risk was as follows:

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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

(r) Capital management

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

As of December 31, 2019, the Company didn't change the method of capital management.

(s) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow for the year ended December 31, 2019, were as follows:

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

	January 1, 2019	Cash flows	Non cash changes			December 31, 2019
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 37,672	(21,986)	6,001	-	-	21,687
Total liabilities from financing activities	\$ 37,672	(21,986)	6,001	-	-	21,687

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(7) Related-party transactions:

(a) Relationships between parents and subsidiaries

The Company's subsidiaries were as follows:

	<u>Location</u>	<u>Owners' equity (share%)</u>	
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
CSC Futures (HK) Ltd.	Hong Kong	97.27 %	97.27 %
Capital International Technology Corp.	Taiwan	100.00 %	100.00 %
Capital True Partner Technology Co., Ltd.	China	51.00 %	51.00 %
Capital Futures Technology (Shanghai) Co., Ltd.	China	100.00 %	100.00 %

(b) Parent Company and ultimate controlling party

Capital Securities Corporation is both the Parent Company of the Company and the ultimate controlling party of the consolidated entity. It owns 56.21% of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

(c) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Capital Securities Corporation	The parent company
CSC Futures (HK) Ltd.	A Subsidiary
Capital International Technology Co., Ltd.	A Subsidiary
CSC Securities (HK) Ltd.	An Associate
Capital Investment Trust Corp. (Note)	An Associate

Note: The Corporation has become an associate of the Company from February 9, 2018.

(d) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 58,991	77,779
Post-employment benefits	1,010	1,012
Total	<u>\$ 60,001</u>	<u>78,791</u>

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(e) Significant transactions with related parties

(i) The amounts of futures trading between the Company and related parties for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
<u>Commission income-brokerage</u>		
Capital Securities Corporation	\$ 9,441	21,562
CSC Futures (HK) Ltd.	61,245	68,377
Capital Investment Trust Corp.	1,148	856
Total	\$ 71,834	90,795
 <u>Management Fee income</u>		
Capital Securities Corporation	\$ -	1,117
	December 31,	December 31,
	2019	2018
<u>Futures traders' equity</u>		
Capital Securities Corporation	\$ 688,447	1,628,417
CSC Futures (HK) Ltd	4,375,854	2,987,172
Capital Investment Trust Corp.	142,376	287,357
Total	\$ 5,206,677	4,902,946
 <u>Customers margin accounts-other futures commission merchants</u>		
CSC Futures (HK) Ltd	\$ 215,941	252,079
 <u>Futures margin</u>		
CSC Futures (HK) Ltd	\$ -	4,179

Transaction terms are the same as those with general clients.

Capital Securities Corporation deposits margins to the Company for futures proprietary trading, and the Company paid the interest of excess margin annually. In 2019 and 2018, interest expense amounted to \$422 and \$436, respectively.

CSC Futures (HK) Ltd. deposits margins to the Company for futures proprietary trading, and the Company paid the interest of excess margin annually. In 2019 and 2018, interest expense amounted to \$7,702 and \$2,482, respectively.

Capital Investment Trust Corp. deposits margins to the Company for futures proprietary trading, and the Company paid the interest of excess margin annually. In 2019 and 2018, interest expense amounted to \$92 and \$78, respectively.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(ii) Accounts payable and receivable:

	December 31, 2019	December 31, 2018
Accounts receivable		
Capital Securities Corporation	\$ <u>374</u>	<u>228</u>
Accounts payable		
Capital Securities Corporation	\$ <u>10,914</u>	<u>10,922</u>
Other receivables (Note 1)		
Capital Securities Corporation	\$ <u>4,052</u>	<u>19,981</u>
Other payables		
Capital Securities Corporation (Note 2)	\$ 789	444
CSC Futures (HK) Ltd. (Note 3)	<u>2,909</u>	<u>1,951</u>
	<u>\$ 3,698</u>	<u>2,395</u>

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

(Note 2) Payables for allocated expense and interest.

(Note 3) Payables for commission-brokerage allowance and interest.

(iii) Futures commission expenses

The Company delegated Capital Securities Corporation for introducing brokers. In 2019 and 2018, futures commission expenses amounted to \$130,341 and \$166,348, respectively.

The Company delegated CSC Futures (HK) Ltd. for recon-signing foreign futures trading. In 2019 and 2018, futures commission expenses amounted to \$8,345 and \$10,289, respectively.

(iv) Lease

The Company signed three year lease contracts and rented the office and parking spaces from Capital Securities Corporation. The total value of contracts before modification was \$49,119 and the total value of contracts after modification was \$49,629. Rental expenses for the year ended December 31, 2018 amounted to 16,455. The Company applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized an additional amounts of \$26,176 of right of use assets and \$26,176 of lease liabilities. For the year ended December 31, 2019 the Company recognized the amount of \$252 as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to \$10,145.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(v) Information technology service

Computer information system service contract was signed between the Company and Capital Securities Corporation. In 2019 and 2018, the service fee amounted to \$46,378 and \$41,637, respectively.

(vi) Securities commission income

The Company was delegated by Capital Securities Corporation for securities introducing brokers. In 2019 and 2018, the commission income amounted to \$3,492 and \$4,721, respectively.

(vii) Stock service fee

In 2019 and 2018, the Company paid the stock service fee to Capital Securities Corporation amounted to \$448 and \$406, respectively.

(viii) Human resource and legal service fees

In 2019 and 2018, the Company paid the human resource and legal service fee to Capital Securities Corporation both amounted to \$300.

(ix) Securities brokerage charge

In 2019 and 2018, the Company paid the securities brokerage charge to Capital Securities Corporation amounted to \$10 and \$436, respectively.

(x) Bonds under resell agreement

The Company conducted investments with the Capital Securities Corporation for bonds purchased under resell agreements. In 2019 and 2018, the interest income amounted to \$461 and \$321, respectively. As of December 31, 2019 and 2018, the remaining investment amounted to \$46,000 and \$198,000, respectively. The maturity dates from January 6, 2020 and from January 2 to January 14, 2019, respectively. The agreed interest rates were 0.47% and 0.45% to 0.48%, respectively.

(xi) Professional service fees

The Company delegated Capital International Technology Co., Ltd. for developing systems. In 2018, the professional service fee amounted to \$1,400.

(8) Pledged assets:None

(9) Significant contingent liability and unrecognized contract commitment:

The Company purchased software and hardware systems for business development. The price amounted to NT\$2,520, as of December 31, 2019, the Company had outstanding balance NT\$1,452.

(10) Significant catastrophic losses:None

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CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(11) Significant subsequent events:

The Board of Directors of the Company approved to raise new cash capital on November 28, 2019 for \$340,000, and issue new common stock of 340,000 thousand shares with \$10 dollars face value per share. On February 25, 2020, the Board of Directors approved to issue the stock at \$34.4 dollars per share. The capital increase plan got the approval by the FSC No.1090300222 on January 30, 2020 and the capital increase date is set to be March 26, 2020.

(12) Disclosure of information as related to derivative financial instruments:

(a) As of December 31, 2019 and 2018, the open positions of futures and option contracts were as follows:

December 31, 2019

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	Short	112	\$ (268,932)	(268,666)	
	Mini Taiex Futures	Short	10	(5,998)	(5,997)	
	Electronic Sector Index Futures	Short	2	(4,258)	(4,218)	
	Stock Futures	Long	62	6,873	6,969	
	Stock Futures	Short	18	(727)	(723)	
	JPY Dollar Futures	Short	5	(17,355)	(17,324)	
	10 Year U.S. Treasury Note Futures	Short	5	(19,421)	(19,250)	
	Ultra U.S. Treasury Bond Futures	Short	3	(16,889)	(16,338)	
	Subtotal			<u>(326,707)</u>		
Options contract:						
	Stock Options (Call)	Long	10	\$ 1	1	
	Stock Options (Call)	Short	10	(96)	(127)	
	Stock Options (Put)	Short	1	(3)	(1)	
	Stock Options (Put)	Long	14	1	1	
	TAIEX Options (Call)	Long	377	454	357	
	TAIEX Options (Call)	Short	588	(2,298)	(1,728)	
	TAIEX Options (put)	Long	160	284	332	
	TAIEX Options (put)	Short	556	(2,332)	(2,779)	
	TAIEX Weekly Options (Call)	Long	2,487	621	221	
	TAIEX Weekly Options (Call)	Short	1,148	(1,109)	(680)	
	TAIEX Weekly Options (put)	Long	2,494	1,943	2,548	
	TAIEX Weekly Options (put)	Short	2,714	(3,813)	(6,527)	
	Electronic Sector Index Options(Call)	Long	10	51	22	
	Electronic Sector Index Options(put)	Short	20	(76)	(33)	
	Finance Sector Index Options(Call)	Short	20	(10)	(3)	
	Gold Option (Call)	Short	10	(20)	(19)	
	Gold Option (put)	Long	2	3	-	
	Subtotal			<u>(6,399)</u>		
Total				<u>\$ (333,106)</u>		

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

December 31, 2018

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	131	\$ 252,299	253,244	
	TAIEX Futures	Short	95	(183,069)	(183,350)	
	Mini Taiex Futures	Short	264	(126,317)	(127,524)	
	Electronic Sector Index Futures	Long	23	35,333	35,397	
	Finance Sector Index Futures	Short	30	(35,369)	(35,358)	
	USD/JPY FX Futures	Long	53	32,509	32,120	
	USD/JPY FX Futures	Short	213	(130,851)	(130,068)	
	Nifty 50 Index Futures	Long	48	26,045	26,189	
	Nifty 50 Index Futures	Short	4	(2,193)	(2,192)	
	EUR/USD FX Futures	Long	113	79,609	80,110	
	US Dollar Index Futures	Short	1	(2,946)	(2,940)	
	Euro Dollar Futures	Short	18	(79,280)	(79,631)	
	DJIA Index Futures	Short	58	(26,931)	(26,880)	
	MSCI India Index Futures	Short	36	(24,058)	(24,155)	
	JPY Dollar Futures	Short	28	(97,593)	(98,591)	
	Mini Hang Seng Index Futures	Long	4	4,067	4,055	
	2 Year U.S. T Note Futures	Short	1	(6,495)	(6,521)	
	Mini Dow Futures	Long	5	17,770	17,867	
	Mini Dow Futures	Short	2	(7,113)	(7,151)	
	Mini S&P 500 Futures	Long	16	60,226	61,558	
	Mini S&P 500 Futures	Short	6	(22,746)	(23,115)	
	S&P 500 Futures (TAIFEX)	Long	18	9,008	9,005	
	S&P 500 Futures (TAIFEX)	Short	12	(6,008)	(5,993)	
	Subtotal			<u>(234,103)</u>		
Options contract:						
	TAIEX Weekly Options (Put)	Long	240	\$ <u>72</u>	25	
	Subtotal			<u>72</u>		
Total				<u>\$ (234,031)</u>		

(b) As of December 31, 2019 and 2018, the nominal amount of open positions of foreign exchange rate derivatives contracts were as follows:

Item	December 31, 2019	December 31, 2018
Foreign exchange rate derivatives - buyer	\$ <u>2,700,301</u>	<u>1,568,749</u>
Foreign exchange rate derivatives - seller	\$ <u>2,448,322</u>	<u>1,510,240</u>

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

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

- (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		7.68	5,032,092	10.34	≥ 1	Satisfactory to requirement
	(Total liabilities –futures traders' equity)	5,012,996		486,790			
17	Current Assets	38,683,882	1.10	38,113,857	1.10	≥ 1	"
	Current Liabilities	35,119,902		34,567,504			
22	Stockholders' equity	5,012,996	449.60 %	5,032,092	451.31 %	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Post-adjustment net capital		55.49 %		57.92 %	≥ 20%	"
	Total customer margin deposits requiredfor open positions of customers	3,630,546		3,659,697		≥ 15%	
		6,542,582		6,318,099			

(14) Unique risks to specific futures commission merchant services:

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

(15) Other:None

(Continued)

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements

(16) Other disclosures:

(a) Information on significant transactions:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Maximum Balance of the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables Customer	No	41,639	41,639	17,845	5%	2	-	Tradings	-		-	193,301	966,505
1	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables Customer	No	83,278	83,278	37,177	5.09%	2	-	Tradings	-		-	193,301	966,505
1	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables Customer	No	83,278	83,278	-	5%	2	-	Tradings	-		-	193,301	966,505
1	CSC Futures (HK) Ltd.	Alpha Rnd Singapore Pte Ltd	Account receivables Customer	No	83,278	83,278	-	5.09%	2	-	Tradings	-		-	193,301	966,505
1	CSC Futures (HK) Ltd.	Derivatives China Alpha Fund	Account receivables Customer	No	83,278	83,278	-	5.09%	2	-	Tradings	-		-	193,301	966,505

Remark: Each loan limit by an individual is 10% 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.

Note 1: Type of Numbering

(1) 0 represents Parent company

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

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short term financing

(ii) Guarantees and endorsements for other parties:None

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

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

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

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

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Date of establishment	FSC Rule No.	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Revenue of investee	Net income (losses) of investee	Share of profits/losses of investee	Cash dividend	Note
						December 31, 2019	December 31, 2018	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 brokerage and other businesses permitted by local law of Hong Kong	862,631	862,631	214,000	97.27 %	940,119	249,672	(50,944)	(49,554)	-	Subsidiary
Capital Futures Corporation	Capital International Information Technology Co., Ltd.	Taiwan	2014.12.29	Gin Guan Zheng Zhi No. 1030038387 letter	Consultancy, Information software service	50,000	50,000	5,000	100.00 %	42,249	-	(3,224)	(3,224)	-	Subsidiary
Capital Futures Corporation	True Partner Capital advisor Co., Ltd.	Hong Kong	2010.5.31	Gin Guan Zheng Zhi No. 1040027513 letter	Assets Manangement	36,701	36,701	245	49.00 %	47,860	129,089	5,038	2,469	-	Associate

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the 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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	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	(3)	24,372	-	-	24,372	2,159	51.00%	51.00%	1,101 B(2)	24,068	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management consulting and information service business	18,863	(3)	18,863	-	-	18,863	(4,057)	100.00%	100.00%	(4,057) B(2)	17,792	-

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:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
43,235	43,235	80,000

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements

(17) Segment information:

- (a) Please refer to the consolidated financial report for the year ended December 31, 2019.

VII. Review of Financial Position, Business Performance and Risk Issues

7.1 Financial position

The financial position analysis in the last 2 years (standalone)

Unit: NTD Thousand

Item		Year	Financial information in the last 2 years (note 1)		Difference	
			2019	2018	Amount	%
Current assets			38,683,882	38,113,857	570,025	1.50
Property and equipment			57,721	44,122	13,599	30.82
Other non-current assets			1,413,548	1,459,085	(45,537)	(3.12)
Current liabilities	Before distribution		35,119,902	34,567,504	552,398	1.60
	After distribution		Note 2	35,167,392	-	-
Non-current liabilities			22,253	17,468	4,785	27.39
Capital stock			1,764,376	1,764,376	0	0.00
Retained earnings	Before distribution		2,246,703	2,247,246	(543)	(0.02)
	After distribution		Note 2	1,647,358	-	-
Total Assets			40,155,151	39,617,064	538,087	1.36
Total liabilities	Before distribution		35,142,155	34,584,972	557,183	1.61
	After distribution		Note 2	35,184,860	-	-
Total shareholders' equity	Before distribution		5,012,996	5,032,092	(19,096)	(0.38)
	After distribution		Note 2	4,432,204	-	-

Note 1 : All financial information has been audited.

Note 2 : Appropriation of 2019 earnings had yet to be resolved in a shareholders' meeting.

7.2 Financial performance

The financial performance analysis in the last 2 years (standalone)

Unit: NTD Thousand

Item		Year	2019	2018	Difference	
					Amount	%
Income			\$1,735,635	\$2,373,305	(637,670)	(0.27)
Operating expense			1,496,715	1,861,029	(364,314)	(0.20)
Operating profits			238,920	512,276	(273,356)	(0.53)
Other income and xpenses			508,027	437,980	70,047	0.16
Income before tax			746,947	950,256	(203,309)	(0.21)
Tax			146,938	115,051	31,887	0.28
Net income from continuing operations			\$600,009	\$835,205	(235,196)	(0.28)

Explanation to major variations:

1. Current liabilities and assets: The Current liabilities and assets was increased from previous year, due to the customer's trading margin and trader's equity has increased which related to the trading volume of leverage transaction business raised.
2. Capital: The capital increased due to the cash issue.
3. Retained earnings: Retained earnings increased due to the profit increased.

7.3 Cash flow

7.3.1 Liquidity analysis for the last 2 years

Unit: NTD Thousand

Item \ Year	2019	2018	Variation (%)
Current ratio (%)	2.05	2.5	(18.00)
Cash flow adequacy ratio (%)	115.2	112.41	2.48
Cash reinvestment ratio (%)	2.37	7.88	(69.92)

7.3.2 Cash flow analysis for the coming year

Unit: NTD Thousand

Opening cash balance (1)	Net cash flow from operating activities for the year (2)	Cash outflow for the year (3)	Cash surplus (deficit) (1)+(2)-(3)	Financing of cash deficits	
				Investment plans	Financing plans
3,258,958	841,440	699,853	3,400,545	-	-

7.4 Impacts of major capital expenditures in the last year to financial performance: None.

7.5 Causes of profit or loss incurred on investments in the last year, and any improvements or investments planned for the next year:

A. The Company's investment policy:

The Company's investments were planned and executed according to its internal control system and it's "Procedures for the Acquisition and Disposal of Assets ". As part of its administration over invested businesses, the Accounting Department analyzes investees' financial statements on a regular basis for insights into their individual business operations.

B. The major causes for profits or losses incurred by invested businesses, and any corrective actions:

- CSC Futures (HK) Ltd. suffered a loss this year due to a decline in brokerage business income. At present, in addition to actively develop overseas emerging market customers, and continue to develop a better trading environment for enhancing the market advantages.
- Due to the poor performance of overseas reinvestment operations compared to the previous year, Capital International Technology Corp. suffered a loss in the current period. In addition to strengthen the resource integration between groups, it is actively

developing information systems to increase business income and reduce daily operating costs.

- The operating of other reinvestment companies is stable and the profitability status is well.

C. Investment plan for the coming year: None.

7.6 Analysis of Risk Management

The Company's operation risk (such as market risk, credit risk, liquidity risk, operational risk, legal risk, model risk, reputation risk and other risks related to the operation of futures dealers) is to be established a “Risk Management Policy” under an effective risk management situation and also create a procedure which obeyed by all employees. Each business units should perform risk management operations and activities, and the risk management office supervises the implementation of risk control affairs.

Also, the risk management and other related reports should be submitted by risk management office, internal audit office and financial & accounting office on Boarding meeting, it will affect the financial and sales related rules with regards to the capital distribution of the Company. Within the scope of the Company's acceptable risk, it makes the allocation of risky assets of the Company more reasonable and fully consider about the effects after integrating every risky factor with the changes from subjective and objective environment to decide the coping strategies.

In order to manage effectively the Company's operational risks, the Company has established a risk management policy whose content does reflect the Company's operational strategy objectives, risk preferences and the characteristics of current risk of the Company. Moreover, the Company establish a consistent management process as the norms and basis for the Company's daily execution risk management operations and it is also supported by the Board of Directors, management personnel at all levels and employees. The risk management policy not only rationalize the Company's risky asset allocation and maximize the shareholder returns within the scope of acceptable risk. Besides, the Company should regularly review the appropriateness of the risk management policy and adjust it in a timely manner to cope with changes in the subjective and objective environment.

The management personnel and employees of each business unit of the Company perform jointly all business and trading activities. The supervisors are responsible for all risk management matters such as analyzing, controlling and reporting risky matters, and are responsible for meeting the requirements of legal regulations and corporate risk management policies for operational risk management of the Company. The Company develops a contingency plan and take countermeasures when it necessary, and deliver the relevant information to the management to ensure that the risk control mechanism and procedures are implemented effectively.

High-level management, risk management office, and legal compliance department implement risk monitoring, management, and emergency response measures according to their responsibilities. The functional risk-based approach has been adopted for auditing assessment of overall business and operations level to ensure that every risky factor of the Company is under effective control. Also, through the application of risk management information system, it conducts real-time monitoring and after-hour summary analysis, detects and checks the usage of risk limits of each business unit, assesses exposure and concentration of risk, and presents risk management related reports timely and completely.

Internal auditing department is responsible for the compliance and operational risk management of the Company's regulations and internal control system, and also responsible for supervising and ensuring the effective implementation of the Company's operational risk management procedures. The Company follows the internal control system issued by the competent authority, employs experienced personnel to conduct auditing operations for the business activities, and cooperates with the competent authorities, Taiwan Futures Exchange or Chinese National Futures Association to amend the relevant specifications or change and adjust operational risk management procedures for business needs.

Legal compliance department is responsible for reviewing the legality of transaction contract documents of the Company such as commodity contracts and transaction behaviors to provide the professional suggestions which would implement legal compliance work with internal auditing department jointly.

7.6.1 Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures in the last year:

A. Impacts of interest rate variations to the Company's profit and loss, and responsive measures in the future

1. The Company has sound financial structure and stable cash flow, there is no borrowing rate risk due to without outside loan. Otherwise, FED cut interest rates a total of three times in 2019, it is expected that Federal Reserve Board will maintain a stable market interest rate in 2020. However, it does not rule out a short-term deflation caused by new coronaviruses by means of cutting interest rate. The interest revenue of the Company was from NT\$ 363,732 thousand dollars increased to NT\$ 529,587 thousand dollars which increased by 45.6% from the previous year, due to the amount of customer margin increased and the interest rate of foreign currency raised in 2019.
2. Except for the sound financial structure, the Company keeps close contact with banking institutions for controlling the financial market situation.

B. Impacts of exchange rate variations to The Company's profit and loss, and responsive measures in the future

The revenue of the Company is mainly from the commission revenues of futures services which includes the commission revenues denominated in foreign currencies. The Company recognizes them as income in accordance with its Customers' Margin Policy. In 2019, changes in the exchange rate resulted in a net income of NT\$3,156 thousand dollars.

C. Impacts of inflation to The Company's profit and loss, and responsive measures in the future:

Inflation triggers changes in interest rates, exchange rates, unemployment rates and other economic uncertainties, and therefore considered a material factor to the overall economy and financial activities. After the expansion policies and the introduction of liquidity from central banks of each country in 2019, the market was expected to exhibit moderate inflation in 2020. However, due to the impact of new coronaviruses at the beginning of the year, the market worried that short-term deflation will occur in 2020, but it is still expected that The United States will offset this negative effect through an effective monetary policy. The rise in market volatility due to uncertain factors will help the development of futures hedging business.

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

The Company trades high-risk and high leveraged investments and derivatives only within the scope and regulations permitted by the authority. As for loans to third parties, the Company does not establish any regulations and also incurred above related affairs.

7.6.3 Future research and development plans and projected expenses:

The current configuration of develop department is around 10~20 research professionals, and it expected to expand in the future. In the next years, the Company will take 1%~2% of consolidated sales to continuously recruit related professionals. The predicted research expense will be around NT\$30~45 million dollars.

The Company actively develop the domestic/foreign financial products that would relate to futures and options with high-gross profit, high-adding value and overall solutions ability. The future research plan is including overseas futures market analysis, trading strategy development, and the risk management of derivative products, for constructing the research integrated platform and cloud strategy platform.

7.6.4 The effect of major changes in policies and legal practices, whether domestic or foreign, to the company's financial and business performance, and the responsive actions:

For domestic and foreign important changes in policies and legislation, each relevant department of the company should perform an analysis and evaluation for the significant changes of information and regulations from foreign and domestic markets to each business items beforehand, and then adjust related operational strategies and procedures to respond changes in relevant policies and legislations.

7.6.5 Effects of technological and industrial changes to the company's financial and business performance, and the responsive actions:

The Securities and Futures market develop quickly and connect with the international market; therefore, the Company is going to focus on two key points: recruit constantly the financial professionals and develop Information Technology. For enhancing the global transaction platform (smart trader) to provide speedy and safe investment

environment and maintaining the lead of innovation, the Company connects with social medium and develops platform subscription economy for providing global financial information and professional research suggestions which towards to member management and community business. The Company's IT department leads the group's technological strategy development. It has independent system research and development and customization capabilities, and can assist in rapid business development and provide differentiated and high value-added services in order to create leading core competitiveness. And also, the team works towards to enhancing its capacities, creating leading core competitive advantages in order to lay a solid foundation and to provide clients with safe, stable, and speedy services.

The Company sets "Statement of Information Security Policy" that upholds the information security concept of maintaining the Company's operating environment. It should provide comprehensive protection and prevention of the information which was stored or transmitted by the Company and prevent some accidental loss such as: damage, theft, leakage, tampering, abuse and infringement. The information security policy will be revised and implemented on a regular basis to improve all operations continuously for the confidentiality, integrity and availability in the information services system.

According to the letter from the Financial Supervisory Committee, the overall implementation status of information security will be reported to the Board of Directors within three months after the end of the fiscal year. The chief executive officer of information security and Chairman, president and internal auditing supervisor will jointly issue the statement of overall implementation status for information security. Moreover, this statement will be disclosed to Market Observation Post System.

The Company sets information security personnel to conduct regular security inspections on a daily, monthly and annual basis, including the protection for denial-of-service attack (DDoS) and data leakage, system review for user authority, drills for remote backup and evacuation, scan of system vulnerability, intrusion penetration tests, communication security, personal security education, e-mail social engineering exercises and regular inspection and evaluation of key information systems. The Company strengthen the security protection according to Financial Information Sharing and Analysis Center (FISAC) share the information. And internal auditor of the Company would strengthen the integrity of the overall information security through regularly authorizing the external auditing of ISO and BSI standards.

7.6.6 Impacts of changes in corporate image to the company's crisis management, and the responsive measures:

For the resolution of the Company's reputation risk due to corporate image changes, the auditing and legal compliance department will provide professional consulting to potential crisis. On top of which was a strong proprietary trading team that delivered top-notch performance and profitability in the futures industry. The Company's professional reputation image has long been recognized in the market. In the future, the Company will take the "public interest" as the first priority, and provide the service to public constantly.

7.6.7 The expected benefits from mergers and acquisitions, the potential risks associated, and the responsive measures: None

7.6.8 The expected benefits from plant expansion, the potential risks associated, and the responsive measures: None.

7.6.9 Risks of concentrated purchases or sales, and responsive measures to such risks:

The Company actively expand domestic/foreign broker service and continue enhancing the integration between subsidiaries for risk diversification.

7.6.10 The risks and impacts of significant shareholding transfers by directors, supervisors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks:

The Company’s directors, supervisors, or major shareholders with more than 10% ownership interest shall not have any significant shareholding transferring since its establishment, in addition, the directors, supervisors, or major shareholders reported the changes in the shareholding in accordance with Securities Exchange Act. on a regular basis. The largest shareholder is Capital Securities with shareholding for 56%, and there is no significant transfer since the Company was founded, therefore, the shareholder’s equity is stable relatively.

7.6.11 The effects, risks and responsive measures associated with changes in management:

On top of which was a strong proprietary trading team that delivered top-notch performance and profitability in the futures industry. The Company's professional reputation has long been recognized in the market. In the future, the Company will take the “public interest” as the first priority, and make contributions to capital market.

7.6.12 Major litigation and non-contentious cases:

The major institutional shareholder of the Company is Capital Securities Co., which has the major litigation cases by the end of 2019.12.31 as following:

Event	Brief of Facts	Litigants	Current progress	Litigation Start Date	Value of Claim (Unit: dollars)
Civil	The Plaintiff claims that the prospectus prepared by ABIT Computer Corporation for the 2002 cash issue contained false information that misled investors and caused them to suffer losses. The Company, being the underwriter of that cash issue, was being held jointly responsible under Article 32 of the Securities and Exchange Act.	Plaintiff: Securities and Futures Investors Protection Center Defendant: ABIT Computer Corporation Capital Securities Corp.and others	The case is being reviewed by Taiwan Shilin District Court. According the judgement on 2019.12.26, the Company did not liable for compensation. (This event has not confirmed yet)	2006.11.23	NT\$2,003,697 dollars
Criminal	When the customer who traded at shi-Song branch: ○ -Ping Yu , inspected the transaction documents, Capital Securities Corp. discovered that ○ -Ping Chiang forged the inexistent documents of	Plaintiff: Capital Securities Corp. Defendant: ○ -Ping Chiang	This case has mentioned criminal notices as forged documents and fraud and it is under investigation.	2018.12.18	

	Principal-Guaranteed Notes, the victims including O -Ping Yu were total 15 customers.				
Civil	The customer O -Yen Fan who traded at Wanhua branch of Capital Securities Corp. accused that the sales O -Ling Jan unauthorized privately solicited investment for fraud and suffered loss. Therefore, the prosecution request has been submitted that O -Ling Jan and Capital Securities Corp. are liable for joint indemnity for NTD 2,798,313.	Plaintiff: O -Yen Fan Defendant: O -Ling Jan, Capital Securities Corp.	The case is being reviewed by Taiwan Taipei District Court.	2019.04.08	NT\$2,798,313 dollars
Civil	The plaintiff claimed that a provisional attachment to detain the shares of Art Glory Investment Ltd. under the account of Pamirs Capital (H.K.) limited which was the client of the Company's custody business. The Company reply that there is no shares under the client's account and the plaintiff considered not the truth. Therefore, the prosecution request has been submitted	Plaintiff: Tatung Company. Defendant: Capital Securities Corp.	The case is being reviewed by Taiwan Taipei District Court.	2019.11.26	-

7.6.13 Risk management framework and responsibilities

Article 1: Establishment Basis

This institution of risk management is 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”.

Article 2: Purpose

To effectively control risks, a management procedure is built up from top to bottom that includes the Board of Directors, managers of all departments and the employees to participate. Qualitative and quantitative approaches are taken to recognize, evaluate, monitor and respond to various potential risks. As a result, the company may make reasonable asset allocation and maximize returns for shareholders within a bearable risk range.

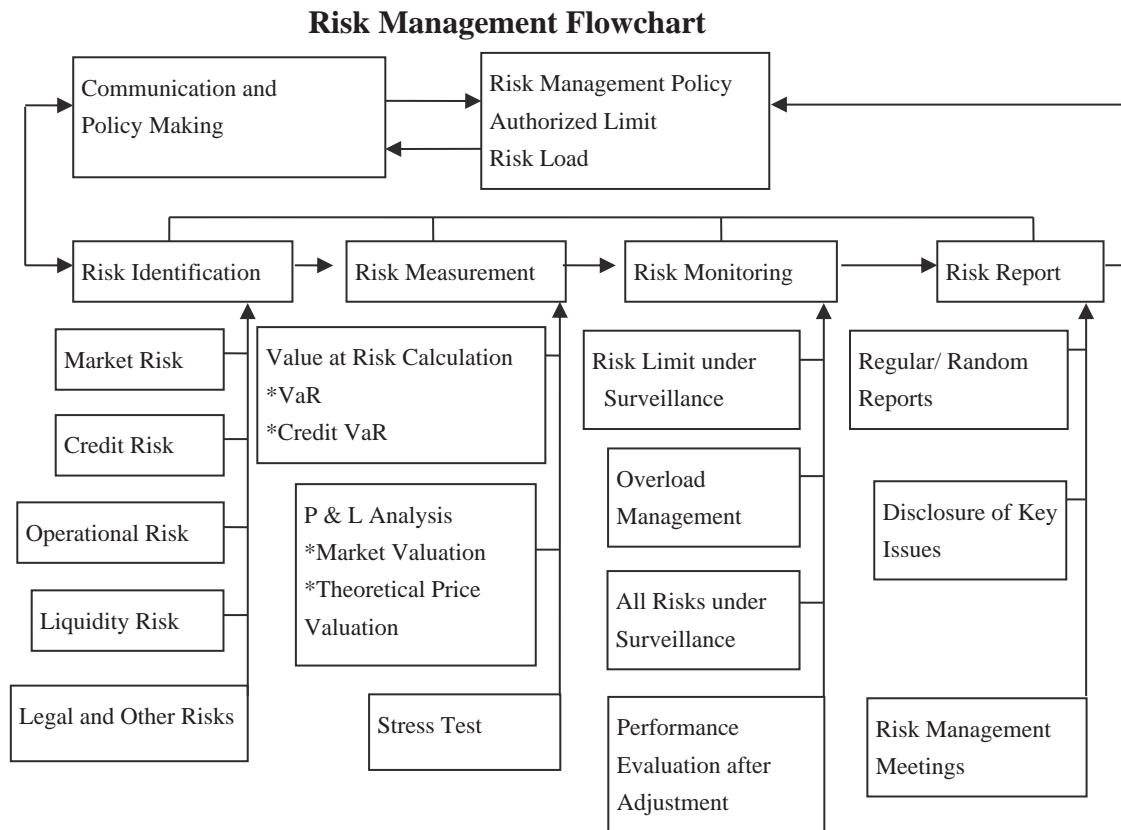
Article 3: Risk Management Organization Structure

Section	Responsibilities
I. Chairman (Board of Directors)	<ol style="list-style-type: none"> 1. Make policies and establish qualitative and quantitative criteria of risk control. Report timely to the Board of Directors the implementation of risk management and advice necessary measures. 2. Assess operational strategies and make decisions. 3. Approve operational application and authorize trading. 4. Ensure the effectiveness of risk management and undertake the ultimate responsibility of risk management.
II. General Manager	<ol style="list-style-type: none"> 1. Report to the Board of Directors the risk evaluation of positions, trading performance and execution percentage of the target. 2. Report to the Board of Directors immediately if any abnormal situation happens (e.g. positions exceeding total stop-loss limits), and demand the subordinates to take necessary approaches.
III. Risk Management Department	<ol style="list-style-type: none"> 1. Assist in risk management system making. 2. Assist departments set up risk limits and assignment methods. 3. Ensure the execution of the risk management system determined by the Board of Directors. 4. Present timely and completely risk management related reports to the Chairman, Vice-Chairman and General Manager. 5. Be familiarized with the content of each trade before it takes place and monitor the positions of completed trade. 6. Upgrade risk assessment capabilities over the quantifiable financial products. 7. Be familiarized with the risk limits of each business department and how they are used. 8. Assess the company's risk exposure and risk concentration. 9. Develop and apply stress-testing and back-testing methods. 10. Inspect the variation between the actual and forecasted P & L of the portfolio. 11. Review product pricing models and valuation system used by business departments. 12. Monitor other risk control associated issues.
IV. Business Department (subsidiary)	<p>middle-level directors' function (risk control personnel)</p> <ol style="list-style-type: none"> 1. Ensure the delivery of risk management information in a timely and correct manner. 2. Ensure effective enforcement of risk limits associated regulations by the business department (subsidiary). 3. Supervise risk exposure and report on the over limit situation, including approaches taken by the business department (subsidiary). 4. Ensure effective internal control in the business department

	<p>(subsidiary) to meet regulations and risk management system. Business department manager(Responsible person of the subsidiary)</p> <ol style="list-style-type: none"> 1. Undertake all risk management associated issues of the business department (subsidiary). Supervise operational risk and take necessary approaches. 2. Supervise the delivery of risk management information.
V. Audit Department	<ol style="list-style-type: none"> 1. Inspect regularly the appropriateness of the internal control of product trading in business departments. 2. Oversee the implementation of risk management system and record in auditor's report. Follow up on faults and abnormal issues and make notes of improvements. 3. Oversee the compliance of rules and regulations.
VI. Finance Department	<ol style="list-style-type: none"> 1. Process accounts and transfer capital according to authorized contracts and trade documents. 2. Make a memorandum for off-balance sheet trade contract. 3. Acquire price information from quotation system of trading department to re-valuate positions. 4. Make timely entry of completed transaction and recognize profit and loss. 5. Make promulgations in accordance with the competent authorities.
VII. Clearing and Settlement Department	<ol style="list-style-type: none"> 1. Inquire for client's credits at account opening before trade. 2. Safeguard opening account contracts and trade contracts. 3. Make product clearing and settlement. 4. Execute margin call and counter transaction under insufficient margin. 5. Report to the competent authorities on trade contracts. 6. Confirm trade contents. 7. Monitor special clients' credit after transaction.
VIII. Compliance and Legal Division	<ol style="list-style-type: none"> 1. Consult with legal professionals of related management policies. 2. Review the obligatory relationship, appropriateness and legal documents of each trade contract before signing. 3. Scrutinize each application that requires the official signatures. 4. Supervises legal and compliance affairs. 5. Supervises business units in assessing impact of new regulations on the company's businesses. 6. Before the launch of any new product, service or business segment, the compliance officer is required to issue a signed opinion regarding compliance with laws and internal policies.

Article 4: Risk Management Flow

The risk management flow includes risk recognition, risk measurement, risk supervision, risk report and its responding approaches.



A. Risk Recognition

Due to the characteristics of futures industry, the company may encounter mainly market risk, credit risk, liquidity risk, operational risk, legal risk and other risks.

Market risk is resulted from unstable market prices during some period of time. For example, interest rate, exchange rate, equity securities and product price change may cause losses on and off-balance sheet.

Credit risk may happen when trading counterpart (including the issuer, contract counterpart or debtor) fails to perform the agreement, which will provoke risk in financial losses to our issuer.

Liquidity risk happens when the company is unable to liquidize assets or acquire enough capital to fulfill responsibilities at due time (also called “capital liquidity risk”). Also, when market is under scale or disordered, the risk (called “market liquidity risk”) exists when handling positions or offsetting positions with massively varying market prices.

Operational risk occurs either when internal personnel or system operates improperly or when external events cause direct or indirect losses.

Legal risk means the potential loss as a result of failure to comply with relevant laws and regulations, and a voidance of the contract caused by illegality of the contract, overstepping powers, neglect of clauses or incompleteness of standards.

Other risks include strategy risk and reputation risk.

B. Risk Measurement

1. Quantitative Measurement on Market Risk

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"). Following the risks of trade contracts offset, the measurement vehicle calculates the maximal probable risk of portfolio under a certain confidence level for the next business day. To test the accuracy, Backtesting approach is taken to try out the violations within one year under pre-calculated VaR using the actual valuated profit and loss of inventory positions for the previous day (P & L for T-1 day).

Sensitivity analysis measures the sensitivity of the positions to individual risk factors (such as interest rate, 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.

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.

Other risk control issues for proprietary trading position:

- (1) Loss limit control: based on each trader's trading strategy and trading amount, establish monthly, quarterly and annual loss limits, and departmental monthly, quarterly and annual loss limits.
- (2) Trading margin control: mandate position limits during trading session and remaining position limits.
- (3) Remaining position limits and open-delta position control: calculate the open-delta value limit of the remaining positions of each individual trader and as a whole.
- (4) Margins ratio control for open interest of domestic and foreign futures trades (The amount of the original margin required for the futures contract, option contract and futures option contract of which the underlying asset are domestic securities, securities portfolio or stock price index, adding the premium paid by option contract, deducting the premium received from option contract) - the amount that is in the domestic futures market shall be greater than 200 percent of the amount that is in overseas futures markets.

- (5) Options trading price inspection: use options trade inquiry to check if the implied volatility rates between positions offset in each transaction and daily settlement price are normal.

2. Measurement on Credit Risk

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

Approaches taken to manage credit risk:

- (1) Credit inquiry and assessment before trade: inquire client's credit and ascertain the legality before transaction.
- (2) Credit rating management: treat clients 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.

3. Liquidity Risk Measurement

Market Liquidity Risk Management:

To avoid losses caused by market liquidity risk, the company considered concentration and market trading volume of its positions held by proprietary trade and the funds not required for business operation, so as to proceed with the quantitative management on liquidity risk. In addition, the company established position limits of the securities issued by any domestic or foreign company to effectively control market liquidity risk.

Capital Liquidity Risk Management:

The Finance Department is an independent from others in transfer of 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", "Margin and Premium Accounts of Futures Clients", etc. After reviewed and approved, these reports will be implemented and filed.

4. Measurement on Operational Risk

Operational risk includes both direct and indirect losses caused by internal personnel, operational process, information system and external events. It is as important as market risk, credit risk and liquidity risk. Any operational risk related data (including occurring time, type of events, documentation and the scale of losses) shall be collected and consolidated in order to make appropriate quantitative measurement.

As the internal control system is established, the Audit Department conducted a routine or special inspection according to the operational procedures and critical control points as required by its internal control systems. This suitable monitoring

and controlling mechanism is implemented against operational risks occurring in the course of business and trading process.

5. As for unquantifiable risks such as legal risk, strategy risk and reputation risk, there should be tactics to tackle risks and to make qualitative assessment.

C. Risk Supervision

To monitor how risk limits are used and if any over limit occurs so that an immediate response is taken and further evaluation is made, it is the responsibilities of the Risk Management Department, managers from business departments and subsidiaries and middle-level directors (risk control staff) to supervise and control the risks together.

Risk Management Department, based on the annual operational plan and risk management regulations, shall monitor the risk limits for the company and for each department, and for market risk, credit risk and capital liquidity risk of each product. The exceeding part shall be reported to Audit Department and immediate improvement is required from the related department (or subsidiary). Risk Management Department shall be responsible for calculating how many times the proprietary departments exceed limits. The rest departments shall be calculated by Audit Department and the records shall be evaluated as the KPI performance for the month.

D. Risk Report

Business Department manager (or subsidiary responsible person) shall ensure the correctness and effectiveness of transaction report. All transactions should be recorded and reported in accordance with regulations of the company and the authorities.

Our risk report mechanism includes:

1. "Risk Management Log" generated daily by Risk Management Department, describing positions of each product exposed to market risk, credit risk and liquidity risk, and comparing them with the regulated limits. The report is presented to Chairman, General Manager, and related department heads.
2. General Manager's weekly meeting with the proprietary trade to review equity positions and P & L in each individual case.
3. A bi-weekly meeting participated by all managers and a monthly operational meeting, in which all departments make business reports and examine abnormal situations.

E. Risk Response Approaches

After assessing and summarizing risks, risk response approaches taken include:

1. Risk avoidance: taking measures to avoid risks.
2. Risk reduction: taking measures to reduce the impact and (or) the possibility of the occurrence.
3. Risk Diversification: transferring part or all of risks to others.
4. Risk undertaking: undertake the impact and the possibility of occurrence by not taking any measures.

5. For risks with low occurring rate but possible threats to company's existence, they shall be treated with prudence. The goal of risk management is to maximize returns for shareholders within a bearable risk range.

Article 5: Risk-based Performance Management

Currently, commonly used RAPM indicators include RAROC, SVA, Sharpe Ratio, etc.

$RAPM = \text{Profit} / \text{Economic Capital}$

Economic Capital is the cash reserve for the company's sustainable operation.

The risk-adjusted performance of each department is measured currently by the concept of RAROC considering the risks exposed to economic capital (risk capital) and the need to quantify risks. The performance returns shall subtract the cost of the capital, transfer costs between internal departments and risk associated reserves such as a proportional reserve for possible losses in the proprietary trade. A proportional reserve from brokerage fee revenue is appropriated for default to reveal the actual management performance of each business department and to pursue the maximal profit within a bearable risk scope.

The goal of risk-adjusted performance management is to evaluate each department's performance in a consistent way by taking risk types into account, and to allocate capital accordingly.

Also, a daily report on the Adjusted Net Capital (ANC) ratio is filed to the competent authority.

$ANC \text{ ratio} = \text{ANC} / \text{total margin required for open positions}$

Article 6: Information System of Risk Management

We have signed an information service agreement with the parent company and joined their Information Safety Committee. The risk management information system, set up by the Information Department, involves 3 major services in application, data and technology providing.

Application framework : The information system may apply to financial products like securities, futures and options. Its function is to manage market risk, credit risk, liquidity risk and part of operational risk, capital allocation, asset and liability, and performance evaluation.

The risk control information system is developed and maintained by a specialized in-house team under the Information Department of the parent company. A new program is developed at the request of the needing department, and is completed and utilized in business after users' test and confirmation of its functions. The Information Department meets with business departments on a regular basis to discuss about the utilization of the information system.

Data framework : The evaluation models used in the risk management information system and in each business department is same. The risk management

office writes a new program with financial engineering software which will be consolidated into the risk control information system by the Information Department. The options evaluation models are mainly Black-Scholes, Binomial and Monte Carlo Evaluation.

Verifying risk information sources and Confirmation Procedure:

1. User must key in their ID first. Its entry shall be allowed when assessed and approved by risk control staff and/or associated manager.
2. Information transmitted into transaction system comes into force when data verified.
3. The system compares information characteristics and the source automatically. Provided any abnormality, the system shall notify the information staff.

Inquiring risk management information:

The system determines applicable programs and permitted information range according to user's business field and authorization. The applicable functions define how much information can be inquired.

Technology framework: The risk management information system only accepts Intranet users' entry and blocks all external connection by firewalls to barricade hackers and other Internet connection. CA's Brightstor software backs up all programs and information, and TNG monitors backup execution. Provided that any abnormal situation happens, the system shall notify the information staff by sending E-mail and messages.

Retrieval procedures involve file retrieval and databank retrieval. Standardized procedure to handle damaged execution files: cease network service, back up the file in network server, and resume network service. Microsoft SQL Server is used as backup facility for our risk management information system. In the case of system abnormality caused by damaged databank, standardized procedure includes discontinuing the databank function, backing up the damaged databank, retrieving backup data of previous day to databank server, and resuming databank service. A different location backup support system is established in Taoyuan site.

Article 7: Disclosure of Risk Information

Qualitative and quantitative risk-related information shall be disclosed in the annual report and on company website in compliance with authority's stipulation.

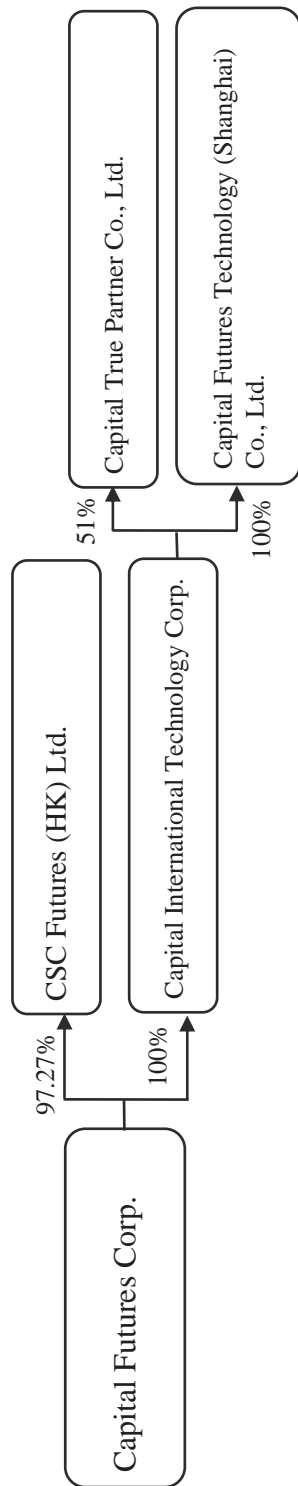
Article 8: The system shall take effect after the approval of the Board of Directors and so shall the amendment.

7.7 Other material issues: None.

VIII. Special Remarks

8.1 Information of affiliated companies

8.1.1 2019 Organizational chart of affiliates



8.1.2 Profile of Affiliated Companies

Unit: \$

Company Name	Date of Establishment	Address	Paid-up capital	Main business activities or products
CSC Futures (HK) Ltd.	1998.12.09	Unit 3204-07, 32F., Cosco Tower, Grand Millennium Plaza, 183, Queen's Road Center, Hong Kong	HK\$220,000,000	Securities Transaction Futures Contract Transaction
Capital International Technology Corp.	2014.12.29	32F., No.97, Sec.2, Dunhua S. Rd, Da'an Dist., Taipei City 10601, Taiwan, R.O.C.	NTD50,000,000	Management consulting, Information software service
Capital True Partner Co., Ltd.	2008.08.20	Room 408-410, 4F., Poly Center Tower C, No.1, Jinxiu Road, Wuhou District Chengdu, 610041, China	CNY\$1,000,000	Management consulting, Information software service
Capital Futures Technology (Shanghai) Co., Ltd.	2016.10.14	6S New Shanghai International Tower, No.360 Pudong Road(S), Shanghai, China	CNY\$4,000,000	Management consulting, Information software service

8.1.3 Information on shareholders presumed to have a controlling and dependent relationship: None

8.1.4 Directors, Supervisors, and President of Affiliated Companies

Unit: Shares; % Date: March 31st, 2020

Company Name	Title	Name or name of representative	Shares held	
			Shares	Shareholding percentage
CSC Futures (HK) Ltd.	Legal Person	Capital Futures Corp.	214,000,000	97.27%
	Director	Capital Futures Corp., representative : Sun, Tien-Shan	0	0
	Director	Capital Futures Corp., representative : Wang, Jiunn-Chih	0	0
	Director	Capital Futures Corp., representative : Chen, Min-Hsi	0	0
	Director	Capital Futures Corp., representative : Fang, Chih-Hung	0	0
	Director	Capital Futures Corp., representative : Kao, Cheng-Yung	0	0
	Director	Capital Futures Corp., representative : Liang, Cheng-Chung	0	0
	Legal Person	Capital Futures Corp.	5,000,000	100.00%
Capital International Technology Corp.	Chairman	Capital Futures Corp., representative : Sun, Tien-Shan	0	0
	Director	Capital Futures Corp., representative : Lee, Wen-Chu	0	0
	Director	Capital Futures Corp., representative : Chen, Wen-Tsay	0	0
	Supervisor	Capital Futures Corp., representative : Lin, Li-Juan	0	0
	President	Lee, Wen-Chu	0	0
Capital True Partner Technology (Chengdu) Co., Ltd.	Legal Person	Capital International Technology Corp.	510,000	51%
	Legal Person	True Partner China Holding Limited	490,000	49%
	Chairman	Capital International Technology Corp. representative : Sun, Tien-Shan	0	0
	Director	Capital International Technology Corp. representative : Lee, Wen-Chu	0	0
	Director	True Partner China Holding Limited representative Ralph Paul Johan VANPUT	0	0
	Director	True Partner China Holding Limited representative : Tobias Benjamin Hekster	0	0
	Supervisor	Capital International Technology Corp. representative : Chen, Wen-Tsay	0	0
	Supervisor	True Partner China Holding Limited representative : Remco Janssen	0	0
	President	Teng,I	0	0
	Legal Person	Capital International Technology Corp.	4,000,000	100%
	Chairman	Capital International Technology Corp. representative : Sun, Tien-Shan	0	0
Capital Technology (Shanghai) Co., Ltd.	Director	Capital International Technology Corp. representative : Mao, Chen-Hua	0	0
	Director	Capital International Technology Corp. representative : Lee, Wen-Chu	0	0
	Supervisor	Capital International Technology Corp. representative : Chen, Wen-Tsay	0	0
	Supervisor	Hung, Ming-Nan	0	0
	President		0	0

8.1.5 Operational Overview of Affiliated companies

Unit: NTD Thousand Date: Dec. 31st, 2019

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Current period profit/loss (after-tax)	EPS (\$) (After-tax)
Capital International Technology Corp.	50,000	42,363	115	42,248	-	-270	-3,224	-0.64
CSC Futures (HK) Ltd.	875,750	6,533,032	5,566,527	966,505	249,672	-66,445	-50,944	-0.23
Capital True Partner Technology (Chengdu) Co., Ltd.	5,013	9,061	5,179	3,882	22,609	2,157	2,159	2.16
Capital Futures Technology (Shanghai) Co., Ltd.	18,863	18,331	539	17,792	-	-4,401	-4,057	-1.01

Note : The 2019.12.31 exchange rate : Assets and liabilities : TWD/HKD=3.819/1 , TWD/CNY=4.28/1; Profit and loss: TWD/HKD = 3.885/1, TWD/CNY=4.389/1

8.1.6 The affiliation report: Please refer to page 278o 281of this annual report.

8.2 Private placement of securities in the last year up till the publication date of this annual report: None

8.3 Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of this annual report: None

8.4 Other supplementary information: None.

8.5 Occurrences of events defined under Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices : None

Declaration

The Company's 2019 Affiliation Report (for the period from January 1 to December 31, 2019) has been prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". No material discrepancies were found between the information disclosed in the above report and the notes to financial statements for the corresponding period.

Declared by:

Company : Capital Futures Corp.

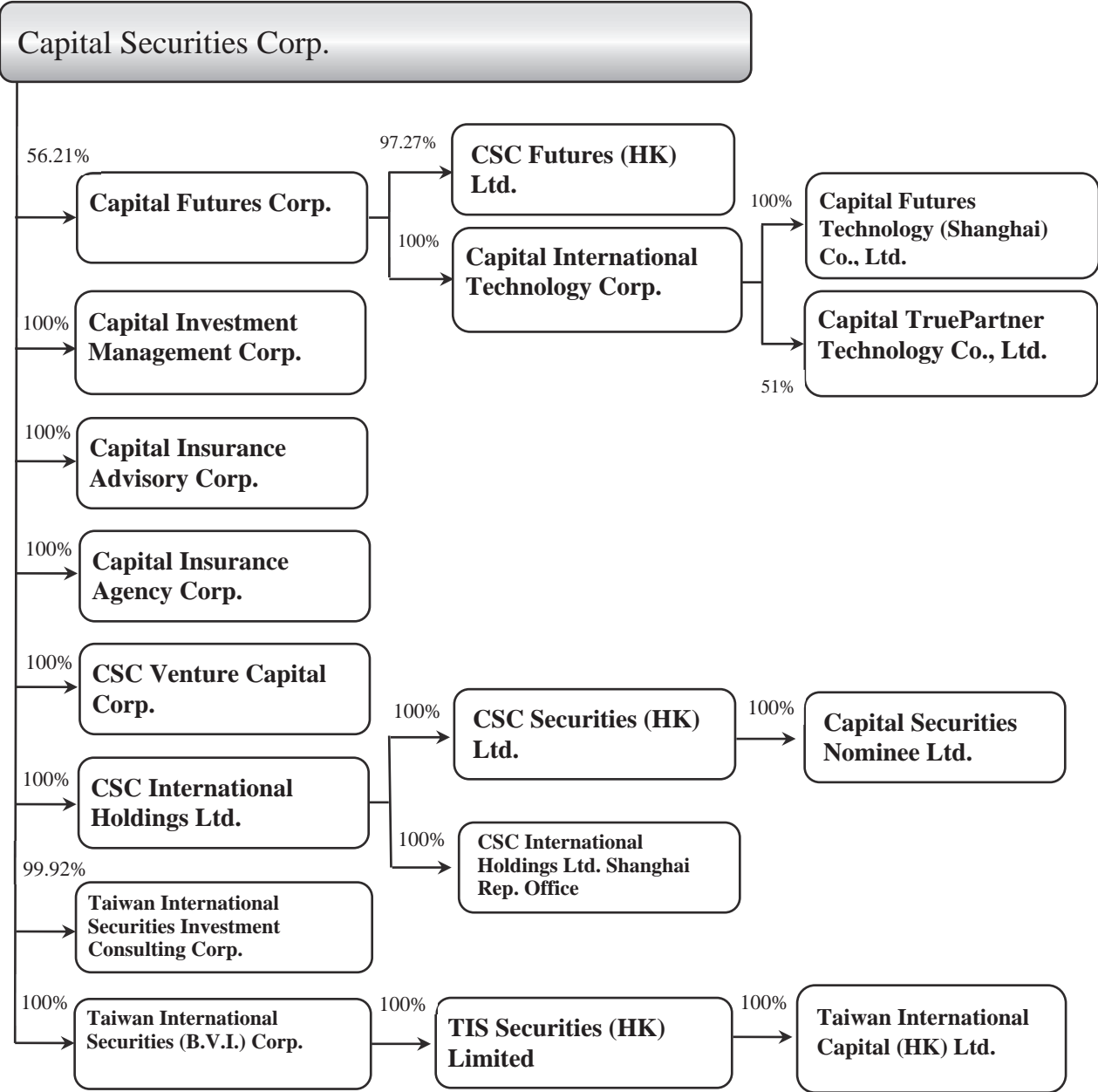
Chairman : Sun, Tien-Shan

Date : March 26, 2020

2019 Affiliation Report

I. Group organization chart and shareholding structure

Date : Dec. 31st, 2019



II. Relationship between the controlling and the controlled company

Unit: shares; %

The Name of Controlling Company	Means of Control	Shares Held and Pledged by the Controlling Company		Directors, Supervisors or Managers Appointed by the Controlling Company		
		Number of shares held (shares)	Shareholding percentage (%)	Shares Pledged	Title	Name
Capital Securities Corp.	Exercises significant influence	99,183	56.21 %	-	Chairman Director Director	Capital Securities Corp. Representative: Sun, Tien-Shan Representative: Wang, Jiunn-Chih Representative: Liu, Ching-Tsun

III. Transactions with trading of inventory: Not applicable.

IV. Transactions with property: Not applicable.

V. Transactions with financing: Not applicable.

V.I. Transaction with asset lease: Renting the office and parking space from Capital Securities Co.

Type (Lease/Lessee)	Name of property	Location	Period	Leasing	Rent	Payment terms	Compare with other normal rent	2019 rent	NTD thousand	
									Current payment situation	Other remarks
Lessee	Tunnan Tower	B1, B2&32F., No.97, Sec.2, Dunhua S. Rd., Da'an Dist., Taipei City 10601, Taiwan, R.O.C.	2017.8.1~2020.7.31	Operating leasehold	Refer to current market standards	Monthly	No differentiation	17,006 (Note 1)	Normal	None

Note 1: It defines the actual rental expense to Capital Securities Co., and the refundable deposits is NT\$ 4,007 thousand dollars.

VII. Disclosure of major transactions:

1. The Company earned the brokerage commission revenue NT\$ 9,441 thousand dollars from Capital Securities Co. in 2019, besides, the amount to its futures trader's equity was NT\$688,447 thousand dollars and the interest expense of deposits received from futures transactions was NT\$422 thousand dollars on Dec. 31st, 2019.
2. The payment situation to Capital Securities Co. on Dec. 31st, 2019: Account receivable is NT\$374 thousand dollars, account payable is NT\$10,914 thousand dollars, other account receivable is NT\$4,052 thousand dollars and other account payable is NT\$789 thousand dollars.
3. The Company appointed Capital Securities Co. to Futures Introducing Broker, the commission payment was NT\$ 130,341 thousand dollars in 2019.
4. The Company rented office space from Capital Securities Co., and it is the first adoption of IFRS No.16 to recognize right-of-use asset NT\$ 26,176 thousand dollars and lease liabilities NT\$ 26,176 thousand dollars in 2019. The recognized interest payment was NT\$ 252 thousand dollars in 2019 and the balance of lease liabilities was NT\$10,145 thousand dollars as of the end of Dec. 31st, 2019.
5. The Company signed the "Computer information system management service contract" with Capital Securities Co. for the computer information system management services. The service expense in 2019 was NT\$ 46,378 thousand dollars.
6. The Company was appointed by Capital Securities Co. to Securities Introducing Broker, the commission revenue was NT\$ 3,492 thousand dollars in 2019.
7. The Company paid NT\$ 448 thousand dollars for agent services of stock affairs to Capital Securities Co. in 2019.
8. The Company paid NT\$ 300 thousand dollars for human resource and legal service expense to Capital Securities Co. in 2019.
9. The Company paid NT\$ 10 thousand dollars for securities brokerage fee to Capital Securities Co. in 2019.
10. The Company earned the interest revenue NT\$461 thousand dollars from the Reverse repurchase agreement bonds which traded through Capital Securities Co. as of Dec. 31st, 2019. The revenue of trading Reverse repurchase agreement bonds was NT\$46,000 thousand dollars, the expiration date is Jan 6th, 2020, and contract interest rate is 0.47%.

VIII. Guarantees and endorsements: Not applicable.

IX. Disclosure of other financial or business items with material impact: None.

Capital Futures Corp.

Chairman Sun, Tien-Shan