

Stock code: 6024



**2020**

**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>*

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

I. Spokesperson:

Name: Wen-Chu, Lee

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:

<b>Company Name</b>	<b>Address</b>	<b>TEL</b>
Head Office	B1 & 32F, 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

Website: www.capital.com.tw

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

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 2020

Reviewing Year 2020, even though there was the uncertainty of Covid-19 pandemic, the trade war between China and the United States and the president election of United States interfering with the overall investment environment, the Company's annual trading volume of the domestic futures brokerage business was 49.84 million lots, increasing 26% from the previous year, and the market share was 7.30%. The Company's annual trading volume of the foreign futures brokerage business was 8.17 million lots, increasing 5.5% from the previous year, and the market share was 20.8%. In 2020, the consolidated revenues were NT\$2,426 million, increasing 26.58% from the previous year, and the net income before and after tax were NT\$784 million and NT\$622 million, respectively increasing 5.08% and 3.78% from the previous year. Due to the rate cut by central banks over the world, the Company's interest income dropped sharply. However, the Company's brokerage business and proprietary trading business still steadily grew, along with the significant growth of leverage forex margin transaction business. Furthermore, the Company aimed to operate diversified business and earn diversified income by building the multi-engine profitable model. Therefore, the overall performance in 2020 was still improved.

As a leader in the field of financial technology, the Company not only captures market trends in an efficiency way, but also actively constructs an IT system as its platform for global trading. Moreover, the Company has unique self-media such as Capital View, Dr. Stock, and Capital Morning, leading in analyzing global investment products and opportunities through comprehensive research on fundamental financial information and market, to provide professional real-time investment suggestions. Furthermore, in 2020 the Company established the Digital Growth Department, focusing on further fintech upgrade. With customer-centered commitment, the Company aims at providing greater products and better user experience to its clients, by enhancing investment tools, information and social ecosystem. Therefore, the Company is implementing its business goals which include providing high-valued services and doing all the best for customers with digital financial expertise.

The Company has 7 directors in board of directors (including 3 independent directors) who are all with the profession of operation, management, finance, accounting, law, international market and strategy. Through rich financial experience and various operating expertise from Directors with diversified background, the Company can implement supervision on operation and management, which helps push forward the Company's whole development strategy, business performance, operating system, and investor protection. In addition, the Company will continue to serve the real economy, strengthen corporate governance, safeguard the rights and interests of investors, and execute the rigorous compliance and internal control systems. In other words, the Company not only pursues long-term and stable profitability, but also commits itself to constructing a safe investment environment and fulfilling its corporate social responsibility.

### 1.2 2020 income and profit analysis:

Unit: NTD thousand

Item	2020	2019
Income	2,426,236	1,916,778
Expenses	2,055,139	1,739,116
Non-operating income and expenses	413,409	568,952

Net income before tax	784,506	746,614
Net income	622,344	599,676
Return on Equity (%)	10.89%	11.87%
Net profit margin (%)	25.65%	31.29%
Return on Asset (%)	1.42%	1.47%
Earnings per share after tax (dollar)	3.07	3.4

### 1.3 Operating plans and development strategies for the future

Despite the roll-out of Covid-19 vaccines during the pandemic, governments around the world may still sign large-scale relief packages. In addition, abnormal climate may cause the price of produce to rise, and the trend of the U.S. dollar is still uncertain. Therefore, there are still a great number of factors influencing the unsureness about the global economy and financial market in the future, which may enlarge the market volatility and the hedging demand. Thus, trading in domestic and international futures markets should keep booming, and the trading volume has chance to increase; consequently, the overall operation of futures industry should be benefited.

The operating plans and development strategies of the Company in 2021 are as follows:

1. To consolidate and duplicate the leading advantages on foreign market business:  
The Company, taking advantage of DMA, promotes products of CME Group, HKEx, SGX, Euronext, EUREX, ICE, etc., to develop the market in Greater China. With the promotion to domestic and foreign futures, options, stock futures and ETF, customers' assets will be protected, and the Company's business and profit will improve accordingly.
2. To improve the performance of the futures and securities proprietary trading teams and to recruit outstanding traders with expertise in high-frequency market-making, spread arbitrage, and the over-the-counter transaction, for expanding the sources of income from the proprietary trading and scattering the risk.
3. The Company, with its advantage of the top one leverage transaction merchant (LTM), promotes forex margin trading, gold and oil CFD products, also seizes the opportunity to the new business, such as seeking approval for futures associated persons to refer customers to LTM, for overseas Chinese and foreigners to trade LTM's products, and for LTM to issue new CFD products (including U.S. stock CFD, other stock and index CFDs). Moreover, the Company cooperates with foreign partners and channels, for developing customers in Greater China and Southeast Asia and providing them with multiple choices of hedging and investment.
4. To expand the diverse sources of income and to serve the real economy, the Company is going to establish a commercial and trading company to implement LME physical delivery and warrant related businesses, including warrant swap, sale, procurement, pledge, etc.
5. To design the digital growth blueprint and to implement three strategies of digital transformation (which are: increasing sales momentum, enhancing investment information, and improving user experience) by the methods such as self-innovation, collaboration between enterprises, marketing activities, and academic-industry cooperation.
6. With the IT advantage, our subsidiary in Hong Kong has developed self-owned global futures trading platforms to connect exchanges around the world, and gradually cover the developing countries, such as Thailand, Vietnam and India, to provide the B2C cross-market trading platform and customized services for the customers in Greater China. In addition, the HK subsidiary is building its own official website and has obtained License type 4 and type 5, helping customers engage in futures trading via the cooperation on investment advisory

business.

7. The subsidiary in Hong Kong plans to apply as a qualified foreign investor in China market, which can help customers engage in futures and options trading in China market with its exclusive futures trading platform.
8. The Company awaits the opportunity to invest in the futures enterprise in China, combining with subsidiaries in Shanghai and Chengdu to perform the business synergy.
9. For increasing profits, the Company tries to invest in more kinds of products with the self-owned funds, such as foreign currency deposit, bonds funds, equity funds, and ETFs.
10. The Company will continue to strengthen internal audit, internal control and legal compliance, and strictly comply with risk management. Also, our education and training will keep focusing on IT security, anti-money laundering, and the Treating Customer Fairly Principle. In addition, the Company has appointed the chief corporate governance officer to ensure independent and effective operation of the board of directors, the audit committee, the remuneration committee and ethical management committee, with the goal of being a constituent in TWSE Corporate Governance 100 index.
11. To carry out the Company's corporate culture and well balance its human resource development, the Company continues to connect with students and young people, strengthen academic-industry cooperation (providing summer intern opportunities), and recruit freshmen in the workplace.
12. The Company is committed to creating a happy workplace, practicing the social welfare, and well performing the environmental, social and governance (ESG) responsibility, which combines with its core values: digital growth, valuable services, 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 Crop. was established on February 26 <sup>th</sup> .
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 Crop." 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 <sup>th</sup> .
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 <sup>th</sup> .
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 <sup>th</sup> 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 <sup>th</sup> -term Golden Goblet Award for Outstanding Securities Industry Talent to Chairman Tim Sun.
2001.07	Securities & Futures Institute of R.O.C.	The 6 <sup>th</sup> -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 <sup>th</sup> -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 <sup>th</sup> -term Golden Goblet Company Award for Outstanding Finance Innovation.
2009.07	Taiwan Futures Exchange	The 4 <sup>th</sup> -term Board of Directors--Chairman Tim Sun.
2009.08	Singapore Exchange Derivatives Trading Limited (SGX-DT)	The 1 <sup>st</sup> FCM in Taiwan approved as a SGX-DT Trading Member (Agency and Proprietary).
2010.06	Chinese National Futures Association (CNFA)	Convener of Standing Supervisors of CNFA--Chairman Tim Sun.
2010.07	Taiwan Futures Exchange	The 5 <sup>th</sup> -term Board of Supervisors--Chairman Tim Sun.
2010.10	CME Group	The 1 <sup>st</sup> FCM in Taiwan certified by the CME group for Direct Market Access (DMA).
2011.03	CME Group--CME	The 1 <sup>st</sup> FCM in Taiwan approved as a CME Rule 106.H. Trading Member Firm.
2011.03	CME Group--CBOT	The 1 <sup>st</sup> 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 <sup>st</sup> FCM in Taiwan approved as a COMEX Rule 106.J. Member Firm.
2011.06	CME Group--NYMEX	The 1 <sup>st</sup> FCM in Taiwan approved as a NYMEX Rule 106.J. Member Firm.
2011.07	Securities & Futures Institute of R.O.C.	The 11 <sup>st</sup> -term Golden Goblet Award for Special Contribution to Independent Director Chao Chuan Chu.

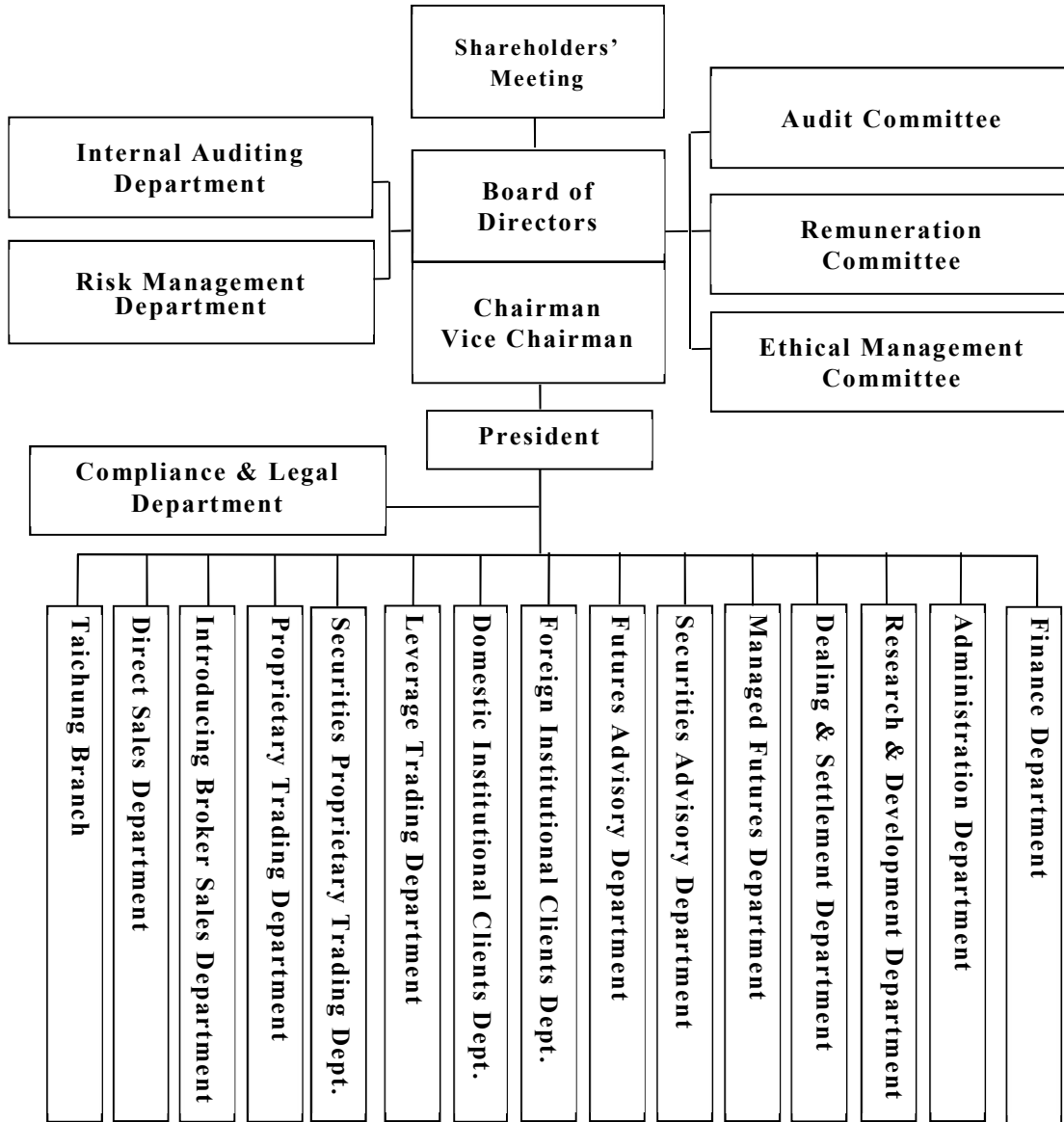
2011.07	Securities & Futures Institute of R.O.C.	The 11 <sup>st</sup> -term Golden Goblet Award for Outstanding Entrepreneurial Leader to President Alex Chia.
2011.07	NYSE Euronext--NYSE Liffe	The 1 <sup>st</sup> FCM in Taiwan approved as a Member of NYSE Euronext--NYSE Liffe in London and Paris Markets.
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 <sup>st</sup> 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 <sup>nd</sup> -term Golden Goblet Company Award for Outstanding Finance Innovation.
2013.08	Securities & Futures Institute of R.O.C.	The 12 <sup>nd</sup> -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 <sup>st</sup> Annual Diamond Award-4 <sup>th</sup> place of the Annual Futures Brokers Contribution Award The 1 <sup>st</sup> Annual Diamond Award-3 <sup>rd</sup> place of the Managed Futures Enterprises Contribution Award.
2015.11	Securities & Futures Institute of R.O.C.	The 13 <sup>th</sup> Golden Goblet Company Award for Special Salary Raise.
2016.10	Taiwan Futures Exchange	The 2 <sup>nd</sup> Annual Diamond Award- 3 <sup>rd</sup> place in trading volume of futures brokers. The 2 <sup>nd</sup> Annual Diamond Award- 1 <sup>st</sup> place in Market Making of RMB Currency Options. The 2 <sup>nd</sup> Annual Diamond Award- 3 <sup>rd</sup> place of the Managed Futures Enterprises Contribution Award.
2016.11	Hong Kong Futures Daily	HKEX 3rd Global Derivatives Real-Trading Competition – The Excellent FCM of HKEX.
2017.10	Taiwan Futures Exchange	The 3 <sup>rd</sup> Annual Diamond Award- 4 <sup>th</sup> place in trading volume of futures brokers. The 3 <sup>rd</sup> Annual Diamond Award- 3 <sup>rd</sup> place in Market Making of RMB Currency Options. The 3 <sup>rd</sup> Annual Diamond Award- 3 <sup>rd</sup> place in Market Making of EUR/USD Futures. The 3 <sup>rd</sup> Annual Diamond Award- 3 <sup>rd</sup> 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 <sup>th</sup> -term Golden Goblet Award for Outstanding Futures Industry. Talent to Executive Vice President Mao, Jen-Hua.
2018.10	Taiwan Futures Exchange	The 4 <sup>th</sup> Annual Diamond Award- 3 <sup>rd</sup> place in trading volume of futures brokers. The 4 <sup>th</sup> Annual Diamond Award- 3 <sup>rd</sup> 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.
2020.08	Taiwan Futures Exchange	The 4 <sup>th</sup> Annual Diamond Award- 3 <sup>rd</sup> place in trading volume of futures brokers.
2020.09	General Chamber of Commerce of R.O.C.	The Golden Merchant Award to President Mark Lee.
2020.11	Hong Kong Futures Daily	HKEX 3rd Global Derivatives Real-Trading Competition – Outstanding IT Service Award
2020.12	Hong Kong Exchanges and Clearing Limited	Outstanding Futures Commission Merchant Award

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organization Chart



### 3.1.2 Major Corporate Functions

<b>Department</b>	<b>Functions</b>
Internal Auditing Office	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions.
Compliance & Legal 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.
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 Directors', Supervisors' and Managerial Offices' Information

### 3.2.1 Directors' and supervisors' Information

March 31, 2021

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 (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relat-ion	
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%	119,177,041	56.63%	-	-	-	-	Business Administration Executive Program, National Chengchi University Capital Securities Corp. Senior Executive Vice President	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
									1,332,317	0.63%	604,550	0.29%	-	-		-	-	-	-	
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%	119,177,041	56.63%	-	-	-	-	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.	-	-	-	NOTE 4
									-	-	-	-	-	-		-	-	-		
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%	119,177,041	56.63%	-	-	-	-	M.P.A., University of San Francisco, USA Capital Securities Corp. Chairman	Director of Capital Securities Corp. and Taiwan Oasis Technology Co., Ltd.	-	-	-	NOTE 4
									-	-	-	-	-	-		-	-	-		

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 (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
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	Chairperson of Kai Ta Enterprise Co., Ltd. Director of Bao Sheng Investment Co., Ltd., Fengyang Investment Co., Ltd, Taifa Investment Co., Chaolung Investment Co., Ltd, Fu Ding Investment Co., Ltd. and 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	-	-	-	
Independent Director	Republic Of China	Hsiao, Nai-Ching	Female	2020,06,19	1 year	2020,06,19	-	-	-	-	-	-	-	-	Master of Law, National Chung Hsing University Judge, Supreme Court	Lawyer, Hsiao Nai Ching law firm	-	-	-	-

Note1: 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.

Note2: Any disruption of duty as a director or supervisor after the date first elected is addressed in a separate remark.

Note3: 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.

Note4: Where the chairperson of the board of directors and the general manager or person of an equivalent post (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.

Note5: Mr. Shea Jia-Dong has resigned on January 2<sup>nd</sup>, 2020.



Table 1: Major Shareholders of Juristic Persons

March 31, 2021

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%) Hong Long Enterprise Co., Ltd. (2.34%) Tai Lain Investment Co., Ltd. (1.97%)
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 Juristic Shareholders Listed in Table 1

Name of Corporate Shareholder (Note1)	Institutional shareholders' main shareholders (%) (Note2)
Hontai life insurance Co., Ltd.	Lin, Chang-Lung (19.35%) Wang, Wan-Ling (11.70%) Kai Da Enterprise Co., Ltd. (3.88%) Hong Sheng Enterprise Co., Ltd. (3.88%) Hong Long Enterprise Co., Ltd. (4.40%) Taiyo Life Insurance Company (3.44%) Hong Chang Enterprise Co., Ltd. (4.89%) Min Huei Enterprise Co., Ltd. (4.58%) Everpro Insurance Brokers Co., Ltd. (2.56%) Chen Huei Enterprise Co., Ltd. (3.87%)
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%) Hong Long Enterprise Co., Ltd. (9.91%) Tai Fa Investment Co., Ltd. (18.29%) 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 (11.93%) Hong Yong Construction Corporation (0.19%)
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. (13.40%) 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. (10.03%) 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%)
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%)
Tai Lian Investment Co., Ltd.	Tai Hsiang Investment Co., Ltd. (43.02%) Chao Lung Investment Co., Ltd. (16.65%) Tai Fa Investment Co., Ltd. (15.27%) Tai He Investment Co., Ltd. (14.85%) 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%)
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%) Sheng Hsiang Enterprise Co., Ltd. (15.14%) Tsai Chiang Enterprise Co., Ltd. (15.14%) Chung Lung Technology Co., Ltd. (12.50%)

Name of Corporate Shareholder (Note1)	Institutional shareholders' main shareholders (%) (Note2)
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. (20.32%) Tai Chun Enterprise Co., Ltd. (2.91%) Han Bao Enterprise Co., Ltd. (2.88%) Yin Feng Enterprise Co., Ltd. (2.74%) Run Hsiang Enterprise Co., Ltd. (1.89%)

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

March 31, 2021

Criteria  Name (Note1)	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
Hsiao, Nai-Ching		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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

March 31, 2021

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 3
CEO Chairman	Republic of China	Sun, Tien-Shan	Male	2002/03/18	1,332,317	0.63%	604,550	0.29%	0	0	Business Administration Executive Program, National Chengchi University Senior Executive Vice President, Capital Securities Corp.	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	226,690	0.11%	0	0	0	0	Executive Master of Business Administration, National Chengchi University President, Hua Nan Futures Corp.	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%	0	0	0	0	Master of Business Administration, Florida State University Senior Executive Vice President, Capital Futures Corp.	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	105,394	0.05%	0	0	0	0	Department of International Trade Tunghai University Director, Concord Futures Corp.	Director of Capital Futures Technology (Shanghai) Co., Ltd.	-	-	-	
Executive Vice president	Republic of China	Yang, Rui-Ling	Female	2011/12/28	100,715	0.05%	0	0	0	0	Department of Business Administration Shih Chien University Sales Vice President, Masterlink Futures Corp.	None	-	-	-	
Executive Vice president	Republic of China	Huang, Wei-Ben	Male	2014/04/01	20,292	0.01%	0	0	0	0	Master of Financial Operating National Kaohsiung First University of Science Sales Manager, Sinopac Futures Corp.	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 3
Executive Vice president	Republic of China	Lin, Li-Juan	Female	2006/06/01	94,777	0.05%	0	0	0	0	Department of Business Providence University Manager, Polaris Futures Corp.	Supervisor of Capital International Technology Corp	-	-	-	
Executive Vice president	Republic of China	Kuo, Shu-Zhen	Female	2013/01/01	65,000	0.03%	0	0	0	0	Department of Finance National Kaohsiung First University of Science Vice President, New Edge Futures Corp.	None	-	-	-	
Executive Vice president	Republic of China	Chen, Chi-Hao	Male	2020/09/14	0	0	0	0	0	0	J.D., Washington University in St. Louis, USA Deputy Manager, Yuanta Financial Holdings Lawyer, Y.R. Lee & Partners	None	-	-	-	
Senior Executive Officer	Republic of China	Yang, Yau-Yu	Male	2017/04/06	0	0	0	0	0	0	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	43,830	0.02%	0	0	0	0	Department of International Trade Tamkang University Deputy Manager, Masterlink Futures Corp.	None	-	-	-	
Senior Vice President	Republic of China	Chen, Wei-Ting	Male	2009/08/01	155,573	0.07%	0	0	0	0	Department of International Business Administration Yuan Ze University Deputy Manager, Sinopac Futures Corp.	None	-	-	-	
Senior Vice President	Republic of China	Lin, Xiao-Chian	Male	2010/06/10	70,402	0.03%	0	0	0	0	Master of Business Administration, University of La Verne Deputy Manager, J.P. Morgan Chase & Corp.	None	-	-	-	
Senior Vice President	Republic of China	Peng, Jian-Cheng	Male	2012/07/02	1,300	0.00%	0	0	0	0	Master of Finance National Chung Hsing University Deputy Manager, President Futures Corp.	None	-	-	-	
Senior Vice President	Republic of China	Lee, Chung-Wei	Male	2014/07/14	45,000	0.02%	0	0	0	0	Master of Science Columbia University in the City of	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 3	
											New York Vice president, KGI securities Corp.						
Senior Vice President	Republic of China	Fan, Jhen-Hong	Male	2015/10/01	0	0	0	0	0	0	Executive Master of Business Administration The City University of New York Sales Deputy Manager, President Securities Corp.	None	-	-	-		
Senior Vice President	Republic of China	Jhuo, Zheng-Gang	Male	2016/04/01	0	0	0	0	0	0	Department of Finance National Taichung University of Science and Technology Sales Manager, Capital Securities (H.K.) Corp.	None	-	-	-		
Senior Vice President	Republic of China	Ho, Zhuo-Yi	Male	2016/08/01	32,000	0.02%	0	0	0	0	Master of Information System Administration Texas State University Deputy Manager, Barclays Securities	None	-	-	-		
Senior Vice President	Republic of China	Chang, Ching-Nan	Male	2020/11/16	0	0	0	0	0	0	Department of Economics, National Central University Sales Executive Vice President, Jih-Sun Futures Corp.,	None	-	-	-		
Vice President	Republic of China	Lian, Jing-Lian	Male	2003/05/02	49,975	0.02%	0	0	0	0	Department of Statistics Tamkang University Deputy Manager, Yuanta Futures Co., Ltd.	None					
Vice President	Republic of China	Chen, Tzung-Yu	Male	2018/04/01	35,000	0.02%	0	0	0	0	Department of Financial Engineering and Actuarial Mathematics Manager, Soochow University Capital Futures Corp.	None	-	-	-		
Vice President	Republic of China	Jung, Jeng-Huang	Male	2018/04/02	8,000	0.00%	0	0	0	0	Ph.D. Of Finance Department National Taiwan University Waterland Securities Manager of Risk Management Dept.	None	-	-	-		
Vice	Republic	Huang,	Male	2019/02/11	0	0	0	0	0	0	Master of Business Administration		-	-	-		



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 3
President	of China	Pei-Luen									Long Island University Senior Manager, Fubon Securities	None				
Vice President	Republic of China	Chu, Chun-Chang	Male	2020/04/01	0	0	0	0	0	0	Department of Information Management and Communication Arts, Chaoyang University of Technology Capital Futures Corp., Senior Specialist of Introducing Broker Sales Department	None				
Senior Assistant Vice President	Republic of China	Lee, Tuan- Kang	Male	2019/10/21	0	0	0	0	0	0	Master of Banking and Financial Law, Boston University Assistant Manager, Cathy Financial Group	None	-	-	-	
Assistant Vice President	Republic of China	Hong, Li- Ciang	Male	2020/04/01	15,000	0.01%	2,000	0.00%	0	0	Hydraulic and Ocean Engineering Department Deputy Manager, President Futures Corporation	None	-	-	-	
Senior Deputy Manager	Republic of China	Chang, Ya-Ju	Female	2020/09/01	7,000	0.00%	0	0	0	0	Business Administraion of National Taipei University Senior Deputy Manager, Finance Department of Capital Futures	None	-	-	-	
Senior Specialist	Republic of China	Chang , Li-Jiao	Female	2015/10/01	15,774	0.01%	0	0	0	0	EMBA of National Taiwan Normal University Senior Manager, Concord Securities Co., Ltd.	None	-	-	-	
Senior Specialist	Republic of China	Liu, Bao-Hua	Male	2015/04/01	37,400	0.02%	0	0	0	0	Department of Finance National Taiwan University Manager, Capital Futures Corp.	None				
Senior Specialist	Republic of China	Lin, Shiou-Ju	Female	2017/04/01	23,083	0.01%	0	0	0	0	Department of Insurance Shih Chien University Manager, Capital Futures Corp.	None	-	-	-	
Senior	Republic	Chang,	Male	2018/04/01	4,800	0.00%	0	0	0	0	Department of Transportation and	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 3	
Specialist	of China	Mu-Min									Communication Management Science & Institute of Telecommunications Management National Cheng Kung University Capital Futures Corp. Sales Vice President						
Senior Specialist	Republic of China	Yu, Po-Liang	Male	2019/09/16	0	0	0	0	0	0	Department of Law National ChengChi University Chen & Lin Attorneys-at-law Lawyer	None	-	-	-		
Senior Specialist	Republic of China	Chen, Yung-Lin	Male	2020/04/01	0	0	0	0	0	0	MBA, Western Washington Unviersity Manager, Concord Securities Co., Ltd.	None	-	-	-		
Senior Specialist	Republic of China	Lu, Wei-Liang	Male	2020/04/01	100	0.00%	100	0.00%	0	0	Master's Program in Finance, Fu Jen Catholic University Sales Manager, MasterLink Futuers Corp.	None					
Senior Specialist	Republic of China	Chang, Su-Fang	Female	2020/04/01	0	0	0	0	0	0	National Formosa University Senior Specialist, Capital Futures Corp.	None					
Senior Specialist	Republic of China	Liu, Neng-Chieh	Male	2020/04/01	0	0	0	0	0	0	Master of Business, Kainan University Manager of Managed Futures Department, Cathay Futures	None					
Senior Specialist	Republic of China	Wu, Chung-Hsien	Male	2020/04/01	30,000	0.01%	0	0	0	0	Business Administration Department, University of California, Riverside Mananger, Morgan Stanley Securities	None					
Senior Specialist	Republic of China	Huang, Cheng-Che	Male	2020/08/31	0	0	0	0	0	0	Master of Columbia Journalism School, Columbia University Sepecialist, Sunny Bank	None					
Senior Specialist	Republic of China	Chen, Chih-Chung	Male	2020/12/01	0	0	0	0	0	0	Department of Chinese Literature, Senior Vice President, National ChengChi University Capital Securities Corp.	None					

Note1: The information of Presidents, senior executive vice president, director and the head of every branch...etc. should be disclosed.

Note2: 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 2020 (To disclose the remuneration of each director and independent director individually.)

Unit: NTD thousand

Title	Name	Director's remuneration								The sum of A, B, C and D as a percentage of after-tax profit (Note 10)		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)(Note3)		Fees for services rendered(D) (Note4)				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)	The Company	All companies shown in the financial report (Note 7)	Cash amount	Stock amount	Cash amount	Stock amount			The company
Director	Capital Securities Corp.	0	0	0	0	5,163	5,163	240	240	0.87%	0.87%	0	0	0	0	0	0	0	0	0.87%	0.87%	0
Chairman	Capital Securities Corp. Representative: Sun, Tien-Shan	7,712	7,712	72	72	0	0	35	4,548	1.26%	1.98%	1,365	1,365	0	0	0	0	0	0	1.48%	2.20%	0
Director	Capital Securities Corp. Representative: Wang, Jiunn-Chih	0	0	0	0	0	0	35	35	0.01%	0.01%	0	0	0	0	0	0	0	0	0.01%	0.01%	33,381
Director	Capital Securities Corp. Representative: Liu, Ching-Tsun	0	0	0	0	0	0	150	150	0.02%	0.02%	0	0	0	0	0	0	0	0	0.02%	0.02%	6,010
Director	Hung Yeh Investment Co.,Ltd	0	0	0	0	1,712	1,712	145	145	0.30%	0.30%	0	0	0	0	0	0	0	0	0.30%	0.30%	-
Director	Hung Yeh Investment Co.,Ltd Representative: Lee, Yi-Hui	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	-
Independent Director	Chuang, Chih-Chen	480	480	0	0	862	862	95	95	0.23%	0.23%	0	0	0	0	0	0	0	0	0.23%	0.23%	4,950
Independent Director	Chen, Kuo-Tay	480	480	0	0	862	862	90	90	0.23%	0.23%	0	0	0	0	0	0	0	0	0.23%	0.23%	-
Independent Director	Hsiao, Nai-Ching (footnote)	256	256	0	0	461	461	20	20	0.12%	0.12%	0	0	0	0	0	0	0	0	0.12%	0.12%	-

Independent Director	Shea, Jia-Dong (footnote)	1	1	0	0	2	2	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	6,600
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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 Directors 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:

Shea, Jia-Dong resigned on Jan. 2, 2020; Hsiao, Nai-Ching was inaugurated on June 19, 2020

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 Company (Note 8)	All companies shown in the financial report (Note 9)H	The Company (Note 8)	All companies shown in The financial report (Note 9)I
<NT\$1,000,000	Capital Securities Corp. Representative: Liu, Ching-Tsun, Capital Securities Corp. Representative: Wang, Jiunn-Chih, Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui. Shea, Jia-Dong, Hsiao, Nai-Ching	Capital Securities Corp. Representative: Liu, Ching-Tsun, Capital Securities Corp. Representative: Wang, Jiunn-Chih, Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui. Shea, Jia-Dong, Hsiao, Nai-Ching	Capital Securities Corp. Representative: Liu, Ching-Tsun, Capital Securities Corp. Representative: Wang, Jiunn-Chih, Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui. Shea, Jia-Dong, Hsiao, Nai-Ching	Hung Yeh Investment Co. Ltd Representative: Lee, Yi-Hui, Hsiao, Nai-Ching
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	Hung Yeh Investment Co. Ltd, Chuang, Chih-Chen, Chen, Kuo-Tay	Hung Yeh Investment Co. Ltd, Chuang, Chih-Chen, Chen, Kuo-Tay	Hung Yeh Investment Co. Ltd, Chuang, Chih-Chen, 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)				
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)	Capital Securities Corp. Capital Securities Corp. Representative: Sun, Tien-Shan	Capital Securities Corp.	Capital Securities Corp. Capital Securities Corp. Representative: Sun, Tien-Shan	Capital Securities Corp., Capital Securities Corp. Representative: Liu, Ching-Tsun, Shea, Jia-Dong
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)				
NT\$30,000,000 ~ NT\$50,000,000 (exclusive)				Capital Securities Corp. Representative: Wang, Jiunn-Chih
NT\$50,000,000 ~ NT\$100,000,000 (exclusive)				
> NT\$100,000,000				
Total	7 persons	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 20<sup>th</sup>, 2015 and there is no information about remuneration of supervisor.

### 3.2.6 Remuneration of the President and Vice Presidents in 2020

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	All companies included in the consolidated statements (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
CEO	Sun, Tien-Shan	21,324	21,324	1,002	1,002	18,855	18,855	1,217	0	1,217	0	6.81%	6.81%	None
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 (Note)													
Senior Executive vice president	Ho, Yu-Wen (Note)													
Senior Executive	Xia, Huan-Ting													

vice president	(Note)																			
Executive vice president	Yang, Rui-Ling																			
Executive vice president	Huang, Wei-Ben																			
Executive vice president	Lin, Li-Juan (Note)																			
Executive vice president	Kuo, Shu-Zhen (Note)																			
Executive vice president	Chen, Chi-Hao (Note)																			
Senior Executive Officer	Hsu, Jhen-Zong (Note)																			
Senior Executive Officer	Yang, Yau-Yu																			

\*The information of president, senior executive vice president, director and the head of every branch... etc. should be disclosure.

Note: Lin, Chi-Cheng resigned on May 1, 2020; Ho, Yu-Wen resigned on May 1, 2020; Xia, Huan-Ting took office on Feb. 3 on 2020 and resigned on Nov. 1, 2020; Lin Li-Juan took office on April 1, 2020; Kuo, Shu-Zhen took office on April 1, 2020; Chen, Chi-Hao took office on Sep. 14, 2020; Hsu, Jhen-Zong retired on Jan. 1, 2021.

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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, Chen, Chi-Hao	Sun, Tien-Shan, Chen, Chi-Hao
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	Lin, Li-Juan, Kuo, Shu-Zhen, Lin, Chi-Cheng, Ho, Yu-Wen	Lin, Li-Juan, Kuo, Shu-Zhen, Lin, Chi-Cheng, Ho, Yu-Wen
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	Hsu, Jhen-Zong, Yang, Yau-Yu, Xia, Huan-Ting	Hsu, Jhen-Zong, Yang, Yau-Yu, Xia, Huan-Ting
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	Chen, Wen-Tsay, Yang, Rui-Ling, Huang, Wei-Ben	Chen, Wen-Tsay, Yang, Rui-Ling, Huang, Wei-Ben
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)	Lee, Wen-Chu, Mao, Jen-Hua	Lee, Wen-Chu, Mao, Jen-Hua
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	14 persons	14 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 2020

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	4,535	4,535	0.73%
	President	Lee, Wen-Chu				
	Senior Executive Vice President	Chen, Wen-Tsay				
	Senior Executive Vice President	Mao, Jen-Hua				
	Executive Vice president	Yang, Rui-Ling				
	Executive Vice president	Lin, Li-Juan,				
	Executive Vice president	Kuo, Shu-Zhen				
	Executive Vice president	Huang, Wei-Ben				
	Senior Executive Officer	Yang, Yau-Yu				
	Senior Vice President	Ho, Zhuo-Yi				
	Senior Vice President	Jhuo, Zheng-Gang				
	Senior Vice President	Peng, Jian-Cheng				
	Senior Vice President	Hsu, Ji-Ching				
	Senior Vice President	Chang, Ching-Nan				
	Senior Vice President	Li, Zong-Wei				
	Senior Vice President	Chen, Wei-Ting				
	Senior Vice President	Lin, Xiao-Chian				
	Senior Vice President	Fan, Jhen-Hong,				
	Vice President	Lian, Jing-Lian				
	Vice President	Chung, Cheng-Huang				
	Vice President	Chen, Tzung-Yu				
	Vice President	Chu, Chun-Chang				
	Vice President	Huang, Pei-Luen				
	Senior Assistant Vice President	Lee, Tuan-Kang				
Assistant Vice President	Hong, Li-Ciang					

Senior Deputy Manager	Chang, Ya-Ju			
Senior Specialist	Chen, Chih-Chung			
Senior Specialist	Chang, Li-Jiao			
Senior Specialist	Lin, Shiou-Ju			
Senior Specialist	Liu, Bao-Hua			
Senior Specialist	Chang, Mu-Min			
Senior Specialist	Chang, Su-Fang			
Senior Specialist	Chen, Yung-Lin			
Senior Specialist	Lu, Wei-Liang			
Senior Specialist	Liu, Neng-Chieh			
Senior Specialist	Wu, Chung-Hsien			
Senior Specialist	Huang, Cheng-Che			
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		2020		2019	
		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	20,247	24,760	34,030	38,667
	The remuneration as a percentage of net income (%)	3.25%	3.98%	4.07%	4.61%
Total remuneration paid to President and vice president	Total remuneration amount	42,398	42,398	46,253	46,253
	The remuneration as a percentage of net income (%)	6.81%	6.81%	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 Practices

#### 3.3.1 Functionality of the Board of Directors

7 Board of Directors meetings were held in the latest year (2020); 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	7	0	100%	
Director	Capital Securities Corp. Representative: Liu, Ching-Tsun	6	1	86%	
Vice President	Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui	5	2	71%	
Independent director	Chuang, Chih-Chen	7	0	100%	
Independent director	Chen, Kuo-Tay	7	0	100%	
Independent director	Hsiao, Nai-Ching	2	0	100%	Elected on June 19, 2020

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 14 <sup>th</sup> meeting of the 8 <sup>th</sup> board	Agenda: Appointment of the members of Rumeration Committee. <ul style="list-style-type: none"> <li>Independent director Chen, Kuo-Tay withdrew from duties in the discussion and the resolution due to personal interests, the rest directors present in the</li> </ul>

(2020.01.10)	<p>meeting resolved and passed this matter.</p> <p>Agenda: Review of 2019 year-end performance for manager (inclusive) and above.</p> <ul style="list-style-type: none"> <li>● Chairman Sun, Tien-Shan withdrew from duties in the discussion and the resolution due to personal interests.</li> <li>● Director Wang, Jiunn-Chih represented the chairman and the rest directors present in the meeting resolved and passed this matter.</li> </ul> <p>Agenda: Distribution of 2019 year-end remuneration for manager (inclusive) and above.</p> <ul style="list-style-type: none"> <li>● Chairman Sun, Tien-Shan withdrew from duties in the discussion and the resolution due to personal interests.</li> <li>● Director Wang, Jiunn-Chih represented the chairman and the rest directors present in the meeting resolved and passed this matter.</li> </ul>
The 15 <sup>th</sup> meeting of the 8 <sup>th</sup> board (2020.02.17)	<p>Agenda: Employees' stock subscription due to season equity offering in 2019.</p> <ul style="list-style-type: none"> <li>● Chairman Sun, Tien-Shan withdrew from duties in the discussion and the resolution due to personal interests.</li> <li>● Director Wang, Jiunn-Chih represented the chairman and the rest directors present in the meeting resolved and passed this matter.</li> </ul>
The 17 <sup>th</sup> meeting of the 8 <sup>th</sup> board (2020.05.06)	<p>Agenda: Distribution of the remuneration to managers (inclusive) and above in 2019.</p> <ul style="list-style-type: none"> <li>● Chairman Sun, Tien-Shan withdrew from duties in the discussion and the resolution due to personal interests.</li> <li>● Director Wang, Jiunn-Chih represented the chairman and the rest directors present in the meeting resolved and passed this matter.</li> </ul> <p>Agenda: Distribution of the remuneration to directors in 2019.</p> <ul style="list-style-type: none"> <li>● Each director withdrew from duties in the discussion and the resolution due to personal interests.</li> <li>● Chairman Sun, Tien-Shan withdrew from duties in the discussion and the resolution due to personal interests, and director Wang, Jiunn-Chih represented the chairman and the rest directors present in the meeting resolved and passed this matter.</li> </ul>
The 20 <sup>th</sup> meeting of the 8 <sup>th</sup> board (2020.11.11)	<p>Agenda: Appointment of 3<sup>rd</sup> directors and supervisors of Capital Internation Technology Corp. (subsidiary).</p> <ul style="list-style-type: none"> <li>● Chairman Sun, Tien-Shan and relevant officers withdrew from duties in the discussion and the resolution due to personal interests.</li> <li>● Director Wang, Jiunn-Chih represented the chairman and the rest directors present in the meeting resolved and passed this matter after discussion.</li> </ul>

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

Evaluation Cycle (Note 1)	Once a year
Evaluation Period (Note 2)	Jan. 1, 2020 ~ Dec. 31, 2020
Evaluation Scope (Note 3)	Whole board of directors, each director and functional committees
Evaluation Method (Note 4)	Board of directors' internal self-evaluation, directors' self-evaluation and members of functional committees' self-evaluation

Evaluation Content (Note 5)	1. Board of directors' evaluation		
	Evaluation Index	Evaluation Item	Evaluation Result
	A. Participating degree of the Company operation	12	4.80
	B. Improvement on the quality of the board's decision	12	5.00
	C. Board's composition and structure	7	4.80
	D. Directors' election and continuous learning	4	5.00
	E. Internal control	6	4.98
	2. Directors' evaluation		
	Evaluation Index	Evaluation Item	Evaluation Result
	A. Grip on the Company's goal and task	3	4.95
	B. Awareness of the duty	3	4.95
	C. Participating degree of the Company operation	8	4.86
	D. Operation and communication of internal relationship	3	4.95
	E. Directors' professional and continuous learning	3	4.57
	F. Internal control	3	4.86
	3. Rumeration Committee's evaluation		
	Evaluation Index	Evaluation Item	Evaluation Result
	A. Participating degree of the Company operation	4	5.00
	B. Awareness of the duty	5	4.75
	C. Improvement on the quality of Rumeration Committee's decision	7	5.00
	D. Rumeration Committee's composition and structure	3	4.89
	4. Audit Committee's evaluation		
	Evaluation Index	Evaluation Item	Evaluation Result
	A. Participating degree of the Company operation	4	4.92
	B. Awareness of the duty	5	4.93
	C. Improvement on the quality of Audit Committee's decision	7	5.00
	D. Audit Committee's composition and structure	3	4.89
E. Internal control	3	4.89	
2020 the Company's evaluation:			

	<p>(1) The average score of the board’s evaluation was 4.95, which was “excellent”</p> <p>(2) The average score of each directors’ evaluation was 4.86, which was “excellent”</p> <p>(3) The average score of Rumeration Committee’s evaluation was 4.91, which was “excellent”</p> <p>(4) The average score of Audit Committee’s evaluation was 4.93, which was “excellent”</p>
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Note:

1. The cycle to implement board evaluation, e.g., once a year.
2. The covering period of board evaluation, e.g., from Jan. 1, 2019 to Dec. 31, 2019.
3. The evaluation scope includes the board, each director and functional committees.
4. The evaluation methods include the board self-evaluation, directors’ self-evaluation, peer evaluation, external professionals’ evaluation or other appropriate methods.
5. The evaluation content shall at least include the followings:
  - (1) The board’s evaluation: At least includes the participating degree of the Company’s operation, the quality of the board’s decision, the board’s composition and structure, directors’ election and continuous learning and internal control, etc.
  - (2) Each director’s evaluation: At least includes the grip on the Company’s goal and task, the awareness of the duty, the participating degree of the Company’s operation, the operation and communication of internal relationship, directors’ professional and continuous learning, internal control, etc.
  - (3) Members of functional committees’ evaluation: the participating degree of the Company’s operation, the awareness of the Committee’s duty, the quality of the Committee’s decision, members composition and election of the Committee, internal control, etc.

IV. Goal of the improvement on board of directors’ function and the evaluation of the implementation in the current and the most recent year (e.g. the establishment of Audit Committee, improving information transparency, etc.):

- (a) The 19<sup>th</sup> meeting of 8<sup>th</sup> board resolved to establish chief corporate governance officer which was occupied by Executive Vice President Chen, Chi-Hao. He a qualified, practice-eligible lawyer, and has been in a managerial position for at least three years in a financial related institution and publicly listed companies handling legal and compliance affairs. His major duties include: handling of matters relating to board of directors meetings and shareholders meetings in compliance with law; preparation of minutes of board of directors meetings and shareholders meetings; assistance in onboarding and continuing education of the directors; provision of information required for performance of duties by the directors; assistance to the directors in complying with laws and regulations; other matters specified by the articles of incorporation or by contract.
- (b) Fairness of Treating Customers Committee was established in Nov. 2020, its members are President and supervisors of Administration Dept., Internal Audit Dept., Dealing & Settlement Dept., Direct Sales Dept., Domestic Institutional Clients Dept., Foreign Institutional Clients Dept., Introducing Broker Sales Dept., Futures Advisory Dept., Leverage Transaction Dept., Managed Futures Dept. and Compliance & Legal Dept., the manager of Taichung branch, and the chief corporate governance officer. The Committee

is responsible for the plan and implementation of the principle of treating customers fairly, and regularly (once a year) report to the board of directors to ensure the implementation.

- (c) To ensure the corporate governance and to improve the function of board of directors and functional committees, the 20<sup>th</sup> meeting of 8<sup>th</sup> board resolved to stipulate “Rules for Performance Evaluation of Board of Directors and Functional Committees” on Nov. 11, 2020, and implement the performance evaluation every year.
- (d) The 20<sup>th</sup> meeting of 8<sup>th</sup> board stipulated the “Organization Regulations of Ethical Management Committee” and established the Ethical Management Committee, which composited by all of three independent directors. The Committee shall be held at least once a year and responsible for policies of ethical management, stipulation of precaution and supervise the Implementation effectiveness of each department.

### 3.3.2 The operation of the Audit Committee:

The Audit Committee consists of 3 independent directors who are all qualified for the regulation of the authority. The main function of the Audit Committee is: fair presentation of the financial statements of the Company; the hiring (and dismissal), independence, and performance of certificated public accountants of the Company; the effective implementation of the internal control system of the Company; compliance with relevant laws and regulations by the Company; management of the existing or potential risks of the Company.

The duties of the Audi Committee are:

1. The adoption of or amendments to the internal control system.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment of the Company’s procedures such as acquisition or disposal of assets.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant (CPA), or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual financial statements signed or sealed by the chairman, a manager or an accounting chief, and financial statements for the second quarter audited and attested by a CPA.
11. Other material matters as may be required by the Company or by the competent authority.

The Audit Committee has convened for 4 times (A) in the most recent year (2020).

The attendance of the independent directors is shown below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remark
Independent director	Chuang, Chih-Chen	4	0	100%	Convener
Independent director	Chen, Kuo-Tay	4	0	100%	
Independent	Hsiao,	2	0	100%	Elected (and took



director	Nai-Ching				office) on June 19, 2020.
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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. If any of the followings happen to the operation of Audit Committee, the date, the meeting number, the content of matters of the board meeting, the Audit Committee's resolution and the Company's handling of Audit Committee's opinion shall be narrated:

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

Board meeting date and terms	Content of matters	Audit Committee's resolution	The Company's handling of the Audit Committee's opinion
The 16 <sup>th</sup> meeting of the 8 <sup>th</sup> board meeting (March 26, 2020)	Reporting matter: • The report on difference between the budget amount of operating expense of the Company and its actual amount.	Acknowledged by the 9 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee on March 16, 2020	Board meeting: Acknowledged
	Discussion matters: • The 2019 business report and the consolidated/individual financial statements. • The proposal of 2019 earning distribution. • The declaration of the effective implementation of information security in 2019. • The declaration of the effective implementation of anti-money laundering and combating the financing of terrorism in 2019. • The declaration of the effective design and implementation of the internal control system.	All members ratified after attending officers finished explanation in the 9 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee on March 16, 2020. To be ratified by the board.	Board meeting: All attending directors ratified.
The 18 <sup>th</sup> meeting of the 8 <sup>th</sup> Board of Directors Meeting (June 18, 2020)	Reporting matter: • The report on difference between the budget amount of operating expense of the Company and its actual amount.	Acknowledged by the 10 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee on June 5, 2020	Board meeting: Acknowledged
The 19 <sup>th</sup> meeting of the 8 <sup>th</sup> Board of Directors Meeting (Aug. 25, 2020)	Reporting matter: • The report on difference between the budget amount of operating expense of the Company and its actual amount.	Acknowledged by the 10 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee on Aug. 11, 2020	Board meeting: Acknowledged
	Discussion matters: • The first-half Consolidated and Individual financial statements of 2020. • The amendment to the Company's "Regulations of Financial Business between Affiliated Companies and Enterprises of the Group" • The change to the Company's chief accountant in securities proprietary trading business. • The amendment to the Company's internal control system. • The establishment of the "Regulation of the	All members ratified after attending officers finished explanation in the 19 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee on Aug. 11, 2020. To be ratified by the board.	Board meeting: All attending directors ratified.

	Use of Authority’s Financial Examination Report”		
The 20 <sup>th</sup> meeting of the 8 <sup>th</sup> Board of Directors Meeting (Nov. 11, 2020)	Reporting matter: • The report on difference between the budget amount of operating expense of the Company and its actual amount.	Acknowledged by the 12 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee on Oct. 30, 2020	Board meeting: Acknowledged
	Discussion matters: • The evaluation of CPA’s independence of 2020. • The CPA’s auditing budget of 2020. • The auditing plan of 2020. • The amendment to the Company’s internal control system.	All members ratified after attending officers finished explanation in the 19 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee on Oct. 30, 2020. To be ratified by the board.	Board meeting: All attending directors ratified.

(b) Except for the aforementioned matters, the other matters that were not resolved by the Audit Committee should 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 CPAs (including the issues of the financial position and operation of the Company for communication, the method of communications, and the result):

(a) The pattern of communications between independent directors and the internal auditing officer:

1. The internal audit report compiling audited items last month will be delivered in writing to independent directors to review each month after it is reviewed by the Company’s officers and managers.
2. The Company’s internal auditing officer will regularly report the audited items, violations of regulations and the improvement on violations in the board meeting, and communicate with independent directors about the result of the audit report and follow the implementation of the report.
3. Independent directors can directly communicate with the internal auditing officer if they have any questions and suggestions to the audit report. Also, they could discuss or share opinions with each other in audit committee meetings and board meetings.
4. The date of meetings and the communication:

Date	Meeting	Matters	Independent directors’ opinion / Implementation
2020.3.16	The Audit Committee’s	• The declaration of the effective design and implementation of the internal control system in 2019.	All audit committee’s members resovled the matters to be ratified by the board.
2020.3.26	Board’s	• The declaration of the effective implementation of anti-money	All attending directors ratified.

		laundrying and combating the financing of terrorism in 2019. • The declaration of the effective implementation of information security in 2019.	
2020.8.11	Audit Committee's	• The amendment to the Company's internal control system • The establishment of the "Regulation of the Use of Authority's Financial Examination Report"	All audit committee's members resolved the matters to be ratified by the board.
2020.8.25	Board's		All attending directors ratified.
2020.10.30	Audit Committee'	• The amendment to the Company's internal control system • Auditing plan for 2021	All audit committee's members resolved the matters to be ratified by the board.
2020.11.11	Board's		All attending directors ratified.
2020.11.11	Forum	• The plan for auditing each business • Deployment of internal auditing personnel and existing personnel's professional experience	The internal auditing officer explained the matters one by one.

(b) The pattern of communications between independent directors and the CPAs:

1. The Company's chief financial officer and the CPAs will directly communicate or share opinions with directors face to face regarding auditing result of financial statements in audit committee meetings and board meetings.
2. The Company's chief financial officer and the CPAs will regularly present in the audit committee's meeting and board meeting every half year to explain the auditing procedure of the Company's financial statements, items and amendments to relevant regulations, and fully discuss with independent directors. The CPAs proceed the meeting with independent directors every year.
3. Independent directors can directly communicate with the chief financial officer if they have any questions or suggestions to the content of financial statements or other financial business, or they can discuss or share opinions face to face in the audit committee's meeting and board meeting.
4. The date of meetings and the communication.

Date	Meeting	Attending chief financial officer and the CPA	Matters	Independent directors' opinion / Implementation
2020.3.16	The Audit Committee's	The chief financial officer Lin, Li-Juan and the CPA of KPMG Lee, Feng-Hui	<ul style="list-style-type: none"> <li>• The report on difference between the budget amount of operating expense of the Company and its actual amount.</li> <li>• The 2019 business report and the consolidated/ individual financial statements.</li> </ul>	1. The 9th meeting of the 8th Board of Directors decided that the difference between the monthly operating expenses of a single item and the budgeted amount exceeds a certain standard (more

			<ul style="list-style-type: none"> <li>The proposal of 2019 earning distribution.</li> </ul>	<p>than 20% and more than NT\$5 million), and the difference analysis report shall be carried out at the supervisor's monthly meeting and coordinate with the quarterly finance. The quarterly report is submitted to the audit committee and the board of directors for special instructions.</p> <p>2. Accountants attending explanation: after checking, we plan to issue an unqualified opinion</p> <p>3. All attending members resolved to submit the matter to be ratified by the board.</p>
2020.3.26	Board's			All attending directors ratified.
2020.6.5	Audit Committee's	The chief financial officer Lin, Li-Juan	<ul style="list-style-type: none"> <li>The report on difference between the budget amount of operating expense of the Company and its actual amount.</li> </ul>	The chief financial officer Lin, Li-Juan explained the difference.
2020.6.18	Board's			
2020.8.11	Audit Committee's	The chief financial officer Lin, Li-Juan and the CPA of KPMG Lee, Feng-Hui	<ul style="list-style-type: none"> <li>The report on difference between the budget amount of operating expense of the Company and its actual amount.</li> <li>The first-half Consolidated and Individual financial statements of 2020.</li> <li>The change to the Company's chief accountant in securities proprietary trading business.</li> <li>The amendment to the Company's "Regulations of Financial Business between Affiliated</li> </ul>	<p>1. The chief financial officer explains the reason for the difference in operating expenses</p> <p>2. Accountant attendance explanation: Supplementary report</p> <p>The Securities and Futures Bureau issued a letter requesting accountants to check the impact of the Covid19 pandemic on the Company's</p>

			Companies and Enterprises of the Group”	operating income, continued operations and investment capabilities when reviewing the financial statement for the second quarter. Based on the overall assessment, the accountant judges that the Covid19 pandemic will not have a significant impact on the second quarter financial statement of Capital Futures 3. All committee members passed the resolution and submitted to the board of directors
2020.8.25	Board’s			All attending directors ratified.
2020.10.30	Audit Committee’	The chief financial officer Lin, Li-Juan	<ul style="list-style-type: none"> <li>• The report on difference between the budget amount of operating expense of the Company and its actual amount.</li> <li>• Improvement on report of the preparation of financial statements</li> <li>• The completion of the preparation of 2020 Q3 consolidated financial statements.</li> <li>• The evaluation of CPA’s independence of 2020.</li> <li>• The CPA’s auditing budget of 2020.</li> </ul>	The chief financial officer Lin, Li-Juan explained the difference. All attending members resolved to submit the matter to be ratified by the board.
2020.11.11	Board’s			All attending directors ratified.
2020.11.11	Forum	the CPA of KPMG Lee, Feng-Hui and Chung, Tan-Tan	<ul style="list-style-type: none"> <li>• The plan for the CPAs’ audit</li> <li>• Ensuring the independence of the CPAs’ audit</li> </ul>	The CPAs explained matters one by one to ensure the professional, integrity and independence.

#### 4.3.3 The Remuneration Committee’s composition and operation

The Company has established the Remuneration Committee, its composition,

responsibilities and operations are as followings:

The Company's Remuneration Committee consists of 3 members who are all who are all qualified for the regulation of the authority. They should exercise the due care of a good administrator in conducting the following duties, and be responsible for the board and submit suggestions for board's discussion:

- A. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
- B. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

- A. With respect to the performance assessment and remuneration of directors, supervisors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.
- B. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the company may tolerate.
- C. It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

The information of Remuneration Committee members

#### A. Members' information

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 an 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		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Convener
Independent Director	Chen, Kuo-Tay	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly-appointed on Jan. 10 <sup>th</sup> , 2020.
Member	Li, Shen-Yi		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	1		

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. The Remuneration Committee's operation

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) The term of office of the members is from July 10<sup>th</sup>, 2018 to May 23<sup>th</sup>, 2021.

The Remuneration Committee held 7 meetings (A) in the most recent year (2020).

Details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remarks
Independent Director	Chuang, Chih-Chen	7	0	100%	Convener
Independent Director	Chen, Kuo-Tay	7	0	100%	
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	Content of matters / resolution / Handling	Attending members

The 11 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee (Jan. 20, 2020)	Matter: The distribution of the 2019 festival remuneration of manager (and above). • All attending members ratified the matter to be approved by the board.	Chuang, Chih-Chen, Chen, Kuo-Tay, Li, Shen-Yi
The 12 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee (Feb. 17, 2020)	Matter: Employees' stock subscription of SEO • All attending members ratified the matter to be approved by the board after relevant officers' explanation.	Chuang, Chih-Chen, Chen, Kuo-Tay, Li, Shen-Yi
The 13 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee (March 16, 2020)	<ol style="list-style-type: none"> <li>1. Matter: The change in the remuneration for the officer and employees' in IT office of Administration Dept. • All attending members ratified the matter to be approved by the board after discussion.</li> <li>2. Matter: The financial office of Administration Dept. to become independent department and the change in the officer's remuneration. • All attending members ratified the matter to be approved by the board after discussion.</li> <li>3. Matter: The change in remuneration for the substitute officer of Leverage Transaction Dept., the deputy officer of Direct Sales Dept., the officer of 1<sup>st</sup> office of Direct Sales Dept. • All attending members ratified the matter to be approved by the board after discussion.</li> <li>4. Matter: The suggestion for the improvement on managers and above in 2020. • All attending members ratified the matter and submit it to be approved by the board after discussion.</li> <li>5. Matter: The amendment to the "Regulation of Distribution of Bonus for the Proprietary Trading Dept. and the Market Making Proprietary Trading Dept." • All attending members ratified the matter to be approved by the board after discussion.</li> <li>6. Matter: The proposal of 2019 earning distribution. • All attending members ratified the matter to be approved by the board and shareholders' meeting after discussion.</li> </ol>	Chuang, Chih-Chen, Chen, Kuo-Tay, Li, Shen-Yi
The 14 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee (April 22, 2020)	<ol style="list-style-type: none"> <li>1. Matter: The change in remuneration of the officer of Marketing-Making Proprietary Trading Dept. and Proprietary Trading Dept. • All attending members ratified the matter submit it to be approved by the board after discussion.</li> <li>2. Matter: The suggestion for the change in managers' salary of 2020. • All attending members ratified the matter and submit it to be approved by the board after relevant persons withdrew.</li> <li>3. Matter: The distribution of employees' remuneration in cash of 2019 • All attending members ratified the matter and submit it to be approved by the board and reported in the shareholders' meeting after relevant persons withdrew.</li> <li>4. Matter: The distribution of directors' remuneration of 2019 • Except for the remuneration of independent director Chen Kuo-Tay and independent director Chuang Chih-Chen, the matter of the rest directors' remuneration has been ratified by all attending members. • Independent director Chen Kuo-Tay's remuneration was ratified by other members after he withdrew. • Independent director Chuang Chih-Chen's remuneration was ratified by other members after he withdrew and Li Shen-Yi represented the chair.</li> </ol>	Chuang, Chih-Chen, Chen, Kuo-Tay, Li, Shen-Yi



	<ul style="list-style-type: none"> <li>•All members withdrew in his own remuneration discussion and voting and did not represent other member when voting.</li> <li>•Submit this matter to the board and submit to report in the shareholders' meeting.</li> </ul>	
The 15 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee (June 5, 2020)	<p>Matter: The remuneration of newly hired officer of Marketing-Making Proprietary Trading Dept.</p> <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul>	Chuang, Chih-Chen, Chen, Kuo-Tay, Li, Shen-Yi
The 16 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee (Aug. 11, 2020)	<ol style="list-style-type: none"> <li>1. Matter: The amendment to the title of the Demo Program of the Sale of Forex Leverage and the Bonus for Introduction, and cover the CFD in it. <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul> </li> <li>2. Matter: The change in the remuneration of the chief legal officer Chen Chi-Hao due to his restoration of the leave with pay and promotion <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul> </li> <li>3. Matter: The salary of Senior Specialist Hsu Hua-Shan's promotion <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul> </li> <li>4. Matter: To relieve the loss by bonus counting basis of 2019. <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul> </li> <li>5. Matter: The distribution of the 2019 festival remuneration of manager (and above). <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul> </li> </ol>	Chuang, Chih-Chen, Chen, Kuo-Tay, Li, Shen-Yi
The 17 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee (Oct. 30, 2020)	<ol style="list-style-type: none"> <li>1. Matter: The remuneration of newly hired officer of Futures Advisory Dept. <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul> </li> <li>2. Matter: To merge Marketing-Making Proprietary Trading Dept. and Proprietary Trading Dept. and the change in relevant persons' remuneration. <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul> </li> <li>3. Matter: To abolish the Regulation of Distribution of the Bonus for Marketing-Making Proprietary Trading Dept. <ul style="list-style-type: none"> <li>• All attending members ratified the matter and submit it to be approved by the board after discussion.</li> </ul> </li> </ol>	Chuang, Chih-Chen, Chen, Kuo-Tay, Li, Shen-Yi

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.

#### 4.3.4 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	Abstract Illustration	
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		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed the Company’s website. <a href="https://www.capitalfutures.com.tw/Capitalgroup/organization.asp?xy=15&amp;xt=1">https://www.capitalfutures.com.tw/Capitalgroup/organization.asp?xy=15&amp;xt=1</a>	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?	V		(1) The Company has designated spokesperson and deputy spokesperson to respond investors, the contact information could be found from our official website. The Company also established the Legal Department to handle shareholders’ suggestions, doubts, disputes and litigation.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company executed the shareholding declaration confirmation to authorities according to the register of shareholders monthly and updated information of major shareholders, and disclose in the annual report according to the regulation.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) Establishing the firewall system and information system difference in order to implement total risk control with respect to subsidiaries.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(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.	None
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’s board consists of 7 directors and three of them are independent directors. Directors shall direct company strategies, supervise the management, and be responsible to the company and shareholders. Procedures and arrangements under its system of corporate governance shall be directed to ensuring that the board of directors carries out its functions in compliance with acts and regulations, the articles of incorporation, and the resolutions of the shareholders' meetings.  To meet the Company’s need for the development, the board of directors shall be composed by experts and professionals with industry, financial and accounting, and management expertise; directors shall be equipped with	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	commercial experience, legal or financial and accounting qualification. To promote the gender equity, the board shall at least have one female director. The existing directors includes 5 male directors and 2 female director. 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. Chuang, Chih-Chen is a current practicing lawyer. Independent director Mr. Chen, Kuo-Tay was a professor of accounting department in Taiwan national university, and Independent director Hsiao Nai-Ching was a retired judge of the Supreme Court. The detail background information of directors listed on page 10~11.	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	(2) The company has established auditing, salary and remuneration committees in accordance with the law, and voluntarily establish the ethical management committee in order to promote the establishment and supervision of the company's ethical management policy and prevention plan. In the future, in order to improve the supervision function and strengthen the management function, it is necessary to consider the size of the board of directors and the number of independent directors, and set up risk management, nomination or other various functional committees.	None
(4) Does the company regularly evaluate the independence of CPAs?	V		(3) On November 11, 2020, the board of directors of the Company passed the "Board of Directors and Functional Committee Performance Evaluation Criteria". The scope of evaluation includes the overall board of directors, individual directors and functional committees. The evaluation methods include internal self-evaluation of the board of directors and functional committees. Self-evaluation within the committee and self-evaluation of directors or other appropriate methods for performance evaluation. The Company has completed the 2020 performance evaluation of the board of directors and submitted the consolidated	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>evaluation results to the 22<sup>nd</sup> report of the eighth session of the board of directors on March 25, 2020. The board members all possess the professional knowledge required for their positions. Currently, they conduct regular annual performance evaluations for the board of directors by collecting statistics on directors’ attendance at the board of directors and participating in the training and training of corporate governance.</p> <p>(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 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<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee and the 10<sup>th</sup> meeting of the 8<sup>th</sup> 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.  <a href="https://www.capitalfutures.com.tw/Capitalgroup/accountant/default.asp?xy=19&amp;xt=1">https://www.capitalfutures.com.tw/Capitalgroup/accountant/default.asp?xy=19&amp;xt=1</a></p>	
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 perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to	V		On August 25, 2020, the 19 <sup>th</sup> meeting of the 8 <sup>th</sup> board of directors of the Company decided to set a "Chief Corporate Governance Officer", which was assumed by the Company’s Executive Vice President Chen Chi-Hao. Professional qualifications in charge of legal affairs related affairs units for more than three years. The main duties include handling matters related to the meetings of the board of directors, shareholder meetings and functional committees in accordance with the law, preparing the minutes of the board of directors, shareholder meetings and functional committees, assisting directors in appointment and continuing education, Provide information necessary for directors to perform their business, assist directors in complying with laws and regulations, and other matters stipulated in laws and regulations, articles of association or contracts, etc. 2020 as following:	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
company registration, assisting legal compliance affairs and producing minutes of board meetings and shareholders’ meetings)?			The implementation status of board of directors, please refer to page 31~32. The implementation status of auditing committee, please refer to page 35~36. The composition, responsibilities and operations of remuneration committee, please refer to page 42~44. The implementation status and related actions of integrity performance, please refer to page 67~72.	
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?	V		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: ·Spokesperson name: Lee, Wen-Chu (President) TEL:(02)2700-2888 e-mail: marklee@futures.capital.com.tw ·Deputy Spokesperson name: Chen, Wen-Tsay (Senior Executive Vice President) TEL:(02)2700-2888 e-mail:dan_chan@capital.com.tw ·Customer Service Center TEL:02-412-8878 ·share administration agent TEL: (02)2702-3999	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder	V		The Company designates the share administration agent of Capital Securities Corp. to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?  (2) Does the company have other	V		(1) The Company has set up a website ( <a href="https://www.capitalfutures.com.tw/Capitalgroup/default.asp?xy=1&amp;xt=1">https://www.capitalfutures.com.tw/Capitalgroup/default.asp?xy=1&amp;xt=1</a> ) to disclose information regarding the Company’s financials, business and corporate governance status.  (2) The Company has disclosure the related information to MOPS. a. The Company has already built an English Website.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company publish and report its annual financial statement within two months after the end of a fiscal year, and publish and report its financial statements for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	V		<p><a href="https://www.capital.com.tw/en_V7/futures/aboutfutures.aspx">https://www.capital.com.tw/en_V7/futures/aboutfutures.aspx</a></p> <p>b. The designated appropriate departments are responsible for information collecting and disclosing respectively.</p> <p>c. Establishing the spokesperson, investor relations and disclosing the contact information on company website.</p> <p>d. The information and video of conference is all disclosure on company website or MOPS.</p> <p>(3) When accountants audit and review the Company's financial statements, the sufficient and appropriate verification evidence for all constituent entities of subsidiaries (including all domestic and foreign subsidiaries) is necessary to be obtained before issuing opinions to the consolidated financial statement of the Company. It need to take accountants' sufficient time to properly check the evidence, so the Company has difficulties in auditing practices to announce and declare the annual financial statement within two months after the end of the fiscal year, but the Company still actively discussing the arrangement of the audit schedule with accountants to meet corporate governance demand.</p>	<p>None</p> <p>\</p> <p>None</p>
<p>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</p>	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</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	Abstract Illustration	
measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>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. 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: Regarding the management of suppliers, in addition to the announcement of the "Supplier Management Policy" on the company's website, which clearly includes corporate ethics and integrity, risk management, labor and human rights, social welfare and environmental protection, etc., it is new to all types of suppliers. When signing a cooperation contract, you must fill in the "Supplier Corporate Social Responsibility Self-Assessment Form", conduct self-examination on several ESG requirements, and sign the Company's "Supplier Management Policy" commitment letter. The Company regularly conducts comprehensive evaluations of cooperative suppliers in the fourth quarter of each year, and the point of contract fills in the "Supplier Evaluation Form" to screen out vendors to be improved, and conduct follow-up review and improvement.</p> <p>(5) Most of the directors and supervisors of the company have professional literacy in securities, and the relevant refresher courses are handled in accordance with the refresher plan and exposed in the public information observatory. In 2020, the seven directors (including independent directors) of the company completed more than 6 hours of refresher courses, and the new directors also completed 12 hours of refresher courses, totaling 51 hours, covering various topics related to finance, risk management, business, business, legal affairs, Accounting, corporate social responsibility, corporate</p>	



Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>ethics or internal control systems, financial reporting and other related courses.</p> <p>(6) Risk management policies and risk assessment standards: The Company has established a “risk management system” which was revised and approved by the board of directors in 2018 as the highest guiding principle for risk management; in order to effectively manage the company’s business risks, it has established a management procedure that is shared by the board of directors and all levels of management. Participate with employees to promote implementation. From the perspective of the Company as a whole, through a series of activities such as the identification, measurement, monitoring, response and reporting of potential risks, the risk management is quantified with a qualitative and rigorous measurement model, so that the Company can achieve rational and feasible risk asset allocation. Maximize shareholder returns within the scope of risk assumed. There are risk management policies and risk measurement standards for each business, and each business is handled in accordance with the internal control system of the competent authority, and a dedicated unit is set up to perform control and report to the management.</p> <p>The risk management office reports to the board of directors once every six months to timely reflect to the board of directors on the implementation of risk management and make necessary suggestions for improvement; the board of directors conducted semi-annual reports in January and July in 2020.</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, and set up a Fair Treating Customers Committee, responsible for the planning and implementation of the fair hospitality principle, and report to the board of</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>directors regularly (at least once a year) to ensure the implementation of the fair hospitality principle.</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 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. Except for president, there are two 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>	
<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> <p>In the 2019 Corporate Governance Evaluation, a total of 1,600 listed companies have been evaluated. The Company’s evaluation result is a company that ranks 21% to 35% of the evaluated listed companies. The Company is committed to improving the protection of shareholders’ rights and equal treatment of shareholders, strengthening the structure and operation of the board of directors, enhancing information transparency, and implementing corporate social responsibility, so the Company has set Chief Governance Officer and will review the unscored items and think about improvement measures.</p>				

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

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	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		In accordance with the company's "Code of Practice for Corporate Social Responsibility" and GRI Standards for Sustainable Reporting (GRI Standards), the company's "Environmental, Social and Corporate Governance Risk Assessment Measures" have been formulated to review the environmental, social and corporate governance related to company operations ( ESG) and other sustainable issues, and perform analysis of major issues. Regarding environmental, social, corporate governance (ESG) and other specific issues (including: energy saving and carbon reduction, climate change, political events, innovation, digitization, etc.), the importance and relevance of the Company itself, stakeholders and their mutual influence The evaluation process. When performing analysis of major issues, each consideration should assess the impact on the evaluation and decision-making of stakeholders and the significant degree of economic, environmental and social impacts.	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		The Company's Administration Department is a full-time (part-time) unit that promotes corporate social responsibility and is responsible for the operation of corporate social responsibility. Its main responsibility is to formulate and review various corporate social responsibility-related regulations and measures, and is responsible for compiling and compiling corporate social responsibility every year. Responsibility report and corporate social activity plan. The Company's policies are based on the principles of corporate governance, customer service, employee care, social services, and environmental sustainability to promote and implement corporate social responsibility. The CSR plans has been reported and progress during board meetings and shareholder meetings on March 26, 2020 and March 25, 2021, please refer to page 62~66	None
	V			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	Summary description (Note 2)	
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
(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			(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	

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	Summary description (Note 2)	
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?			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.	
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			(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	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	Summary description (Note 2)	
reasonable employee welfare policies (Including remuneration, vocation, and others) and appropriately reflect the corporate business performance or achievements?	V		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.	
(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. The Company also hires special doctors and professional medical staff to regularly visit the Company to provide colleagues with correct concepts and treatment suggestions for health problem prevention. In order to respect the privacy of colleagues, we adopt a one-to-one consultation. Please refer to page 114~115.	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.	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	Summary description (Note 2)	
(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		<p>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.</p> <p>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.</p>	None
	V		<p>(5) The Company regularly applies fire safety inspections every year in accordance with regulations to confirm that the relevant fire-fighting equipment is in compliance with the regulations, and insures public accident insurance in the business premises to ensure customer safety. In terms of customer privacy, it has been verified by BSI BS10012 personal information management (PIMS personal data protection) and other international standards certification. It has established a complete management control mechanism and measures for personal data protection, and strictly follows and requires employees to follow the organizational management mechanism Implement implementation to ensure the privacy of customers.</p> <p>According to the Company's "Administrative Measures for the Production, Distribution and Announcement of Promotional Materials for Advertising, Business Recruitment and Sales Promotion Activities", relevant promotional materials and advertisements shall be attached before engaging in advertising, business recruitment and sales promotion activities, and before external use of promotional materials and advertisements. The content, after being reviewed by the supervisor and confirmed that the</p>	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	Summary description (Note 2)	
(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?			<p>content is not improper, misrepresented, misleading investors, or violating relevant laws and regulations, can only be used after approval.                      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. The Company also established the Fair Treating Customers Committee which is responsible for the design and the promotion of the principles of treating customers fairly, and shall regularly (at least once a year) report to the board, to ensure the implementation.                      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</p> <p>(6) Regarding the management of suppliers, in addition to the announcement of the “Supplier Management Policy” on the Company's website, which clearly includes corporate ethics and integrity, risk management, labor and human rights, social welfare and environmental protection, etc., when signing a new cooperation contract, suppliers must fill in the "Supplier Corporate Social Responsibility Self-Assessment Form", conduct self-examination on several ESG requirements, and sign the Company's “Supplier Management Policy” commitment letter. The Company regularly conducts comprehensive evaluations of suppliers in the fourth quarter of each year, and the point of contract fills in the “Supplier Evaluation Form”</p>	



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	Summary description (Note 2)	
			to screen out vendors to be improved, and conduct follow-up review and improvement. <a href="https://www.capitalfutures.com.tw/Capitalgroup/supplier.asp?xy=18&amp;xt=2">https://www.capitalfutures.com.tw/Capitalgroup/supplier.asp?xy=18&amp;xt=2</a>	
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 according to "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and internationally widely recognized guidelines but it doesn't obtain a third-party assurance or verification.	None
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.				
7. Other information useful to the understanding of corporate social responsibilities: The Company published its 2019 CSR report in June 2020. The Company has also created a CSR section on its website to disclose relevant and reliable information concerning the CSR report. Stakeholders are able 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 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.

## Achievements of 2020 CSR Plans

Stakeholders	2020 Plans	Achievements
Employees	<p>1. Investment seminars/ education and training.</p> <p>2. Talent training through Capital Financial University.</p> <p>3. Healthy-workplace series of activities.</p> <p>4. Regular health checks</p>	<p>1. In order to cultivate various kinds of 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> <ul style="list-style-type: none"> <li>● July 13, 2020 – Step. 18, 2020: The 3th global derivatives consultant training plan.</li> <li>● July 29, 2020: Internet celebrity plan – building own profitable brand.</li> <li>● Aug. 18, 2020 – Aug. 21, 2020: EA setting and writing.</li> <li>● Aug. 19, 2020: Learning how to make profit via the fanpage on social media.</li> <li>● Step. 9, 2020: Practical skills about management and marketing of Line@.</li> <li>● Step. 9, 2020, the prospect of semi-conductor industry.</li> </ul> <p>2. Talent training through Capital Financial University. Activity from July to October in 2020.</p> <p>3. Healthy-workplace series of activities: Engaging physicians and nursing personnel to the Company every quarter/ four times a month to provide health consulting services and the correct concept of the precaution against diseases and the advice on treatment for employees. For the protection of personal privacy, the consultations were conducted one on one. In 2020, there were total 110 employees taking the consultation. 8 employees advised on maternal health protection, 9 employees reflected on the abnormal burden of workload, 12 employees spoke of the danger of human engineering.</p> <p>4. The Company engaged the hospital to conduct health check for employees in the workplace, there were 220 employees participating in.</p>

	<p>5. Employee group insurance</p> <p>6. Various welfare measures of the Welfare Committee.</p>	<p>5. Employee group insurance</p> <ul style="list-style-type: none"> <li>● The Company provides employees with a wide variety of group insurance coverage from life, accidental injury, medical insurance for accidental injuries, to occupational accidents.</li> <li>● To take good care of employees and their family, employees and their family members can insure the group insurance, including term life, accidental injury, medical insurance for accidental injuries, and cancer insurance, at a discounted premium.</li> </ul> <p>6. Various welfare measures of the Welfare Committee in 2020:</p> <p>(1) Travel subsidy: 224 people; total amount of subsidy: NT\$1,002,000.</p> <p>(2) Marriage allowance: 2 people; total amount of subsidy: NT\$6,000.</p> <p>(3) Funeral subsidy: 2 people; total amount of subsidy: NT\$10,000.</p> <p>(4) Hospitalization subsidy: 6 people; total amount of subsidy: NT\$65,000.</p> <p>(5) Birth subsidy: 8 person; total amount of subsidy: NT\$24,000.</p>
<p>Customers and investors</p>	<p>1. Investment seminars, trading competitions and marketing proposals</p>	<p>1. The Company held trading competitions, investment forums and fine professional lecture course in various themes and provided different level for investors in accordance with their familiarity with products:</p> <ul style="list-style-type: none"> <li>● Jan. 15, 2020: Global Hot Money Shifting</li> <li>● Jan. 20, 2020 – Jan. 29, 2020: Capital Making Money during the Chinese New Year</li> <li>● Jan. 1, 2020 – Dec. 31, 2020: Capital Winner Seminar</li> <li>● Feb. 17, 2020: Top Traders of juristic persons sharing</li> <li>● Feb. 25, 2020: The Secret about Finding Soaring Stocks &amp; How Charming the Leverage is.</li> <li>● March 1, 2020- May 31, 2020: Trade CME Micro-products and Get a Gift</li> <li>● March 5, 2020: Masters Lead the Way to 5G Mobile Futures</li> <li>● March 11, 2020: How China Responds after Covid-19 Pandemic?!</li> <li>● March 14, 2020 – April 27, 2020: Traders Training Campus and Intelligent Trading Courses</li> <li>● March 30, 2020 – April 24, 2020: The Mock Competition of Forex Leverage Trading</li> <li>● April 8, 2020: The Secret about How to Win More in Day-Trading by Winners</li> <li>● April 30, 2020: The Plunge of Oil Price – the Rare Chance to Invest?!</li> <li>● May 1, 2020 – October 31, 2020: Trade Nano-gold and Get a Gift</li> <li>● June 5, 2020 – Step. 10, 2020: Capital View SOP</li> </ul>

	<p>2. Digital and internet technology financial services and electronic trading platform promotion</p> <p>3. Promotion of e-statement</p>	<ul style="list-style-type: none"> <li>● June 18, 2020: Global Top Forum: VIX Investment Strategies for Passive People</li> <li>● June 23, 2020: Getting Rich by Investing in Oil</li> <li>● June 24, 2020 – Step. 16, 2020: The Era of Gold is Coming</li> <li>● July 7, 2020: Hong Kong, the Place Where China and U.S. Fight.</li> <li>● Aug. 17, 2020: The Future and the Strategies for Investing in Chinese Stock during the Financial Frenzy</li> <li>● Aug. 19, 2020: Global Inflation and Easing Monetary Policy by the Central Bank</li> <li>● Aug. 21, 2020: Chinese Stock Rising, How to Follow the Trend by Using Technical Analysis</li> <li>● Step. 19, 2020 – Step. 21, 2020: Traders Training Campus</li> <li>● October 17, 2020 – October 18, 2020: Stock Market Winners Training Campus</li> <li>● October 30, 2020: Disclosure of U.S. Pre-election Strategies</li> <li>● Dec. 22, 2020: Award Ceremony for Prospects of Global Market and the Winners Hall of Fame</li> </ul> <p>2. Digital and internet technology financial services and electronic trading platform promotion:</p> <ul style="list-style-type: none"> <li>● The Company initiated Digital Growth Plan in 2020 when digital and internet technology pushes the financial industry forward to the new era. To deep down touch customers, the Company creates a better service and user experience on top of its internet information system.</li> <li>● Established Digital Growth Department and hired Professor, Ming-Hui Wen, as a consultant, to improve user experience via digital operation and marketing thinking in cooperation.</li> <li>● Capital sets Customers Service Center to devote itself to the promotion of electronic trading service. After APP and web online self- examination system launched, the frequency of manual operation dropped, and the human resource turned to develop in aspects of customers experience, interface design, program establishment and intelligent services.</li> </ul> <p>3. To protect the Earth by environmental protection; then to have happiness in life:</p> <ul style="list-style-type: none"> <li>● In 2020, there were 13,365 accounts opened and 7,791 accounts of it were opened online. The ratio of electronic account open is 58%.</li> <li>● In 2020, there were 27,590 accounts trading, and 26,813 accounts of it were trading online. The ratio of electronic trading is 97%.</li> <li>● The Company provides e-statement of all products and keeps promoting e-statements via marketing activities to reduce the use of paper, which effectively reduces the waste of paper and ink when printing and lower the cost and pollution of transportation when mailing.</li> </ul>
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Shareholders	<ol style="list-style-type: none"> <li>1. General shareholders' meeting every year</li> <li>2. Disclosing comprehensive information of the annual report, CSR report and the Company's official website to shareholders.</li> <li>3. Continuing education of directors</li> </ol>	<ol style="list-style-type: none"> <li>1. 2020 general shareholders' meeting was held on June 19, 2020.</li> <li>2. The information is disclosed in the annual report and CSR report, and on the Market Observation Post System (MOPS) website and the Company's official website before every June.</li> <li>3. All 7 directors (including independent directors) have finished 6 hours education courses, the new directors also finished 12 hours education courses, there were 51 hours in total. The themes of courses covers finance, risk control, business, commerce, legal, accounting, CSR, corporate ethics, internal control system and financial statements and so on.</li> </ol>
Ethical management	The Company has the Rules Governing Ethical Management and the Procedures for Ethical Management and Guidelines for Conduct and the specialized unit in charge of pushing ahead ethical	<ol style="list-style-type: none"> <li>1. The Ethical Management Committee which sub.</li> <li>2. The Company held education trainings in ethical management for employees through various e-systems.</li> <li>3. The Company discloses Rules Governing Ethical Management to make sure suppliers, customers and other relevant corporates and persons understand its faith and rules of ethical management.</li> <li>4. The report on the Company's implementation of ethical management was conducted in the board meeting on Jan. 25, 2021.</li> </ol>

	management is the Ethical Management Committee.	
Social and community	<p>1. Social welfare activities and donations</p> <p>2. Academic-industry cooperation, talents cultivation</p> <p>3. Blood donations</p>	<p>1. Social welfare activities and donation:</p> <ul style="list-style-type: none"> <li>● Participated in the Tamsui river cleanup held by CommonWealth Magazine and the Society and Wilderness to perform CSR.</li> <li>● Donations in 2020: <ul style="list-style-type: none"> <li>➢ 2020 BE HEROES Soccer Elite Campus: NT\$100,000</li> <li>➢ Financial Services Enterprise Education Welfare Fund: NT\$100,000</li> <li>➢ Financial Governance and Legal Compliance Association: NT\$1,000,000</li> <li>➢ Cross-strait Sports Research Association: NT\$50,000</li> <li>➢ Forex trading of Depart of Finance of Feng Chia University: NT\$16,800</li> </ul> </li> </ul> <p>2. The Company has cooperated with National Taiwan University, National ChengChi University, National Taiwan Normal University, National Sun Yat-sen University, Fu Jen Catholic University, Chung Yuan Christian University, Ming Chuan University, Chang Gung University, National Taichung University of Science and Technology and other famous universities to conduct the intern program which has been the 7<sup>th</sup> year, recruiting nearly 50 students in finance-relevant departments in Taipei and Taichung to cultivate talents for the financial industry in Taiwan.</p> <p>3. Capital group's blood donation welfare activity, which has been 13<sup>th</sup> year in 2020, summons passionate blood donors in 18 hotspots around the Taiwan from July to October.</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	
1.Establishment of integrity policies and solutions			
(1) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management level committed in fulfilling this commitment?	V		None
(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?"	V		None
(3) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and	V		None
		(1) The Company has "Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines" in place on March 27 <sup>th</sup> , 2017 and amend it on Aug. 29 <sup>th</sup> , 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.  (2) The Company has established a risk assessment mechanism for dishonest behaviors, and formulated a "dishonest behavior self-assessment form" for regular analysis and evaluation. The results of the 2020 evaluation are shown in the appendix. In addition, business activities with a high risk of dishonesty within the business scope are specified in various rules and regulations. 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.  (3) The Company's "Business Integrity Procedures and Behavioral Guidelines"	

Assessment Criteria	Actual governance (Note 1)		Summary Description	Deviation and causes of deviation from integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Y E S	N O		
complaint systems?			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.	
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 board of directors and management actively implement the commitment to the integrity management policy and implement it in internal management and business activities. The Company has established an Ethical Management Committee under the Board of Directors to serve as a dedicated unit to promote corporate integrity management, responsible for the formulation, supervision and implementation of integrity management policies and preventive measures, and regularly (at least once a year) report to the Board of Directors.	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,	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									
		Summary Description									
<p>(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?</p> <p>(5) Does the Company organize internal or external training on a regular basis to maintain business integrity?</p>	V	<p>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.</p>	None								
	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. The Company's 2020 internal audit plan was reviewed and approved at the 12th meeting of the eighth session of the board of directors on November 11, 2019, and was implemented by the audit unit. According to the results of the risk assessment of dishonesty conduct in 2020, the audit unit will separately check the compliance of the prevention plan, and the audit results will be disclosed in the audit report according to the facts.</p>	None								
		<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>Theme of course</th> <th>Participants' number</th> <th>Hours of course</th> </tr> </thead> <tbody> <tr> <td>2020 Q1 Prohibition regulations for futures salespersons, integrity management and reporting system, legal compliance education, training and testing</td> <td>304</td> <td>3</td> </tr> <tr> <td>2020 Q2 Training and testing of Financial Consumer Protection Act, the principle of treating customer fairly and</td> <td>301</td> <td>3</td> </tr> </tbody> </table>	Theme of course	Participants' number	Hours of course	2020 Q1 Prohibition regulations for futures salespersons, integrity management and reporting system, legal compliance education, training and testing	304	3	2020 Q2 Training and testing of Financial Consumer Protection Act, the principle of treating customer fairly and	301	3
Theme of course	Participants' number	Hours of course									
2020 Q1 Prohibition regulations for futures salespersons, integrity management and reporting system, legal compliance education, training and testing	304	3									
2020 Q2 Training and testing of Financial Consumer Protection Act, the principle of treating customer fairly and	301	3									

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	Summary Description																
			<table border="1"> <tr> <td>Personal Data Protection Act</td> <td></td> <td></td> </tr> <tr> <td>2020 Q3 Training and testing of AML and CFT</td> <td>282</td> <td>3</td> </tr> <tr> <td>2020 training of ethical management</td> <td>306</td> <td>1</td> </tr> <tr> <td>2020 Training of advertisement, propagandas, online marketing and prohibition</td> <td>201</td> <td>1</td> </tr> <tr> <td>2020 Q4 training of insider trading</td> <td>233</td> <td>3</td> </tr> </table>	Personal Data Protection Act			2020 Q3 Training and testing of AML and CFT	282	3	2020 training of ethical management	306	1	2020 Training of advertisement, propagandas, online marketing and prohibition	201	1	2020 Q4 training of insider trading	233	3	
Personal Data Protection Act																			
2020 Q3 Training and testing of AML and CFT	282	3																	
2020 training of ethical management	306	1																	
2020 Training of advertisement, propagandas, online marketing and prohibition	201	1																	
2020 Q4 training of insider trading	233	3																	
3. Whistleblowing system (1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported	V		(1) The Company has established an opinion mailbox on Mar. 17 <sup>th</sup> , 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 2020.	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	
<p>misconducts?</p> <p>(2) Does the Company establish standard operating procedures for confidential reporting and investigation of accusation cases?</p> <p>(3) Has the Company provided proper whistleblower protection?</p>	<p>V</p> <p>V</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. Mailing address: The Company's place of business Receiver: The internal auditing department ※ There is no whistleblowing case in 2020.</p> <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"> <li>➤ Confidentiality over the informant's identity and refrain from leaking any information that can be used to identify the informant.</li> <li>➤ Any substantiated violation of the confidentiality principle will be subject to review by the personnel review committee and treatment according to the Work Rules.</li> </ul> <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>	<p>None</p> <p>None</p>
<p>4. Enhanced information disclosure</p> <p>(1) Has the Company disclosed its integrity principles and progress onto its website and MOPS?</p>	<p>V</p>	<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</p>	<p>None</p>

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	
		Summary Description	
		on the Company's website. <a href="https://www.capitalfutures.com.tw/Capitalgroup/worker_opinion.asp?xy=15&amp;xt=6">https://www.capitalfutures.com.tw/Capitalgroup/worker_opinion.asp?xy=15&amp;xt=6</a>	
5.If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice 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."			
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 75.

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. One employee failed to declare the advertisements posted on the website to the CNFA in accordance with the regulations, and provided advice to clients in the Line group and FB community without the qualifications for analysis and suggestions. The CNFA's letter was sent on July 15, 2020 warning the Company twice. The Financial Regulatory Commission sent a letter on November 13, 2020, stating that the Company shall be fined NT\$240,000 and pay attention to improvement, along with the clerk shall be ceased to execute the futures business for 2 months. The Taifex issued a letter on November 19, 2020, imposing a fine of NT\$100,000. The company was requested to pay attention to improving and strengthening personnel training; in addition, the company is requested to give a warning to the salesperson.

Improvements:

- (1) The employee has been asked to pay attention to the improvement afterwards, and the related website has been closed.
- (2) On April 27, 2020, the employee completed his registration of "Suggestion, Solicitation, Publication, and Lecture".
- (3) Starting from December 1, 2020, the employee had been suspended to conduct futures business for two months and had been given a warning.
- (4) On December 1, 2020, an educational training was held for all business colleagues.

2. The Financial Regulatory Commission sent a letter on September 1, 2020 stating that the company did not immediately announce the information related to the negative value trading of small light crude oil and on April 21, 2020, the trading host was unable to calculate the negative value and failed to perform intraday risk control operations. In this case, a fine of NT\$360,000 was imposed and the improvement was required.

Improvement: The Company's back-end system added the function of negative price trading on April 22. After testing, the commission and transaction return can display the negative value function.

3. The FSC sent a letter on November 25, 2020, stating that the Company has not implemented the "Principles of Attention and Loyalty" and "Principles of Ad Hocism" for fair hospitality. Please pay attention to improvement and report on improvement plans.

Improvement: The Company has drafted an improvement plan based on the principle of fair hospitality, and submitted a letter to the FSC after the resolution of the board of directors passed on January 25, 2021.

4. In a letter dated February 3, 2021 from the FSC, regarding the results of the project inspection from May 11 to 18, 2020, whether the Company has comprehensively assessed the customer's financial and credit status to assess the degree of risk exposure to verify transaction limits and online account opening documents. All risk notices are only confirmed by the customer in a single way of summarizing all the content, the verification logic and system construction of the internal personnel transaction control work have not been established, the customer statement will be sent to the salesperson's email, and the customer's statement will be sent to the salesperson's email address. According to the warning of the risk control system, when the amount of customer's equity is lower than the required maintenance margin for the unwritten position, the high-risk account notification and other matters shall be fined NT\$600,000, and the following deficiencies shall be corrected, and the Company shall punish its relevant violators listed in the following item (3).

(1) The accounts opened by the insiders and their spouses are not distinguished in an appropriate manner, the accounts of the insiders have not been cancelled when they have resigned or resigned and are disqualified or status, (2) The important content of the entrusted account opening contract has not been expressed in prominent fonts or methods, (3) Insiders engage in futures trading on the Internet at the business office and do not use the internal network to place orders, (4) Use the original client's account to handle the wrong parts without first obtaining the client's consent, (5) The business advertising materials are not Reveal the real name and company license number, and the advertising materials will be used outside before the expiry date.

Improvement: Except for the following projects to be completed one after another, the remaining has been improved.

(a) The establishment of a control mechanism for customer risk classification is expected to be completed before the end of June 2021.

(b) The establishment of verification logic and system construction for internal personnel transactions, the system automatically compares the list of internal personnel who have not used the Company's configuration network to place orders, and completes mobile phone numbers for one-year active accounts. These have been completed at the end of March, 2021.

(c) The Company has reported and punished the related violators listed in the item (3).

**Capital Futures Corp.**  
**Statement of Internal Control System**

Date: March 25, 2021

The following statement has been made based on a self-assessment of the Company's internal control system in 2020:

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. The Company was fined NT\$240,000 by FSC because the associated persons failed to declare in accordance with the regulations, posting the online advertisement of open accounts for free books and provided advice on trading information on social media. In addition, a penalty of NT\$360,000 was due to there was no immediate announcement related to the negative value trading of QM and trading host unable to calculate the negative value which cause the Company couldn't implement risk control during a trading session. The abovementioned has been improved and has not affected the achievement of the goal of the overall internal control system.
6. 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, 2020<sup>1</sup>. 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.
7. 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.
8. This statement was passed during the board of directors meeting held on March 25, 2021 by all 7 attending directors without objection.

**Capital Futures Corp.**

Chairman : Sun, Tien-Shan

President : Lee, Wen-Chu

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<sup>1</sup> The statement date is the end day of fiscal year.

**Improvement Items and Plans of the Internal Control System**

Items	Improvements	Improvement Schedule
<p>The associated person didn't apply for the advertisement posted on the website in accordance with the regulations, and he provided advice to customers in the Line group and FB community but failed to take the qualifications for analysis and suggestions.</p>	<ol style="list-style-type: none"> <li>1. The associated person has been asked to pay attention to the improvement afterwards, and recheck that the website has been closed.</li> <li>2. On April 27, 2020, the associated person has changed his registration to "Suggestion, Solicitation, Publication, and Lecture".</li> <li>3. Starting from December 1, 2020, the associated person will be suspended from futures business and a warning will be issued.</li> <li>4. On December 1, 2020, the education and training was conducted for all business colleagues The content is as follows: (1) Common violations of the futures advisory business: such as advice on buying and selling information, not involving the research and judgment of the future price of individual futures trading contracts, recommendations, or recommendations on trading strategies, etc. (2) Promote common violations of advertising messages, and reiterate the definition of advertising messages and the process of reporting to the CNFA.</li> </ol>	<p>Improvements have been completed</p>
<p>The Company did not immediately announce the information related to the negative price trading of the E-mini crude oil and on April 21, 2020, the trading system was unable to calculate the negative price and failed to implement intraday risk control operations.</p>	<p>Lingqun's back-end system added the function of negative price trading on April 22. After testing, the commission and transaction system can display the negative price.</p>	<p>Improvements have been completed</p>
<p>The content posted by the associated person on Facebook did not submit a declaration to the CNFA in advance in accordance with the regulations.</p>	<ol style="list-style-type: none"> <li>1. The company has asked the associated person to immediately remove the undeclared content when it became aware, and asked the</li> </ol>	<p>Improvements have been completed</p>



	<p>salesperson to pay attention to improvement in the future.</p> <p>2. On January 5, 2021, education and training will be held for all business colleagues to promote common violations of advertising messages, and reiterate the definition of advertising messages and the process of applying to the CNFA.</p>	
<p>The FSC has opined that the company has not implemented the principles of attention and good faith and principles of truly soliciting advertisement of treating customers fairly. The Company shall pay attention to improvements in the future and develop an improvement plan for the meeting.</p>	<p>The company has drafted an improvement plan for the principle of fair hospitality, and submitted a letter to the FSC after the board resolution passed on January 25, 2021.</p>	<p>Improvements have been completed</p>

### 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 2020 general shareholder meeting:

A. Date and Time: June 19 (Friday) AM10:30

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

C. Implementations and resolutions of recognition matters:

Subject	Resolution	Implementation
Approval of the Company's 2019 business report and individual financial statements	This case was voted with 138,787,410 voting rights in favor (including 138,744,110 electronic voting rights), accounting for 98.81% of the total voting rights of the presenting shareholders. There were 109,462 voting right not in favor of the case (including 109,462 electronic voting rights). There were 1,547,852 forfeited voting rights (including 1,133,752 electronic voting rights) 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 2019 earnings distribution	This case was voted with 138,785,597 voting rights in favor (including 138,742,297 electronic voting rights), accounting for 98.81% of the total voting rights of the presenting shareholders. There were 328,709 voting right not in favor of the case (including 328,709 electronic voting rights). There were 1,330,418 voting rights forfeited (including 916,318 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 NT\$1.9 per share was distributed based on the resolution reached in the shareholders' meeting. (ex-dividend date was July 15, 2020 and cash dividend were distributed on July 29, 2020)

D. Implementations and resolutions of discussion matters:

Subject	Resolution	Implementation
Amendment to the Company's Articles of Association.	This case was voted with 138,989,448 voting rights in favor (including 138,946,148 electronic voting rights), accounting for 98.96 % of the total voting rights of the presenting shareholders. There were 117,563 voting right not in favor of the case (including 117,563 electronic voting rights). There were 1,337,713 voting rights forfeited (including 923,613 electronic voting rights) and 0 voting right invalid. This case is passed according to the revolution reached by voting in the board meeting.	The AoA has been approved by MOEA and announced on the website accordingly
Amendment to the The Rules of Procedure for Shareholders Meetings	This case was voted with 138,976,655 voting rights in favor (including 138,933,355 electronic voting rights), accounting for 98.95 % of the total voting rights of the presenting shareholders. There were 129,356 voting right not in favor of the case (including 129,356 electronic voting rights). There were 1,338,713 voting rights forfeited (including 924,613 electronic voting rights) and 0 voting right invalid.	Announced on the website and follow the revised version accordingly

	This case is passed according to the resolution reached by voting in the board meeting.	
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E. Implementations and resolutions of election matter:

Subject	Voting Result		Implementation
By-election one independent director	Candidate	Voting Rights	The new independent director has been approved and registered by MOEA
	Hsiao, Nai-Ching	132,317,534	

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 14 <sup>th</sup> meeting of the 8 <sup>th</sup> term Board (2020.01.10)	<ul style="list-style-type: none"> <li>● Confirmation for 2020 operating plan and budget of the Company.</li> <li>● Amendment to the “Guidelines of bonus distribution for direct sales department”.</li> <li>● Appointment of the head of proprietary department.</li> <li>● The hiring of the Remuneration Committee’s members.</li> <li>● The 2019 review result of managers level and above.</li> <li>● The 2019 distribution of year-end bonus of managers level and above.</li> </ul>	Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen
The 15 <sup>th</sup> meeting of the 8 <sup>th</sup> term Board (2020.02.17)	<ul style="list-style-type: none"> <li>● Decision of the date of capital increase and relevant affairs.</li> <li>● Regarding to the 2019 capital increase project of the Company.</li> </ul>	Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen  Lee, Yi-Hui commissioned Chairman Sun, Tien-Shan.
The 16 <sup>th</sup> meeting of the	<ul style="list-style-type: none"> <li>● The directors’ and employees’ remuneration distribution of the Company in 2019.</li> </ul>	Director: Sun, Tien-Shan,

Item	The summary of important items	Attendance Status of Independent Director
8 <sup>th</sup> term Board (2020.03.26)	<ul style="list-style-type: none"> <li>● Reporting the business report and financial statement in 2019.</li> <li>● Bonus distribution in 2019.</li> <li>● Amendment to the “Guidelines of bonus distribution for proprietary department.”</li> <li>● Amendment to “ Regulations Governing Leverage Transaction Merchants” of the Company.</li> <li>● To apply for a leveraged dealer CFD contract of gold and crude oil business.</li> <li>● Amendment to “organizational rules” of the Company.</li> <li>● Amendment to the Company’s “Sales approval authority table”.</li> <li>● Amendment to the Company’s “Rules of Procedure for Board of Directors Meetings “.</li> <li>● Amendment to the Company’s “Audit Committee Charter”.</li> <li>● Amendment to the Company’s “Remuneration Committee Charter”.</li> <li>● Amendment to the Company’s “Article of Association”.</li> <li>● Amendment to the Company’s “Rules of Procedure for Shareholders Meetings”.</li> <li>● By-election of one seat independent director.</li> <li>● Confirmation the date, location and agenda of 2020 general shareholders meeting.</li> <li>● 2019 statement on the overall implementation status of information security of the Company.</li> <li>● 2019 statement on the effective implementation of Anti-money Laundering/Countering Financing Terrorism internal control of the Company.</li> <li>● 2019 statement on the effective of design and implementation for internal control system of the Company.</li> <li>● Report to “Corporate social Responsibility Plan” of the Company.</li> <li>● Suggestion for the 2020 promotion list for employees of manager grade and above.</li> </ul>	Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen
The 17 <sup>th</sup> meeting of the 8 <sup>th</sup> term Board (2020.5.6)	<ul style="list-style-type: none"> <li>● Review of candidates of the independent director in 2020 General Meeting of Shareholders’ Meeting.</li> <li>● The Company’s 2019 “Principles of Treating Customers Fairly” evaluation form, ratified since April 27, 2020.</li> <li>● Senior Associate He Zhuoyi of the Network Information Division of the Management Department concurrently serving as a subsidiary of Capital International Technology Corp.</li> <li>● The change in the manager of the Proprietary Trading Dept.</li> <li>● The change in the supervisors of the Proprietary Trading Dept. and the Market Making Proprietary Trading Dept.</li> <li>● The Company’s 2020 annual managerial level (including)</li> </ul>	Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen  Lee, Yi-Hui

Item	The summary of important items	Attendance Status of Independent Director
	supervisor salary adjustment proposal ● The Company's 2019 of managerial level (including) and above supervisory staff compensation payment case ● The Company's 2019 Directors' Compensation Proposal	commissioned Chairman Sun, Tien-Shan.
The 18 <sup>th</sup> meeting of the 8 <sup>th</sup> term Board (2020.6.18)	<ul style="list-style-type: none"> <li>● Amend the company's "Code of Practice for Corporate Social Responsibility"</li> <li>● Amend the "Code of Practice on Corporate Governance" of the company</li> <li>● Amend the company's "Integrity Management Operating Procedures and Code of Conduct Guidelines"</li> <li>● The case for the appointment of the supervisor of the option market making department of the self-operated department of market making</li> </ul>	Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Lee, Yi-Hui  Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen  Liu, Ching-Tsun commissioned Chairman Sun, Tien-Shan.
The 19 <sup>th</sup> meeting of the 8 <sup>th</sup> term Board (2020.8.25)	<ul style="list-style-type: none"> <li>● Individual and consolidated financial statements of the company for the first half of 2020 (January 1 to June 30)</li> <li>● Revised the name of "Foreign Currency Margin Sales and Referral Bonus Trial Project" and included the products of the Contract for Difference</li> <li>● Law compliance and legal affairs director Chen Qihao intends to apply for reinstatement without pay, promotion and salary adjustment</li> <li>● The company plans to set up a director of corporate governance</li> <li>● Sponsored accounting transaction case of the company's securities self-operated business</li> <li>● Promotion of Hsu Huashan, Senior Specialist of the Finance Dept.</li> <li>● Exemption from the 2019 annual bonus calculation of basic loss amount of the Proprietary Trading Dept.</li> <li>● Revision of the Company's "Regulations on Financial Operations between Affiliated Companies and Group Companies"</li> <li>● Revision of the Company's internal control system</li> <li>● Established the Company's "Utilization of the Competent Authority Financial Inspection Report Practice Guidelines"</li> <li>● Amendment of the Company's "Regulations of Board of Directors"</li> <li>● Amend the Company's "Regulations on the scope of duties of independent directors"</li> </ul>	Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui  Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen, Hsiao, Nai-Ching

Item	The summary of important items	Attendance Status of Independent Director
	<ul style="list-style-type: none"> <li>● Revision of the Company's "Code of Ethical Conduct"</li> <li>● Amend the "Appendix: Suspected Money Laundering, Financial Terrorism, or Armed Expansion Transactions" of the "Precautions for AML and CFT", and it will take effect on October 1, 2020.</li> <li>● Amend the "Appendix: Suspected Money Laundering, Financial Terrorism or Armed Forces Expansion" of the "Precautions for AML and CFT by Futures Managed Dept." of the Company</li> </ul>	
<p>The 20<sup>th</sup> meeting of the 8<sup>th</sup> term Board (2020.11.11)</p>	<ul style="list-style-type: none"> <li>● The Company's 2020 independence assessment of the CPA</li> <li>● The CPA's auditing fee for the Company in 2021</li> <li>● Write off overdue claims of the company</li> <li>● Submit 2021 annual audit plan</li> <li>● In accordance with the letters from the TPEX, TWSE and business needs, to revise the Company's internal control system</li> <li>● Determine the performance evaluation criteria of the Company's board of directors and functional committees</li> <li>● Establishment of the Company's Ethical Management Committee and the Stipulation of the Organization Regulations of the Ethical Management Committee</li> <li>● Merging of the Proprietary Trading Dept. and the Market Making Proprietary Trading Dept. and the change in related personnel</li> <li>● The change in the managers of the Proprietary Trading Dept. and the Leverage Transaction Dept.</li> <li>● Revision of the Company's "Organizational Regulations" and organizational chart</li> <li>● Repeal the "Criteria for the Distribution of Bonuses for the Market Making Proprietary Trading Dept."</li> <li>● The lay-off of Huang Guorong, the deputy supervisor of the Managed Futures Dept.</li> <li>● The hiring of the head of Futures Advisory Dept.</li> <li>● The case of Mao Zhenhua, the head of the business department, concurrently serving as the executive deputy general manager</li> <li>● Proposal for the appointment of 3<sup>rd</sup> directors and supervisors of the subsidiary Capital International Technology Corp.</li> </ul>	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui</p> <p>Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen, Hsiao, Nai-Ching</p>
<p>The 21<sup>th</sup> meeting of the 8<sup>th</sup> term Board (2021.1.25)</p>	<ul style="list-style-type: none"> <li>● 2021 annual operating plan and budget</li> <li>● Amend the "Business Approval Authority Table"</li> <li>● Amendment to the "Rules of Procedure of Shareholders' Meeting"</li> <li>● Amendment to "Director Election Rules"</li> <li>● Amendment to the "Regulations of Board of Directors"</li> <li>● Amend the "Standard Operating Procedures for Handling Directors' Requests"</li> <li>● Amend the "Organizational Regulations of the Integrity</li> </ul>	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui</p> <p>Independent Director:</p>

Item	The summary of important items	Attendance Status of Independent Director
	<p>Management Committee"</p> <ul style="list-style-type: none"> <li>● Amend the "Fair Hospitality Standards"</li> <li>● Draw up an improvement plan for the company' fair hospitality principle</li> <li>● Amend the "Festival Award Payment Guidelines"</li> <li>● The election of the ninth board of directors of the company</li> <li>● The board of directors nominates a candidate for the ninth board of directors</li> <li>● Determine the date, place and agenda of the 2021 general shareholders' meeting, and accept the proposals of shareholders holding more than 1% of the shares and the nomination of directors (including independent directors) candidates.</li> <li>● Subsidiary Capital Investment Technology (Chengdu) Co., Ltd. Chairman, Directors, Supervisors Appointment Proposal and General Manager Appointment Proposal</li> <li>● He Zhuoyi, Senior Associate and concurrently appointed by the Network Information Division of the Management Department</li> <li>● Transformation case for the manager of the business department</li> <li>● Proposal for 2020 year-end bonus based on two months' salary</li> <li>● 2020 Annual Manager-level (Inclusive) Supervisor Performance Appraisal Results Case</li> <li>● Proposal of year-end bonus payment for managers at manager level (inclusive) and above in 2020</li> </ul>	Chen, Kuo-Tay, Chuang, Chih-Chen, Hsiao, Nai-Ching
The 22 <sup>th</sup> meeting of the 8 <sup>th</sup> term Board (2021.3.25)	<ul style="list-style-type: none"> <li>● The Company's 2020 employees and directors' compensation distribution proposal</li> <li>● The Company's 2020 annual business report and consolidated and individual financial statements</li> <li>● The Company's 2020 surplus distribution case</li> <li>● The Company's 2020 capital reserve allocation case</li> <li>● Since the first quarter of 2021, the Company's CPAs have been replaced by accountants Li Feng-hui and Zhong Dan-dan to Wu Zheng-yan and Zhong Dan-dan.</li> <li>● Write off overdue claims of the company</li> <li>● 2020 Annual Information Security Overall Implementation Statement</li> <li>● The 2020 statement on the effective implementation of the internal control system for AML and CFT.</li> <li>● Declaration that the design and implementation of the internal control system are effective in 2020</li> <li>● The company's "Corporate Social Responsibility Activity Plan" project</li> <li>● Amendment to the "Rules of Procedure of Shareholders' Meeting"</li> <li>● Review the proposal of candidates for directors and</li> </ul>	<p>Director: Sun, Tien-Shan, Wang, Jiunn-Chih, Liu, Ching-Tsun, Lee, Yi-Hui</p> <p>Independent Director: Chen, Kuo-Tay, Chuang, Chih-Chen, Hsiao, Nai-Ching</p>

Item	The summary of important items	Attendance Status of Independent Director
	independent directors of the 2021 general shareholders' meeting <ul style="list-style-type: none"> <li>● Proposal for the release of non-competition restrictions on directors</li> <li>● Amend the “Festival Award Payment Guidelines”</li> <li>● Amendment to “Bonus Guidelines for Operating Securities IB Direct Sales Dept.”</li> <li>● The change in the deputy supervisor of the Company's Internal Auditing Dept. and Compliance &amp; Legal Dept.s</li> <li>● The change in the manager of the Company’s Taichung Branch</li> <li>● The change in the deputy supervisor of the Direct Sales Dept. of the company</li> <li>● Proposed proposal for the promotion of supervisors above the manager level of the Company for 2020</li> <li>● The Company's leveraged trading department intends to apply for the operation of silver and stock price index contract trading</li> </ul>	

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	Compilation, review key points and interpretation analysis of corporate financial statements	2020.6.10	3
	Taiwan Stock Exchange Corporation	Listed "Corporate Governance 3.0-Blueprint for Sustainable Development" Summit Forum Agenda	2020.9.21	3
Director Wang, Jiunn-Chih	Corporate Operation Association	2020 corporate mergers and acquisitions and corporate governance practices	2020.8.24	3
	Taiwan Stock Exchange Corporation	Listed "Corporate Governance 3.0-Blueprint for Sustainable Development" Summit Forum Agenda	2020.9.21	3
	Securities & Futures Institute	Directors and Supervisors (Independent) and Corporate Governance Executives Advanced Seminar-Principles and Applications of Blockchain	2020.12.24	3
Director Liu, Ching-Tsun	Taiwan Securities Association	Discussing the Window Decoration and Fraud of Financial Statement from the Perspective of Problem Enterprises	2020.10.8	3



Title Name	Organizer	Course Name	Course Date	Hour
	Taiwan Securities Association	How to build a financial investment risk and reward management platform	2020.11.11	3
Director Lee, Yi-Hui	Taipei Foundation Of Finance	Corporate Governance-Family Business Inheritance and Planning	2020.11.04	3
	Taiwan Corporate Governance Association	How to use impact investment to enhance corporate value	2020.12.15	3
Independent Director Chuang, Chih-Chen	Taiwan Securities Association	Looking at the future of financial technology from the development of electronic payment in Taiwan	2020.6.17	3
	Taiwan Securities Association	The latest labor law knowledge and practical insights that managers should have	2020.7.23	3
Independent Director Chen, Kuo-Tay	Taiwan Stock Exchange Corporation	Listed "Corporate Governance 3.0-Blueprint for Sustainable Development" Summit Forum Agenda	2020.9.21	3
	Taipei Foundation Of Finance	The latest ESG trend-taking the sustainable business strategy of the financial industry as an example	2020.10.15	3
Independent director Hisoa, Nai-Ching	Securities & Futures Institute	Directors and supervisors (including independent) and corporate governance executives practical seminar	2020.10.27-28	12

Title/Name	Organizer	Course Name	Course Date	Hour
Chief Corporate Governance Officer/ Executive Vice President Chen Chi-Hao	Securities & Futures Institute	Directors and supervisors (including independent) and corporate governance executives practical seminar	2020.10.27-28	12
		Directors and Supervisors (Independent) and Corporate Governance Executives Advanced Seminar-Relevant Standards and Operational Practices of Audit Committee	2020.11.09	3
	Taiwan Corporate Governance Association	Corporate Integrity and International Anti-Corruption and Bribery Protection Practices	2020.11.20	3
Senior Executive Vice President Mao, Jen-Hua	Securities & Futures Institute	On-the-job training of anti-money laundering and anti-terrorism personnel and dedicated supervisors	2020.7.1-2	12
Executive Vice President Lin, Li-Juan	Accounting Research and Development Foundation	Accounting Supervisor Continuing Education	2020.8.17-18	12
Executive Vice President Huang, Wei-Ben	Taiwan Academy of Banking and Finance	Derivative Financial Products and Risk Management Training Course	2020.3.7-2020.5.23	60
	Securities & Futures Institute	On-the-job training for anti-money laundering and anti-terrorism personnel	2020.12.2-3	12

Executive Vice President Jhuo, Zheng-Gang	Taiwan Securities Association	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2020.8.25 2020.10.15	12
Senior Vice President Peng, Jian-Cheng	Taiwan Securities Association	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2020.8.13 2020.11.19	12
Senior Vice President Lee, Chung-Wei	Securities & Futures Institute	On-the-job training for anti-money laundering and anti-terrorism personnel	2020.8.6-7	12
Vice President Jung, Jeng-Huang	Securities & Futures Institute	2020 Securities Foundation GoProS Training Program-Innovative Fintech Practice Module	2020.3.24- 6.12	75
Vice President Lian, Jing-Lian	Taiwan Securities Association	Seminar on Cases of Penalties in the Securities Industry	2020.8.31	3
	Taiwan Securities Association	On-the-job training for anti-money laundering and anti-terrorism personnel	2020.11.27 2020.12.02	12
Senior Assistant Vice President Lee, Tuan-Kang	Securities & Futures Institute	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2020.9.28- 29	12
Assistant Vice President Huang, Guo-Rong	Securities & Futures Institute	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2020.7.1-2	12
Vice President Chu, Chun-Chang	Securities & Futures Institute	Training Course for Obtaining the Qualification of Supervision and Supervisor for Preventing Money Laundering Business Units (12 hours)	2020.10.20 -21	12
Senior Vice President Ho, Zhuo-Yi	Securities & Futures Institute	Securities and Futures Information Security Talent Development Course	2020.12.14 -18	40
Senior Assistant Vice President Hsu Hua-Shan	Accounting Research and Development Foundation	Continuing Training Course for Accounting Supervisors of Securities Firms and Securities Exchanges	2020.11.12 -13	12
Assistant Vice President Hong, Li-Ciang	Securities & Futures Institute	Training Course for Obtaining the Qualification of Supervision and Supervisor for Preventing Money Laundering Business Units (12 hours)	2020.4.21- 22	12
Senior Specialist Yu, Po-Liang	Securities & Futures Institute	On-job-training of anti-money laundering and countering financing terrorism for specialized supervisors.	2020.5.7-8	12
	Chinese National Futures Association	Briefing Session on Case Analysis of Anti-Money Laundering and Anti-Terrorism Law	2020.7.28	6

### 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	1,910	-	-	-	34	34	2020.01.01~ 2020.12.31	Advance payment
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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 CPA within the last 2 fiscal years or any subsequent interim period:

#### 3.5.1 About the former CPA

Date of Change	March 25, 2021		
The reason of change and explanation	To comply with Article 68 of Auditing Standards Bulletin No. 46 "Quality Control of Accounting Firms", KPMG changes the CPAs from Lee, Feng-Hui and Chung, Tan-Tan to Wu, Cheng-Yen and Chung, Tan-Tan since the first quarter of 2021.		
Explaining whether Appointer or CPA terminates or no longer accepts appointment	Parties/Situation	CPA	Appointer
	Voluntary termination of appointment	V	
	No longer accept (continue) appointment		
Opinions and reasons for the audit report other than unmodified opinion issued within the latest two years	None		
Whether there is any disagreement with the Company	Yes	Accounting principles or practices	
		Disclosure of financial statements	
		Audit scope or steps	
	Others		
No	V		
	Explanation		
Other disclosure matters according to Article 10, paragraph 6 of the Standard, item 1.4 to item 1.7	None		

### 3.5.2 About the succeeding CPA

Firm Name	KPMG
CPA's Name	Wu, Cheng-Yen and Chung, Tan-Tan
Appointing Date	March 25, 2021
Any accounting methods or principles of specific transactions and any consultation matters regarding possible issuance of financial statements before appointment.	None
Written opinion of the succeeding CPA on the dissenting opinion of the former CPA	None

3.5.3 Former CPA's reply to item 1 and item 2.3 of paragraph 6 of Article 10 of the Standard : 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	2020		2021 (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.	19,994,169	0	0	0
Chairman, director, representative and CEO	Sun, Tien-Shan	676,155	0	0	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	271	0	0	0
Director representative	Lee, Yi-Hui	0	0	0	0
Independent Director	Chen, Kuo-Tay	0	0	0	0
Independent Director	Chuang, Chih-Chen	0	0	0	0
Independent Director	Hsiao, Nai-Ching	0	0	0	0
President	Lee, Wen-Chu	108,690	0	0	0
Senior Executive Vice	Chen, Wen-Tsay,	20,000	0	0	0

Title (Note 1)	Name	2020		2021 (Up till 3/31)	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
President					
Senior Executive Vice President	Mao, Jen-Hua	75,000	0	0	0
Executive Vice President	Yang, Rui-Ling	40,000	0	0	0
Executive Vice President	Huang, Wei-Ben	10,000	0	0	0
Executive Vice President	Lin, Li-Juan	12,659	0	0	0
Executive Vice President	Kuo, Shu-Zhen	10,000	0	0	0
Executive Vice President	Chen, Chi-Hao (Appointed on 2020. 09.14)	0	0	0	0
Senior Executive Officer	Yang, Yau-Yu	0	0	0	0
Senior Vice President	Hsu, Ji-Ching	30,000	0	6,000	0
Senior Vice President	Chen, Wei-Ting	72,765	0	0	0
Senior Vice President	Lin, Xiao-Chian	37,129	0	0	0
Senior Vice President	Peng, Jian-Cheng	0	0	0	0
Senior Vice President	Li, Zong-Wei	23,000	0	0	0
Senior Vice President	Fan, Jhen-Hong	0	0	0	0
Senior Vice President	Jhuo, Zheng-Gang	0	0	0	0
Senior Vice President	Ho, Zhuo-Yi	42,500	0	-27,000	0
Senior Vice President	Chang, Ching-Nan	0	0	0	0
Vice President	Lian, Jing-Lian	6,675	0	0	0
Vice President	Chen, Tsung-Yu	35,000	0	0	0
Vice President	Chung, Cheng-Huang	8,000	0	0	0
Vice President	Huang, Pei-Lun	0	0	0	0
Vice President	Chu, Chun-Chang	0	0	0	0
Senior Assistant Vice President	Lee, Tuan-Kang	0	0	0	0
Assistant Vice President	Hong, Li-Ciang (Appointed on 2020. 04.01)	4,000	0	0	0
Senior Manager	Chang, Ya-Ju (Appointed on 2020. 09.01)	0	0	0	0
Senior Specialist	Chang, Li-Jiao	-2,226	0	0	0
Senior Specialist	Liu, Bao-Hua	0	0	0	0
Senior Specialist	Lin, Shiou-Ju	1,083	0	0	0
Senior Specialist	Chang, Mu-Min	0	0	0	0
Senior Specialist	You, Bo-Liang	0	0	0	0
Senior Specialist	Chen, Yung-Lin (Appointed on 2020. 04.01)	0	0	0	0
Senior Specialist	Lu, Wei-Liang (Appointed on 2020. 04.01)	0	0	0	0
Senior Specialist	Chang, Su-Fang (Appointed on 2020. 04.01)	0	0	0	0

Title (Note 1)	Name	2020		2021 (Up till 3/31)	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Senior Specialist	Liu, Neng-Chieh (Appointed on 2020. 04.01)	0	0	0	0
Senior Specialist	Wu, Chung-Hsien (Appointed on 2020. 04.01)	0	0	0	0
Senior Specialist	Huang, Cheng-Che (Appointed on 2020. 08.31)	0	0	0	0
Senior Specialist	Chen, Chih-Chung (Appointed on 2020. 12.01)	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: March 22, 2021 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	119,177,014	56.63%	-	-	-	-	None	None	-
Hontai life insurance Co., Ltd. Representative: Lu, Huan-I	4,836,434	2.30%	-	-	-	-	None	None	-
Tseng Mao Investment Co., Ltd Representative: Tung, Ta-Nien	3,793,311	1.80%	-	-	-	-	None	None	-
Feng Yang Investment Co., Ltd Representative: Wang, Hui-Chin	2,000,618	0.95%	-	-	-	-	None	None	-
Gains Investment Corp. Representative: Huang, Pai-Chien	1,476,000	0.70%	-	-	-	-	None	None	-
Sun, Tien-Shan	1,332,317	0.63%	604,550	0.29%	-	-	None	None	-
Chang, Chia-Chin	744,000	0.35%	-	-	-	-	Chang, Ching-Tien	Father	-
Chang, Ching-Tien	690,000	0.33%	-	-	-	-	Chang, Chia-Chin	Son	-
Ying Chun Investment Ltd. Representative: Chang, Yen-	649,314	0.31%	-	-	-	-	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	Relationship	
Chih									
Lin, Su-Shia	630,227	0.30%	-	-	-	-	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 Statements 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 31<sup>st</sup>, 2021 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	Note1
2003.11	10	120,000,000	1,200,000,000	61,500,000	615,000,000	Private placement totaling NTD 165,000,000	None	Note2
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	Note3
2009.07	10	120,000,000	1,200,000,000	75,226,800	752,268,000	Increasing capital by NTD75, 768,000 out of earnings.	None	Note4
2010.06	10	120,000,000	1,200,000,000	84,630,150	846,301,500	Increasing capital by NTD94, 033,500 out of earnings.	None	Note5
2011.07	10	120,000,000	1,200,000,000	92,246,863	922,468,630	Increasing capital by NTD76, 167,130 out of earnings.	None	Note6
2013.08	10	120,000,000	1,200,000,000	100,087,847	1,000,878,470	Increasing capital by NTD78, 409,840 out of earnings.	None	Note7
2014.06	23.3	120,000,000	1,200,000,000	119,997,847	1,199,978,470	Increasing capital by NTD199, 100,000 out of earnings.	None	Note8
2015.07	10	250,000,000	2,500,000,000	122,397,804	1,223,978,040	Increasing capital by NTD23,999,570 out of earnings	None	Note9
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	Note10
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	Note11
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	Note12

- 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 March 22, 2021

Shareholder Structure	Government Agencies	Financial Institutions	Other Institutional Investors	Domestic Natural Persons	Foreign Institutions & Individuals	Total
Quantity						
Number of shareholders	0	3	82	13,312	53	13,450
Shares held	0	5,721,966	130,467,957	70,660,180	3,587,481	210,437,584
Percentage	0%	2.72%	62.00%	33.58%	1.70%	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 March 22, 2021

Shareholding range	Number of shareholders	Number of shares held (shares)	Shareholding percentage (%)
1 to 999	3,700	544,786	0.26%
1,000 to 5,000	6,949	14,633,042	6.95%
5,001 to 10,000	1,402	10,517,316	5.00%
10,001 to 15,000	495	6,172,221	2.93%
15,001 to 20,000	242	4,375,937	2.08%
20,001 to 30,000	263	6,523,652	3.10%
30,001 to 40,000	116	4,029,103	1.92%
40,001 to 50,000	69	3,135,515	1.49%
50,001 to 100,000	118	8,121,637	3.86%
100,001 to 200,000	60	8,188,708	3.89%
200,001 to 400,000	17	4,391,221	2.09%
400,001 to 600,000	8	3,870,661	1.84%
600,001 to 800,000	5	3,318,091	1.58%
800,001 to 1,000,000	0	0	0.00%
1,000,001 and above	6	132,615,694	63.01%
Total	13,450	210,437,584	100.00%

##### B. Preference shares: None.

#### 4.1.4 List of major shareholders

As of March 22, 2021

Name of major shareholder	Shareholding	Number of shares held (shares)	Shareholding percentage (%)
Capital Securities Corp.		119,177,014	56.63%
Hontai life insurance Co., Ltd.		4,836,434	2.30%
Tseng Mao Investment Co., Ltd		3,793,311	1.80%
Feng Yang Investment Co., Ltd		2,000,618	0.95%
Gains Investment Corp.		1,476,000	0.70%
Sun, Tien-Shan		1,332,317	0.63%
Chang, Chia-Chin		744,000	0.35%
Chang, Ching-Tien		690,000	0.33%
Ying Chun Investment Ltd		649,314	0.31%
Lin, Su-Shia		630,227	0.30%

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

Item		Year	2019	2020	Year-to –date March 31 <sup>st</sup> , 2021 (Note 8)
Market price per share (Note 1)	Highest		48.90	44.85	41.95
	Lowest		41.35	31.70	37.10
	Average		45.57	38.27	38.97
Net Worth per share (Note 2)	Before dividend distribution		28.41	30.22	-
	After dividend distribution		26.15	Not distribute yet	-
Earnings per share	Weighted average outstanding shares		176,437,584	202,541,409	-
	Earnings per share (Before adjustment) (Note 3)		3.40	3.07	-
	Earnings per share (After adjustment) (Note 3)		3.40	Not distribute yet	-
Dividends per share	Cash dividend		1.90	2.87	-
	Stock dividend	0.00	-	-	
		0.00	-	-	
	Cumulative undistributed dividends (Note 4)		0.00	0.00	-
ROI analysis	P/E ratio (Note 5)		13.40	12.47	-
	Price to dividend ratio (Note 6)		23.98	13.33	-
	Cash dividend yield (Note 7)		4.17%	7.50%	-

\*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. The balance, plus the undistributed profit of the previous year, shall be set aside at least 10% as dividends. Dividends can be distributed in cash or in stock, and cash dividends shall not be less than 10% of the total distributed dividend of the year; however, it may not be distributed if there is loss for the year.

##### A. Dividends distribution proposed in the shareholders' meeting of 2021:

(1) The net profit after-tax of the Company in 2020 is NT\$622,166,140 plus Accumulated undistributed earnings NT\$ 1,547,777, and then subtracts Actuarial loss on defined benefit plan included in Retained Earnings of this year NT\$ 708,814, to calculate the distributable net profit in 2020 is NT\$623,005,103 which according to the Article of Association of the Company can be distributed as following:

- ① The amount of legal reserve is NT\$62,145,733.
- ② The amount of special reserve is NT\$124,291,465.
- ③ The amount of Special reserve appropriated due to reduction of shareholders' equity occurred is NT\$41,616,495.
- ④ Cash dividend will amount to NT\$393,518,282 at NT\$1.87/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\$1,433,128. The Chairman shall set the dividend day and related issues upon the finalization of the General Meeting of shareholders.

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.

(2) The Company, in accordance with the Article 241 of the Company Act, proposes to distribute the capital reserve to shareholders by cash: NT\$210,437,584, which is part of the premium derived from the issuance of new shares, equal to NT\$1 per share. Nevertheless, the real distributable amount will depend on the total share number of shareholders' roster on the date distributing capital reserve by cash.

If the total distributable capital reserve changes afterwards due to the share repurchase, the transfer or the cancellation of treasury stock, the issuance of convertible corporate bonds, the request of the shares conversion, etc., the distributable amount

shall be calculated by outstanding shares on the date distributing capital reserve by cash, and the chairman will be authorized to adjust it.

The chairman will be authorized to decide the date to distribute capital reserve by cash after approval of the shareholders' meeting.

#### 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 2020 is NT\$ 802,726,891 before subtracting employees' compensation and directors' remuneration. According to Articles of Association, the board of directors concluded to distribute 2020 employees' compensation totaling NT\$ 9,070,814 and directors' remuneration totaling NT\$ 9,070,814, which respectively accounted for 1.13% of the Company's 2020 earning and will be paid in cash. There is no difference with the amount which was resolved by Board meeting.
- C. The estimated amounts of employees' compensation and directors' remuneration distributed by the Company for 2019 were both NT\$ 8,713,865. There was no difference between the resolution of 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 2020, the earnings per share of the Company was NT\$3.07 per share, the average employee benefit expense was NT\$1,399 thousand dollars per person, and the average employee salary expense was NT\$1,247 thousand dollars per person. The average salary of full-time employees not holding supervisory positions was NT\$1,209 thousand dollars per person, and the median salary expense was NT\$820 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: None.

## V. Operating Highlights

### 5.1 Business Activities

#### 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	2019		2020	
		Revenue	Ratio (%)	Revenue	Ratio (%)
Brokerage commission		1,577,235	82	1,896,284	78
Futures commission		209,879	11	322,130	13
Net gains in the derivative financial instruments		20,408	1	39,830	2
Consultancy fee income		15,076	1	12,219	1
Others		94,180	5	155,773	6
Total		1,916,778	100	2,426,236	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.

(d) In order to enable investors to further participate in various international markets, the gold price contract and crude oil price difference contract were first issued in 2020. At the same time, in order to lower the investment threshold, special small-sized commodities "nano gold" and "nano oil" are provided. The smallest trading unit is only It is one percent of the original product. Among them, the gold price difference contract product is specially named "Nanogold", and the word trademarks "Nanogold" and "Capital Nanogold" have been successfully registered, marking Capital Futures' development as a commodity the first step of self-developed design is to apply for the "Nano Oil" trademark later. In the future, more products will continue to be provided, so that more Taiwanese young people, first-time investors, and not-much-fund investors can participate more easily and more conveniently in global market investment.

## 2. Industry Overview

(a) Current industry conditions

(1) Existing market participants

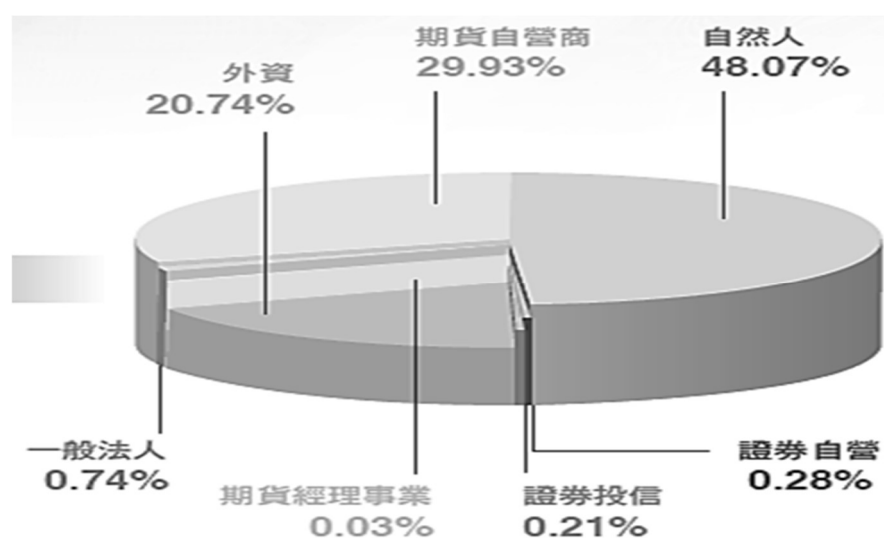
As of the end of 2020, the Taiwan futures industry included 14 enterprises engaged in the futures brokerage business, which operated a total of 30 locations; 14 concurrently operated futures commission merchants at 99 locations; 44 introducing brokers at 738 locations. In the area of proprietary trade, there are 12 futures firms and 20 financial institutions running proprietary futures trade. In the area of clearing and settlement, there are 20 general clearing members, 8 individual clearing members, and 8 clearing banks. The official statistics of the Taiwan Futures

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
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%
2020	1,945,726	99.44%	10,863	0.56%	48.04%	26.03%	51.96%

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 2020, there were a cumulative 1,956,589 trading accounts, 1,945,726 (99.44%) of which were individual investors and 10,863 (0.56%) were institutional investors. According to the distribution of traders' gender and age, men between 40 and 49 years old have the highest proportion of transaction volume, while men between 30 and 39 years old have the highest proportion of new accounts. The below table revealed trading statistics and structure which classified by market participant:

Unit: thousand contracts

Item		2016	2017	2018	2019	2020
Proprietary Trading Securities Firms	Buy	782	1,086	1,006	710	883
	Sell	749	1,173	1,096	756	891
Futures Proprietary traders	Buy	78,227	84,767	91,531	77,324	83,722
	Sell	79,610	85,204	94,113	78,771	86,473
Securities Investment Trust Companies	Buy	641	667	623	567	732
	Sell	673	658	609	537	714
Foreign & Mainland Area Institutional Investors	Buy	39,943	39,599	63,149	54,817	89,221
	Sell	38,042	36,967	61,680	53,324	88,523
Managed Futures Enterprises and Futures Trust Funds	Buy	184	116	135	70	92
	Sell	181	111	118	76	168
Other Institutional Investors	Buy	1,340	1,513	2,236	1,946	1,675
	Sell	1,318	1,493	2,230	1,928	1,661
Individual Investors	Buy	120,563	137,958	149,402	125,331	165,068
	Sell	121,105	140,098	148,234	125,374	162,963

Source from: Website of Taiwan Futures Exchange

Regarding the participation of traders, the trading volume of various types of traders increased in 2020. Natural persons, foreign investors, futures dealers and other legal persons increased by 30.84%, 64.36%, 9.03%, and 3.45% respectively. Among them, the volume of foreign-invested transactions and of natural persons have grown significantly. In addition, the proportion of foreign investment has also reached a new high at 26.03%, an increase of more than 5 percentage points from 20.74% in 2019. Taking a closer look at individual commodities, the trading volume of foreign investors in small-scale Taiwan Index futures in 2020 increased significantly by 142.89%, and the trading volume of Taiwan stock futures, Taiwan Index options and stock futures also increased by 47.97%, 44.03% and 67.88%. The trading volume of natural persons in the small-scale Taiwan Index futures increased by 91.42%, the trading volume in Taiwan stock futures increased by 31.70%, and the Taiwan index options and stock futures also increased by nearly 20%.

## 5.1.2 Industry development

### A. Market participants' trends

In recent years, the number of Taiwanese futures companies and the market share of each futures dealer's trading volume have not changed much, showing the phenomenon of Evergrande. Because futures trading is suitable for both longs and shorts, the futures industry is a financial industry with stable profits. Continue to develop new products that

meet market needs on the Futures Exchange, provide traders with improved hedging channels and more choices and trading opportunities, and study and improve related systems, such as continuing to expand the application of dynamic price stabilization measures, and continue to add night trading Commodities, it is hoped that the futures market will continue its prosperity for 2021.

**B. Trend in customer structure**

In the current customer structure, about half of the traders in the domestic futures market are natural persons. In 2020, the number of new accounts opened by young people under 30 in the Taiwanese futures market increased by more than 27,000, accounting for more than 23% of the total number of new accounts. Market traders are showing a younger trend. In the futures market, we continue to develop new products, promote new systems, and propose effective marketing plans for the industry. The number of new accounts opened in the past two years has shown steady growth.

**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 arbitragers 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 is 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 in recent years:

Unit: Contract

Year	Taiwan Futures products (unilateral)	Taiwan Options products (unilateral)	Total
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
2020	139,151,877	202,241,469	341,393,346

Source from: Website of Taiwan Futures Exchange

Unit: Contract

Year	U.S.	Singapore	Hong Kong	Japan	Others	Total
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
2020	23,519,677	12,938,542	1,136,462	962,898	759,038	39,316,617

Source from: Website of Taiwan Futures Exchange

The trading volume of Taiwan's futures market reached 341,393,346 lots in 2020, a 30.9% increase from the 260,765,482 lots in 2019. Among them, last year's night trading volume reached 85,398,929 lots, a 55.8% increase from 54.8 million (2018). The US stock index futures launched in recent years are even star products in night-market, which reached 2,915,273 lots, a 44.1% increase from the year before last year. Analyzing the trading volume of the four major products, TX, MTX, TXO and stock futures, they all have increased, compared with the previous years. The trading volume of MTX increased by 101.9% last year whose growth momentum is the crown among the four major products in the Taifex.

#### E. Competition

The Company is a futures commission merchant, our major competitors are KGI Futures, Yuanta Futures, President Futures, Sinopac Futures and etc. The profitability of the major competitors in 2020 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	Optiver Futures	60,000	786,167	13.1
2	Yuanta Securities	295,000	1,904,078	6.45
3	KGI Futures	115,939	603,402	5.2
4	Yuanta Futures	289,976	1,325,580	4.57
5	President Futures	66,000	258,891	3.92
6	Sinopac Futures	117,525	443,512	3.77
7	Capital Futures	210,438	784,585	3.73
8	Shin Kong Internation Securities	25,000	68,078	2.72
9	KGI Securities	175,000	378,352	2.16
10	Masterlink Futures	70,000	149,534	2.14

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 precisely analyze the volatility, the open interest, the international market fluctuation, etc.

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	2019		2020		Up till March 2021	
	Head	Percentage	Head	Percentage	Head	Percentage

	count		count		count	
Postgraduate study and above	5	20%	2	10.5%	2	9.1%
University	20	80%	17	89.5%	20	90.9%
Total	25	100%	19	100%	22	100%
Average research experience	2.05		2.64		2.64	

The research and development expense for last 3 years:

Unit: NTD Thousand

Item	2018	2019	2020
Research and Development expense	35,702	43,958	38,732

### 5.1.4 Long-term and Short-term Development

#### A. Plan of Short-term Development

- (1) Deeply cultivate and copy the leading foreign market business: use the advantages of DMA to promote the trading of CME Group, HKEx, SGX, Euronext, EUREX, ICE and other member-qualified exchange commodities in the Greater China region. Promote domestic and foreign futures, options, individual stock futures and ETF hedging, professionally protect client assets, and improve performance and profits.
- (2) Improve the certificate, self-employment team and introduce high-frequency market-making/spread arbitrage/over-the-counter professionals to increase the source of self-employment income and diversify risks.
- (3) Give full play to the advantages of leveraged dealers' preferred brands, in addition to strengthening the promotion of existing foreign exchange margin, gold, and crude oil products, but also grasping new business opening opportunities, such as opening up futures salesperson referrals, overseas and foreign participation in transactions, and issuance of new CFD commodities (Including US stock CFD, other stocks and index CFD), and introduce foreign partners and channels to develop the Greater China and Southeast Asia customer base, and provide multiple options for hedging investment.
- (4) Establish a trading company to serve spot vendors to handle LME physical delivery and warrant related businesses, including: warrant exchange, warrant sales, warrant purchase, warrant lending, etc., to increase multiple sources of profit and implement services to the real economy.
- (5) Plan a blueprint for digital growth, and promote three digital transformation strategies through independent research and development, corporate cooperation, marketing activities, and industry-university cooperation, including: strengthening business momentum, optimizing investment intelligence, and enhancing transaction experience.
- (6) Taking advantage of information, Hong Kong has developed its own exclusive global futures trading platform (Huangshan Quotation/Phoenix Trading Center) to connect to global exchanges and gradually incorporate emerging country markets (such as Thailand, Vietnam, India, etc.), Provide customers in Greater China B2C cross-market trading platform and customized services. In addition, the Hong Kong official website has been established and plans to obtain licenses 4 and 5 to assist clients in participating in futures

market transactions through the cooperation of investment consultants.

(7) The Hong Kong subsidiary completes the application for foreign investment qualifications in the Chinese market and assists customers in participating in the Chinese futures and option market transactions through a unique futures trading platform.

(8) Look for opportunities to invest in mainland futures companies and combine Shanghai and Chengdu subsidiaries to achieve synergy.

(9) Increasing the types of products with spare own funds to invest in, including foreign currency deposits, subscription of bond funds and investment in stock/ETF funds, etc., to increase company returns.

(10) Continue to strengthen internal control and internal audit, follow laws and regulations, and strictly abide by risk control, and conduct education and training on information security, prevention of money laundering, and principles of fair hospitality. In addition, a director of corporate governance is set up to strengthen corporate governance, continue to promote the independence and effective operation of the board of directors, audit committee, remuneration committee, and integrity management committee, and pursue entry into the 100 constituent stocks of corporate governance.

(11) Carry out corporate culture, continue to go deep into the campus (cultivating new foreign exchange forces), strengthen industry-university cooperation (provide summer work-study internship opportunities), recruit new business talents (campus and trade union financial recruitment), promote talent selection, education, The four steps of retaining talents and employing talents develop in a balanced manner.

(12) Create a happy workplace and practice social welfare, fulfill the corporate responsibilities of environmental, social, and governance (ESG) and combine core values-digital innovation, value service, and sustainable operation.

## B. Plan of Long-term Development

(1) Foreign brokerage business has the largest market share, domestic brokerage business has the second largest market share, domestic proprietary business has the best profit, and leverage transaction merchant's profit ranks the top 1.

(2) Self-built market making team's trading performance ranks first in the industry.

(3) Fully promote the foreign exchange and derivatives business of leverage transaction merchant, issue CFDs on US stocks.

(4) Establishing a commerce and trade company to serve the real economy, providing domestic legal person trading LME commodity hedging, physical delivery by spot merchants and warrant financing services.

(5) In response to the changes in the digitalization of the financial industry, we will initiate a digital transformation strategy and plan a blueprint for digital growth in the next three years. The establishment of a digital growth department to develop innovative R&D projects based on the concept of "user-centered". The first year's promotion includes: (1) business growth, (2) investment intelligence growth, and (3) transaction experience growth. , To enhance the digital energy of all departments.

(6) Constructing Hong Kong as a global trading center, providing a one-stop service of "Hong Kong account opening, global trading", providing a trading platform for trading companies and mainland public and private equity funds highly dependent on cross-international markets, and completing the application for licenses 4 and 5 Develop various financial services in Hong Kong.

- (7) To cooperate with the process of opening up China's futures market for foreign participation, apply for QFII and RQFII through Hong Kong subsidiaries to extend the scope of market services (including self-employment and brokerage), and plan to be the first Taiwanese-funded FCM to enter the Mainland China capital market.
- (8) Flexible fund deployment and utilization to increase the rate of return on own funds and customer insurance funds.
- (9) Taking into account profitability and creating shareholder value, strictly observe risk control and strengthen corporate governance, and strive to enter the 100 constituent stocks of corporate governance.
- (10) Maintain a happy corporate brand, contribute to the positive impact of society and implement corporate responsibilities, and have environmental, social, and governance (ESG) sustainable management capabilities.

## 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 foreign futures product business was 20.8% in 2020 which was the second largest FCM in Taiwan. In addition, Hong Kong was established as a global trading center to provide one-stop service of "Account Opening in Hong Kong, Global Trading". The market share of the company's futures brokerage business in 2020 was 7.30%, and the share of futures commodities and options were respectively 9.09% and 6.07%, both ranked third in the market.

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	2018			2019			2020		
	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	119,575	19.40	Yuanta	94,836	18.18	Yuanta	140,755	20.61
2	KGI	67,470	10.95	KGI	57,137	10.96	KGI	98,652	14.45
3	Capital	<b>42,930</b>	<b>6.97</b>	<b>Capital</b>	39,531	7.58	<b>Capital</b>	49,840	7.30
4	Sinopac	37,490	6.08	Sinopac	26,953	5.17	Sinopac	36,047	5.28
5	President	23,323	3.79	President	18,740	3.59	President	25,889	3.79
6	Concords	20,838	3.38	Concords	18,637	3.57	Concords	22,202	3.25
7	Fubon	16,522	2.68	Masterlink	14,182	2.72	Masterlink	18,291	2.68
8	Jih-Sun	15,438	2.51	Fubon	14,139	2.71	Jih-Sun	17,977	2.63
9	Hua Nan	14,133	2.29	Jih-Sun	14,044	2.69	Fubon	17,750	2.60
10	Masterlink	14,003	2.27	Hua Nan	13,105	2.51	Hua Nan	15,042	2.20

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	2018			2019			2020		
	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	54,071	23.98	Yuanta	41,862	23.25	Yuanta	74,814	26.88
2	KGI	42,537	18.87	KGI	31,794	17.66	KGI	58,914	21.17
3	<b>Capital</b>	<b>18,793</b>	<b>8.34</b>	<b>Capital</b>	18,515	10.28	<b>Capital</b>	25,301	9.09
4	Sinopac	13,845	6.14	Sinopac	9,813	5.45	Sinopac	14,847	5.33
5	President	8,690	3.85	President	6,894	3.83	Fubon	10,610	3.81
6	Concords	8,420	3.73	Concords	6,163	3.42	President	8,698	3.13
7	Fubon	7,464	3.31	Masterlink	4,702	2.61	Concords	8,300	2.98
8	Jih-Sun	6,552	2.91	Fubon	5,946	3.30	Jih-Sun	7,605	2.73
9	Hua Nan	4,559	2.02	Jih-Sun	5,178	2.88	Masterlink	7,123	2.56
10	Masterlink	5,494	2.43	Hua Nan	4,356	2.42	Hua Nan	5,722	2.06

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	2018			2019			2020		
	Rank	Name of FCM	Trading volume of brokerage business	Market Share (%)	Rank	Name of FCM	Market Share (%)	Rank	Name of FCM
1	Yuanta	65,503	16.77	Yuanta	52,975	15.51	Yuanta	140,755	16.30
2	KGI	24,932	6.38	KGI	25,343	7.42	KGI	98,652	9.82
3	<b>Capital</b>	<b>24,136</b>	<b>6.18</b>	<b>Capital</b>	<b>21,016</b>	<b>6.16</b>	<b>Capital</b>	49,840	6.07
4	Sinopac	23,645	6.05	Sinopac	17,139	5.02	Sinopac	36,047	5.24
5	President	14,633	3.75	President	11,847	3.47	President	25,889	3.78
6	Concords	12,417	3.18	Concords	12,474	3.65	Concords	22,202	3.44

7	Fubon	9,058	2.32	Masterlink	9,481	2.78	Masterlink	18,291	2.76
8	Jih-Sun	8,886	2.27	Fubon	8,193	2.40	Jih-Sun	17,977	2.56
9	Hua Nan	9,573	2.45	Jih-Sun	8,866	2.60	Hua Nan	15,042	2.30
10	Masterlink	8,509	2.18	Hua Nan	8,748	2.56	Fubon	17,750	2.23

Source from: Website of Taiwan Futures Exchange

Table 6: The trading volume information of Top 10 FCMs in overseas futures business in 2020:  
Unit: thousand lots

Rank	By product FCM	CME G	SGX	HKEx	EUREX	ICE	Japan (OSE,TC M.TGE)	Others	Total	Mar ketS hare (%)
1	Yuanta	5,162,430	4,455,052	163,177	65,438	22,744	136,525	14,744	10,120,110	25.7
2	Capital	5,718,339	1,888,842	130,550	83,098	228,898	115,819	7,684	8,173,230	20.8
3	KGI	2,550,494	2,340,356	305,973	42,225	130,836	162,410	94,658	5,626,952	14.3
4	Sinopac	1,710,911	1,211,384	208,159	15,107	64,634	99,258	276	3,309,729	8.4
5	President	1,691,472	518,654	161,833	22,291	77,635	47,911	578	2,520,374	6.4
6	Fubon	1,193,999	852,030	35,304	14,448	55,909	117,298	316	2,269,304	5.8
7	Concords	1,765,737	278,584	56,363	13,182	54,696	65,104	2,797	2,236,463	5.7
8	Masterlink	589,438	608,117	9,991	5,368	18,727	30,266	0	1,261,907	3.2
9	Jih-Sun	746,529	244,426	9,523	6,385	30,565	46,282	48	1,083,758	2.8
10	Cathay	400,614	230,604	27,190	972	51,628	27,429	75	738,512	1.9
Total		22,908,955	12,937,847	1,136,462	277,057	889,144	962,898	204,254	39,316,617	100

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

## 2. Future market supply/demand and growth potentials

Taiwan stocks have achieved historical success. The spot market volume increases, and the futures market trading volume has also increased. The total trading volume of the Taiwanese futures market in 2020 was 341,393,346 lots, with an average daily volume of 1,393,442 lots. Affected by the global Covid19 pandemic and the international political and economic turmoil, the international financial market has been volatile, market hedging and transactions have greatly increased, the total transaction volume in 2020 increased by 30.92% compared with that in 2019, and the average daily volume increased by 29.32% compared with that in 2019, setting a historical top record. The trading volume of futures products has grown significantly by more than 50%. Small-sized Taiwan Index futures have grown strongly. The trading volume of major products such as TX, MTX, TXO and stock futures have all increased compared with the previous year. The trading volume of MTX was 60,051,670, which was an increase of 30,307,258 lots compared to 2019, representing an increase of 101.89%. It is the product with the strongest growth momentum of the four major products. In recent years, the contract value of new products that have been listed on the market is mostly designed to be equivalent to or lower than the size of MTX. The characteristics of such products are that the contract size is small, the risk value of each contract is small, and the demand for margin is low, which can reduce the entry threshold of natural persons and small-scale entities to participate in the futures market. As the market rises, the weighted stock index and individual stock prices have reached high in particular, under market conditions where the cost of holding contracts is relatively high, miniaturized contracts not only make it easier to accurately hedge risks, but also facilitate flexible adjustments to holding futures positions in response to market changes.

### 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 complete the product line of the domestic futures market, and the Company combines an excellent professional consultant team and risk control capabilities.
- 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	2019	2020	2021 (Up till March 31)
Number of employees	266	269	280
Average age	37.4	37.6	37.4
Average years of service	5.99	6.24	6.16

Academic qualification	Doctoral Degree	0.8%	1.1%	1.1%
	Master's Degree	22.9%	20.1%	18.9%
	Bachelor's Degree	70.3%	72.5%	73.6%
	High school	6.0%	6.3%	6.4%

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 provided in 2020:

1. Travel subsidy: 224 people; total amount of subsidy: NT\$1,002,000.
2. Marriage subsidy: 2 people; total amount of subsidy: NT\$6,000.
3. Funeral subsidy: 2 person; total amount of subsidy: NT\$10,000
4. Hospitalization subsidy: 6 people; total amount of subsidy: NT\$65,000.
5. Childbirth subsidy: 8 people; total amount of subsidy: NT\$24,000.

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. 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 2020, the Company invited external external professional lecturers to hold training courses as follow items:

1. The 3rd Global Derivative Commodity Consultant Training Program was held from July 13, 2020 to September 18, 2020
2. An Internet celebrity project was held to create a profitable personal brand on July 29, 2020.
3. EA courses of setting and writing were held from August 18, 2020 to August 21, 2020.
4. The fun of online communities: Learning how to play in fanpage to promote business in two hours on August 19, 2020.
5. The Operational Marketing Skills of Line@ Life Circle was held on Step. 9, 2020.
6. Semi-conductor industry outlook was held on November 30, 2020.

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 (FSC). 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="485 1659 1394 1765">1. The Company provides employees with a broad variety of group insurance coverage from life, accidental injury, accidental medical treatment, to occupational hazard.</li> <li data-bbox="485 1765 1394 1912">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> <li data-bbox="485 1912 1394 1989">3. Established the website for employee exclusive section, providing the discussion area and training announcement.</li> <li data-bbox="485 1989 1394 2020">4. Established the "Regulations for Establishing Measures of</li> </ol>

Item	Content
	<p>Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace".</p> <ol style="list-style-type: none"> <li>5. The Company sign contracts with health check centers to provide preferential health checks for employees every 3 year.</li> <li>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.</li> <li>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.</li> <li>8. Formulating the "Entertainment &amp; charity club establishment and subsidy management regulations" to encourage the Company's employees fostering the habit of participating sports activities and charity events.</li> <li>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.</li> <li>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.</li> </ol>
Environmental health	<ol style="list-style-type: none"> <li>1. Established "Tobacco Hazards Prevention Measure".</li> <li>2. Published "Tobacco Hazards Prevention Act" and "Ways to quit smoking".</li> <li>3. Held healthy seminar, CPR training, and cleaning and disinfecting office environment regularly.</li> </ol>
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"> <li>(a) the Company is capable of minimizing the damage when facing accidental events;</li> <li>(b) employee safety; law-compliance; clients' benefits; the Company's business reputation; security of the Company's assets;</li> <li>(c) The Company's important businesses are capable of resuming businesses gradually within the targeted time to sustain operations.</li> </ol>
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>

Item	Content
Labor safety	<ol style="list-style-type: none"> <li>1. Adopting access control system, office premises are equipped with security management and monitoring systems.</li> <li>2. Connecting with police station for keeping workplace safety.</li> <li>3. The office environment is regularly cleaned and disinfected and checked on April and October every half year.</li> <li>4. Regular maintenance and inspection of high and low voltage electrical equipment, elevators, air conditioners, drinking fountains, fire-fighting appliances and other equipment in accordance with the company's labor safety and health work rules.</li> <li>5. Set up a specialized manager and emergency care person according to the occupational safety and health Act. and arrange related training courses.</li> <li>6. Maintainence and inspection of electronic equipment, elevators, air conditioners, vehicles, firefighting instruments regularly.</li> <li>7. The office environment inspection and verification report will be carried out every year (in April and October in 2020).</li> </ol>
Fire Safety	<ol style="list-style-type: none"> <li>1. Conduct fire drills on a regular basis (in Nov. 2020).</li> <li>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.</li> </ol>
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"> <li>1. Commercial fire insurance.</li> <li>2. Electronic equipment insurance.</li> <li>3. Public liability insurance.</li> </ol>

#### 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	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	None

Agreement	Counterparty	Period	Major Content	Restrictions
Broker business			introducing broker business.	
Custodian Contract	CTBC Bank Co., Ltd.	1999.10.22~ till now	Customer Margin Deposit	None
	CTBC Bank Co., Ltd.	2012.05.28~ till now		
	Hua Nan Commercial Bank	1998.07.14~ till now		
	EnTie Commercial Bank	2003.05.28~ till now		
	EnTie Commercial Bank	2004.10.06~ till now		
	Taishin International Bank	2004.03.05~ till now		
	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	None

Agreement	Counterparty	Period	Major Content	Restrictions
			contract	
	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
	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.	2015.02.03~ till now 2015.07.22~ till now 2015.07.28~ till now 2015.02.02~ till now	Domestic transaction related business	None

Agreement	Counterparty	Period	Major Content	Restrictions
	(Proprietary business) 5. Gre-Tai securities market trading contract for Computer Connection. 6. Taipei Exchange Administrative Contract for the Financial Derivative Trade Database. 7. Taiwan Futures Exchange Corporation Trading Information Use Contract 8. Taiwan Futures Exchange Corporation Contract for Computer Connection to the Centralized Futures Exchange Market 9. Taiwan Futures Exchange Corporation Futures Market Usage Contract	2015.08.03~ till now  2016.11.21~ till now  2003.12.30~ till now  2003.12.30~ till now  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

Item	Year	Financial information for the latest 5 years ( Note1, 2 )				
		2016	2017	2018	2019	2020
Current assets		26,383,263	32,815,403	39,895,947	40,602,721	45,824,153
Property and equipment		43,168	48,172	48,452	66,829	63,272
Intangible assets		79,629	83,939	78,032	82,235	79,546
Other assets		434,212	374,667	363,587	409,125	446,424
Total assets		26,940,272	33,322,181	40,386,018	41,160,910	46,413,395
Current liabilities	Before distribution	23,731,512	28,642,738	35,307,278	36,092,258	39,973,101
	After distribution	24,085,991	29,103,080	35,907,166	36,492,089	( Note 2 )
Non-current liabilities		15,966	16,216	17,468	27,368	53,335
Total liabilities	Before distribution	23,747,478	28,658,954	35,324,746	36,119,626	40,026,436
	After distribution	24,101,957	29,119,296	35,924,634	36,519,457	( Note 2 )
Equity attributable to parent company shareholders		3,167,389	4,637,732	5,032,092	5,012,996	6,359,664
Capital stocks		1,223,979	1,603,979	1,764,376	1,764,376	2,104,376
Capital surplus		381,180	1,207,735	1,047,338	1,047,338	1,873,996
Retained earnings	Before distribution	1,496,995	1,872,755	2,247,246	2,246,703	2,468,329
	After distribution	1,142,516	1,412,413	1,647,358	1,846,872	( Note 2 )
Other equity interest		65,235	(46,737)	(26,868)	(45,421)	(87,037)
Treasury stocks		-	-	-	-	-
Non-controlling interests		25,405	25,495	29,180	28,288	27,295
Total equity	Before distribution	3,192,794	4,663,227	5,061,272	5,041,284	6,386,959
	After distribution	2,838,315	4,202,885	4,461,384	4,641,453	( Note 2 )

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

Note 2: Appropriation of 2020 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 )				
		2016	2017	2018	2019	2020
Current assets		24,406,882	30,719,057	38,113,857	38,683,882	43,978,617
Property and equipment		37,908	43,566	44,122	57,721	50,864
Intangible assets		51,330	56,292	52,405	56,982	55,737
Other assets		1,387,126	1,320,860	1,406,680	1,356,566	1,344,646
Total assets		25,883,246	32,139,775	39,617,064	40,155,151	45,429,864
Current liabilities	Before distribution	22,699,891	27,485,827	34,567,504	35,119,902	39,018,015
	After distribution	23,054,370	27,946,169	35,167,392	35,519,733	( Note 2 )
Non-current liabilities		15,966	16,216	17,468	22,253	52,185
Total liabilities	Before distribution	22,715,857	27,502,043	34,584,972	35,142,155	39,070,200
	After distribution	23,070,336	27,962,385	35,184,860	35,541,986	( Note 2 )
Equity attributable to parent company shareholders		3,167,389	4,637,732	5,032,092	5,012,996	6,359,664
Capital stocks		1,223,979	1,603,979	1,764,376	1,764,376	2,104,376
Capital surplus		381,180	1,207,735	1,047,338	1,047,338	1,873,996
Retained earnings	Before distribution	1,496,995	1,872,755	2,247,246	2,246,703	2,468,329
	After distribution	1,142,516	1,412,413	1,647,358	1,846,872	( Note 2 )
Other equity interest		65,235	(46,737)	(26,868)	(45,421)	(87,037)
Treasury stocks		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	3,167,389	4,637,732	5,032,092	5,012,996	6,359,664
	After distribution	2,812,910	4,177,390	4,432,204	4,613,165	( Note 2 )

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

Note 2: Appropriation of 2020 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)				
		2016	2017	2018	2019	2020
Operating revenues		2,251,362	2,676,371	2,849,492	1,916,778	2,426,236
Gross profit		1,187,415	1,358,708	1,642,337	1,047,967	1,333,494
Operating profit		420,487	512,085	527,531	177,662	371,097
Non-operating revenues and expenses		183,220	317,442	427,445	568,952	413,409
Income before tax		603,707	829,527	954,976	746,614	784,506
Net income from continuing operations		511,759	733,431	838,110	599,676	622,344
Loss from discontinued operations		-	-	-	-	-
Net income (Loss)		511,759	733,431	838,110	599,676	622,344
Other comprehensive income/loss for the current period (net, after-tax)		4,369	(115,074)	19,382	(19,776)	(43,496)
Total comprehensive income		516,128	618,357	857,492	579,900	578,848
Net income attributable to parent company shareholders		511,809	731,015	835,205	600,009	622,166
Net income attributable to non-controlling interest		(50)	2,416	2,905	(333)	178
Comprehensive income attributable to parent company shareholders		516,787	618,267	853,807	580,792	579,841
Comprehensive income attributable to non-controlling interest		(659)	90	3,685	(892)	(993)
Earnings per share (NTD)		3.8	4.25	4.73	3.4	3.07

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 )				
		2016	2017	2018	2019	2020
Operating revenues		1,673,875	1,904,683	2,373,305	1,735,635	2,132,715
Gross profit		935,438	1,130,735	1,439,465	954,017	1,211,263
Operating profit		330,247	454,307	512,276	238,920	399,831
Non-operating revenues and expenses		273,535	372,582	437,980	508,027	384,754
Income before tax		603,782	826,889	950,256	746,947	784,585
Net income from continuing operations		511,809	731,015	835,205	600,009	622,166
Loss from discontinued operations		-	-	-	-	-
Net income (Loss)		511,809	731,015	835,205	600,009	622,166
Other comprehensive income/loss for the current period (net, after-tax)		4,978	(112,748)	18,602	(19,217)	(42,325)
Total comprehensive income		516,787	618,267	853,807	580,792	579,841
Net income attributable to parent company shareholders		3.8	4.25	4.73	3.4	3.07

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
2020	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unmodified opinion
2019	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unmodified opinion
2018	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unmodified opinion
2017	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unmodified opinion
2016	KPMG Taiwan	Lee, Feng-Hui, Chung, Tan-Tan	Unmodified 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				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt to assets ratio	88.15	86.01	87.47	87.75	86.24
	Long-term capital to property and equipment	7,433.19	9,714.03	10,482.00	7,584.51	10,178.74
Solvency (%)	Current ratio	111.17	114.57	113.00	112.50	114.64
	Quick ratio	111.10	114.54	112.95	112.47	114.62
Profitability (%)	Return on assets (%)	2.16	2.43	2.27	1.47	1.42
	Return on equity (%)	16.58	18.67	17.24	11.87	10.89
	As a percentage of paid-in capital (%) (Note 7)	49.32	51.72	54.13	42.32	37.28
	Net profit margin (%)	22.73	27.40	29.41	31.29	25.65
	Earnings per share (dollar)	3.80	4.25	4.73	3.40	3.07
Cash flow (%)	Cash flow ratio (%)	2.54	2.23	2.68	2.45	1.49
	Cash flow adequacy ratio (%)	75.67	105.77	131.70	132.08	134.44
	Cash reinvestment ratio (%)	9.24	6.03	9.45	5.49	2.98
Special Purpose Ratio (%)	Shareholders' equity to adjusted total liabilities ratio (%)	1,161	764	1,034	768	732
	Shareholders' equity to minimum paid-up capital ratio (%)	284.07	415.94	451.31	449.60	570.37
	Adjusted net capital to required margins on futures traders' outstanding position (%)	51.95	57.62	57.92	55.49	66.09
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)						
<ol style="list-style-type: none"> <li>The ratio of long-term funds to real estate, plant and equipment in the current period has increased compared with the previous period, mainly due to the increase in the owner's equity due to the increase in cash in the current period.</li> <li>The cash reinvestment ratio in the current period has increased compared with the previous period, mainly due to the decrease in dividends paid compared with the previous period.</li> </ol>						

\* 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:

- Use weighted average outstanding ordinary shares instead of year-end outstanding shares.
- 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.
- 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				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt to assets ratio	87.76	85.57	87.30	87.52	86.00
	Long-term capital to property and equipment	8,397.58	10,682.52	11,444.54	8,723.43	12,605.87
Solvency (%)	Current ratio	107.52	111.76	110.26	110.15	112.71
	Quick ratio	107.46	111.74	110.23	110.14	112.71
Profitability (%)	Return on assets (%)	2.23	2.52	2.33	1.50	1.45
	Return on equity (%)	16.73	18.73	17.27	11.95	10.94
	As a percentage of paid-in capital (%) (Note 7)	49.33	51.55	53.86	42.33	37.28
	Net profit margin (%)	30.58	38.38	35.19	34.57	29.17
	Earnings per share (dollar)	3.80	4.25	4.73	3.40	3.07
Cash flow (%)	Cash flow ratio (%)	2.40	2.18	2.50	2.05	1.77
	Cash flow adequacy ratio (%)	69.27	90.99	112.41	115.20	126.63
	Cash reinvestment ratio (%)	7.53	5.21	7.88	2.37	4.46
Special Purpose Ratio (%)	Shareholders' equity to adjusted total liabilities ratio (%)	1,161	764	1,034	768	732
	Shareholders' equity to minimum paid-up capital ratio (%)	284.07	415.94	451.31	449.60	570.37
	Adjusted net capital to required margins on futures traders' outstanding position (%)	51.95	57.62	57.92	55.49	66.09

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 funds to real estate, plant and equipment in the current period has increased compared with the previous period, mainly due to the increase in the owner's equity due to the increase in cash in the current period.
2. The cash reinvestment ratio in the current period has increased compared with the previous period, mainly due to the decrease in dividends paid compared with the previous period.

\* 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 formula of the various analyses is 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.
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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.
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(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.

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 130 of this annual report.

6.4 Latest financial statements: Please refer to this annual report.

6.5 Standalone financial statements audited & certified by Accountants in the most recent years: Please refer to 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 Committee's Review Report**

The Board of Directors has prepared the 2020 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 25, 2021

## **Declaration**

The Company hereby declares:

In accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” The companies that should be included in the preparation of the consolidated financial statements of the related companies are the same as the companies that should be included in the preparation of the consolidated financial statements of the parent and subsidiary companies in accordance with the International Financial Reporting Standard No. 10 approved by the Financial Supervisory Commission in 2020 (from January 1, 2020 to December 31, 2020), and the related information should be disclosed in the consolidated financial statements of the related companies The previous disclosures have been disclosed in the consolidated financial statements of the parent and subsidiary companies, and there will be no separate preparation of the consolidated financial statements of the related companies.

Company : Capital Futures Corp.

Chairman : Sun, Tien-Shan

Date : March 25, 2021

**CAPITAL FUTURES CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2020 and 2019**

Address: 32nd and B1 Fl. No. 97, Tun Hwa South Rd., Sec. 2, Taipei, Taiwan, R.O.C.  
Telephone: 886-2-2700-2888

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



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## **Representation Letter**

The entities that are required to be included in the combined financial statements of Capital Futures Corporation as of and for the year ended December 31, 2020 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 25, 2021

## 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, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

Brokerage fee revenue recognized:

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

Explanation of key audit matters:

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

Audit procedures in response:

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

### **Other Matter**

Capital Futures Corporation has prepared its individual financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 25, 2021

#### **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 Originally Issued in Chinese)  
**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	<u>December 31, 2020</u>		<u>December 31, 2019</u>			<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Assets</b>					<b>Liabilities and Equity</b>				
<b>Current assets:</b>					<b>Current liabilities:</b>				
111100 Cash and cash equivalents (Note 6(a))	\$ 5,259,993	11	4,131,969	10	212000 Financial liabilities at fair value through profit or loss- current (Note 6(b))	\$ 61,349	-	22,836	-
112000 Financial assets at fair value through profit or loss- current (Note 6(b))	450,635	1	512,847	1	214080 Futures traders' equity (Note 6(f))	39,140,989	85	35,435,978	87
113200 Financial assets at fair value through comprehensive income- current (Note 6(b))	119,204	-	-	-	214100 Leverage contract trading - customers' equity	352,056	1	308,590	1
114010 Bonds purchased under resale agreements (Note 6(b))	244,530	1	46,000	-	214130 Accounts payable	136,981	-	43,812	-
114070 Customers margin accounts (Note 6(f))	39,174,200	85	35,492,166	87	214140 Accounts payable- related parties (Note 7)	14,679	-	10,914	-
114080 Receivable - futures margin (Note 6(g))	-	-	2	-	214150 Advance receipts	3,773	-	2,511	-
114100 Security borrowing margin	-	-	3,874	-	214160 Receipts under custody	5,078	-	3,856	-
114130 Accounts receivable	131,775	-	13,539	-	214170 Other payables	142,850	-	132,096	-
114140 Accounts receivable- related parties (Note 7)	2,735	-	722	-	214180 Other payables- related parties (Note 7)	4,881	-	871	-
114150 Prepayments	7,279	-	8,277	-	214600 Current income tax liabilities	61,758	-	86,626	-
114170 Other receivables	76,756	-	80,484	-	215100 Provisions- current	5,577	-	5,952	-
114180 Other receivables- related parties (Note 7)	3,841	-	4,068	-	216000 Lease liabilities- current (Note 6(i))	27,882	-	27,546	-
114300 Leverage contract trading- customers' margin accounts	352,962	1	308,543	1	219000 Other current liabilities	15,248	-	10,670	-
114600 Current income tax assets	238	-	228	-		<u>39,973,101</u>	<u>86</u>	<u>36,092,258</u>	<u>88</u>
119000 Other current assets	5	-	2	-	<b>Non-Current liabilities:</b>				
	<u>45,824,153</u>	<u>99</u>	<u>40,602,721</u>	<u>99</u>	226000 Lease liabilities- non-current (Note 6(i))	30,597	-	11,882	-
<b>Non-current assets:</b>					228000 Deferred income tax liabilities (Note 6(k))	15,251	-	8,767	-
123200 Financial assets at fair value through other comprehensive income- non- current (Note 6(b))	1,349	-	1,375	-	229000 Other non-current liabilities (Note 6(j))	7,487	-	6,719	-
124100 Investments under equity method (Note 6(c))	49,281	-	47,860	-		<u>53,335</u>	<u>-</u>	<u>27,368</u>	<u>-</u>
125000 Property and equipment (Note 6(d))	63,272	-	66,829	-	906003 <b>Total liabilities</b>	<u>40,026,436</u>	<u>86</u>	<u>36,119,626</u>	<u>88</u>
125800 Right-of-use assets (Note 6(e))	58,504	-	39,481	-	<b>Equity attributable to owners of parent:</b>				
127000 Intangible assets (Note 6(h))	79,546	-	82,235	-	301010 Common stock (Note 6(l))	2,104,376	5	1,764,376	4
128000 Deferred income tax assets (Note 6(k))	414	-	236	-	302000 Capital surplus (Note 6(l))	1,873,996	4	1,047,338	3
129000 Other non-current assets	336,876	1	320,173	1	304010 Legal reserve	564,658	1	504,667	1
	<u>589,242</u>	<u>1</u>	<u>558,189</u>	<u>1</u>	304020 Special reserve	1,280,666	3	1,142,132	3
					304040 Unappropriated earnings (Note 6(l))	623,005	1	599,904	1
					305000 Other equity	(87,037)	-	(45,421)	-
						<u>6,359,664</u>	<u>14</u>	<u>5,012,996</u>	<u>12</u>
					<b>Total equity attributable to owners of parent</b>				
					306000 Non-controlling interests	27,295	-	28,288	-
					906004 <b>Total equity</b>	<u>6,386,959</u>	<u>14</u>	<u>5,041,284</u>	<u>12</u>
906001 <b>Total assets</b>	<u>\$ 46,413,395</u>	<u>100</u>	<u>41,160,910</u>	<u>100</u>	906002 <b>Total liabilities and equity</b>	<u>\$ 46,413,395</u>	<u>100</u>	<u>41,160,910</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	2020		2019	
	Amount	%	Amount	%
<b>Income:</b>				
401000	\$ 1,896,284	78	1,577,235	82
410000	115,501	5	54,758	3
421300	3,545	-	1,101	-
421500	4,945	-	14,751	1
421600	(1,304)	-	(1,144)	-
421610	1,109	-	(1,108)	-
424100	322,130	13	209,879	11
424200	11,437	-	4,622	-
424400	(22,772)	(1)	(16,016)	(1)
424500	62,602	3	36,424	2
424800	220	-	204	-
424900	12,219	1	15,076	1
428000	20,320	1	20,996	1
	2,426,236	100	1,916,778	100
<b>Expenses:</b>				
501000	370,883	15	266,476	14
502000	3,147	-	1,325	-
521200	7,404	-	19,791	1
521640	70	-	193	-
425300	413	-	(2,237)	-
524100	525,520	22	432,079	22
524300	180,753	8	149,055	8
528000	4,552	-	2,129	-
531000	496,948	21	457,346	24
532000	77,442	3	67,600	4
533000	388,007	16	345,359	18
	2,055,139	85	1,739,116	91
	371,097	15	177,662	9
<b>Net operating income</b>				
<b>Non-operating income and expenses:</b>				
601000	2,304	-	2,469	-
602000	411,105	17	566,483	30
	413,409	17	568,952	30
902001	784,506	32	746,614	39
701000	162,162	6	146,938	8
	622,344	26	599,676	31
805000	<b>Other comprehensive income:</b>			
805500	<b>Components that may not be reclassified subsequently to profit or loss:</b>			
805510	(709)	-	(664)	-
805540	1,660	-	320	-
805599	-	-	-	-
	951	-	(344)	-
805600	<b>Components that may be reclassified subsequently to profit or loss:</b>			
805610	(44,625)	(2)	(19,498)	(1)
805699	(178)	-	(66)	-
	(44,447)	(2)	(19,432)	(1)
805000	(43,496)	(2)	(19,776)	(1)
902006	\$ 578,848	24	\$ 579,900	30
<b>Net income attributable to:</b>				
913100	\$ 622,166	26	600,009	31
913200	178	-	(333)	-
	\$ 622,344	26	\$ 599,676	31
<b>Comprehensive income attributable to:</b>				
914100	\$ 579,841	24	580,792	30
914200	(993)	-	(892)	-
	\$ 578,848	24	\$ 579,900	30
975000	\$ 3.07		\$ 3.40	
985000	\$ 3.07		\$ 3.40	

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, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Share Capital	Retained earnings				Other 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	Total equity attributable to owners of parent				
<b>Balance on January 1, 2019</b>	\$ 1,764,376	1,047,338	421,147	990,784	835,315	(27,804)	936	5,032,092	29,180	5,061,272		
Net income for the year ended December 31, 2019	-	-	-	-	600,009	-	-	600,009	(333)	599,676		
Other comprehensive income	-	-	(664)	-	(664)	(18,873)	320	(19,217)	(559)	(19,776)		
Total comprehensive income	-	-	-	-	599,345	(18,873)	320	580,792	(892)	579,900		
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	83,520	-	(83,520)	-	-	-	-	-		
Special reserve	-	-	-	171,217	(171,217)	-	-	-	-	-		
Cash dividends	-	-	-	-	(599,888)	-	-	(599,888)	-	(599,888)		
Reversal of special reserve for the contra equity account	-	-	-	(19,869)	19,869	-	-	-	-	-		
Balance on December 31, 2019	1,764,376	1,047,338	504,667	1,142,132	599,904	(46,677)	1,256	5,012,996	28,288	5,041,284		
Net income for the year ended December 31, 2020	-	-	-	-	622,166	-	-	622,166	178	622,344		
Other comprehensive income	-	-	-	-	(709)	(43,276)	1,660	(42,325)	(1,171)	(43,496)		
Total comprehensive income	-	-	-	-	621,457	(43,276)	1,660	579,841	(993)	578,848		
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	59,991	-	(59,991)	-	-	-	-	-		
Special reserve	-	-	-	119,981	(119,981)	-	-	-	-	-		
Cash dividends	-	-	-	-	(399,831)	-	-	(399,831)	-	(399,831)		
Special reserve for the contra equity account	-	-	-	18,553	(18,553)	-	-	-	-	-		
Capital increase by cash (Note 6(1))	340,000	826,260	-	-	-	-	-	1,166,260	-	1,166,260		
Right of inclusion	-	398	-	-	-	-	-	398	-	398		
<b>Balance on December 31, 2020</b>	\$ <b>2,104,376</b>	<b>1,873,996</b>	<b>564,658</b>	<b>1,280,666</b>	<b>623,005</b>	<b>(89,953)</b>	<b>2,916</b>	<b>6,359,664</b>	<b>27,295</b>	<b>6,386,959</b>		

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 Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Net income before income tax	\$ 784,506	746,614
<b>Adjustments:</b>		
<b>Adjustments to reconcile:</b>		
Depreciation expense	67,702	59,246
Amortization expense	9,740	8,354
(Reversal of) expected credit impairment loss	413	(2,237)
Net gains on financial assets or liabilities at fair value through profit or loss	(9,967)	(21,723)
Interest expense	7,404	19,791
Interest income (including financial income)	(364,733)	(541,224)
Dividend income	(3,584)	(1,457)
Share of profit of associates and joint ventures under equity method	(2,304)	(2,469)
Gain on lease modification	(41)	-
Impairment loss	1,204	-
<b>Total adjustments to reconcile</b>	<b>(294,166)</b>	<b>(481,719)</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets at fair value through profit or loss	71,070	5,854
Decrease (increase) in bond purchased under resale agreements	(198,530)	152,000
Increase in customers margin accounts	(3,682,034)	(588,119)
Decrease (increase) in receivable-futures margin	(411)	2,388
Increase in leverage contract trading - customer's margin accounts	(44,419)	(79,979)
Decrease (increase) in security borrowing margin	3,874	(3,874)
Decrease (increase) in accounts receivable	(118,236)	308
Increase in accounts receivable - related parties	(2,013)	(388)
Decrease in prepayments	998	7,542
Increase in other receivables	(4,018)	(22,239)
Decrease in other receivables - related parties	231	15,762
Increase in other current assets	(3)	-
Increase in clearing and settlement fund	(16,744)	(2,835)
Decrease (increase) in refundable deposits	41	(695)
Increase (decrease) in financial liabilities at fair value through profit or loss	39,622	(3,172)
Increase in futures traders' equity	3,705,011	648,735
Increase in leverage contract trading - customer's equity	43,466	82,691
Increase in accounts payable	93,169	6,894
Increase (decrease) in accounts payable - related parties	3,765	(8)
Increase (decrease) in advance receipts	1,262	(7,753)
Increase (decrease) in receipts under custody	1,222	(129)
Increase (decrease) in other payables	11,422	(14,322)
Increase in other payables - related parties	4,020	349
Increase (decrease) in provisions for liabilities	(375)	5,952
Increase in other current liabilities	4,578	2,182
Increase (decrease) in non-current liabilities	59	(1,857)
<b>Total changes in operating assets and liabilities</b>	<b>(82,973)</b>	<b>205,287</b>
<b>Total adjustments</b>	<b>(377,139)</b>	<b>(276,432)</b>
Cash inflow generated from operations	407,367	470,182
Interest received	372,443	544,377
Dividends received	3,616	1,349
Interest paid	(8,192)	(19,071)
Income taxes paid	(180,549)	(113,773)
<b>Net Cash flows from operating activities</b>	<b>594,685</b>	<b>883,064</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(117,518)	-
Acquisition of property and equipment	(28,936)	(47,513)
Acquisition of intangible assets	(8,323)	(12,646)
<b>Net cash flows used in investing activities</b>	<b>(154,777)</b>	<b>(60,159)</b>
<b>Cash flows from (used in) financing activities:</b>		
Payment of lease liabilities	(35,520)	(29,890)
Cash dividends paid	(399,831)	(599,888)
Capital increase by cash	1,166,260	-
Right of inclusion	398	-
<b>Net cash flows from (used in) financing activities</b>	<b>731,307</b>	<b>(629,778)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(43,191)</b>	<b>(19,113)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,128,024</b>	<b>174,014</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,131,969</b>	<b>3,957,955</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 5,259,993</b>	<b>4,131,969</b>

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, 2020 and 2019**

**(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 25, 2021.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

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

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

##### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

##### (b) Basis of preparation

###### (i) Basis of measurement

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

- 1) Financial 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 (obligation) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation, and the upper limit of the number of effects mentioned in (Note 4(q)) stated.

###### (ii) Functional and presentation currency

The functional currency of 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.

Intercompany transactions, balances and any unrealized gains or losses on transactions between

(Continued)

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

companies within the Group are eliminated.

## 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, 2020	December 31, 2019	
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, 2020, 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, 2020, the paid in capitals amounted to \$50,000.
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management consulting and information service business.	51.00%	51.00%	The corporation established in August 20, 2008. The Company acquired 51% of the equity on February 9, 2015 and held controlling interest. As of December 31, 2020, 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, 2020, 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.

(Continued)

## 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.

(Continued)

## 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.

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.

(Continued)

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

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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 charged 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, over their financial and operating policies.

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

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

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

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

#### (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 income 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

(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.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(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.

(Continued)



## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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.

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

(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 brokerage fee revenue 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.

(Continued)

## 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.

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

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

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

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

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

Impairment of goodwill

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

(Continued)

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

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

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash	\$ 96	129
Demand deposits	493,633	552,573
Time deposits	3,918,024	2,973,498
Futures margin- excess margin	754,254	594,777
Commercial paper	93,986	10,992
Total	<u><u>\$ 5,259,993</u></u>	<u><u>4,131,969</u></u>

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

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Open-ended funds and money- market instruments	\$ 30,000	112,948
Open-ended funds and money- market instruments valuation adjustment	72	1,492
Trading securities- proprietary trading	205,298	152,933
Trading securities- proprietary trading valuation adjustment	10,922	6,350
Securities invested by securities broker	48,166	146,849
Securities invested by securities broker valuation adjustment	934	(1,589)
Call options- non-hedging	40,164	3,482
Futures margin-proprietary fund- non-hedging	51,699	51,316
Non-hedging leverage derivatives	63,380	39,066
Total	<u><u>\$ 450,635</u></u>	<u><u>512,847</u></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 2020 and 2019 will increase \$2,954 and \$4,190, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

(Continued)

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity investments at fair value through other comprehensive income		
Listed stocks	\$ 99,266	-
OTC stocks	<u>18,252</u>	<u>-</u>
	117,518	-
Valuation adjustment	<u>1,686</u>	<u>-</u>
Total	<u><u>\$ 119,204</u></u>	<u><u>-</u></u>

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

During the years ended December 31, 2020 and 2019, the dividends of \$75 and \$0, respectively, related to equity investment at fair value through other comprehensive income held on the years then ended, were recognized.

No strategic investments were disposed in 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(iii) Bonds purchased under resale agreements

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds purchased under resale agreements	<u>\$ 244,530</u>	<u>46,000</u>
Resale price under the agreements	<u>\$ 244,545</u>	<u>46,007</u>
Interest rates	<u>0.16%~0.22%</u>	<u>0.47%</u>
Date of repurchase	<u>2021.01.05~2021.01.15</u>	<u>2020.01.06</u>

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

<u>Investee Company</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Ownership ratio</u>	<u>Amount</u>	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Futures Exchange Co., Ltd	0.0042%	<u>\$ 1,349</u>	0.0042%	<u>1,375</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, 2020 and 2019, the dividends of \$39 and \$51, 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 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Put options - non-hedging	\$ 59,577	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 leverage derivatives	1,772	7,574
	<b><u>\$ 61,349</u></b>	<b><u>22,836</u></b>

- (c) Investments under equity method

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Associate	<b><u>\$ 49,281</u></b>	<b><u>47,860</u></b>

- (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:

<b>Name of associate</b>	<b>Relationship with the Company</b>	<b>Principal place of business /Register country of company</b>	<b>Ownership equity and % of right to vote</b>	
			<b>December 31, 2020</b>	<b>December 31, 2019</b>
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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Summarized ending balance of the insignificant associate	<b><u>\$ 49,281</u></b>	<b><u>47,860</u></b>
	<b><u>For the years ended December 31,</u></b>	<b><u>2020</u></b>
	<b><u>2020</u></b>	<b><u>2019</u></b>
Shares belong to the Group:		
Net gains from continuing operations	\$ 2,304	2,469
Other comprehensive income (losses)	(705)	(262)
Total comprehensive income	<b><u>\$ 1,599</u></b>	<b><u>2,207</u></b>

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(ii) Collateral and pledge

As of December 31, 2020 and 2019, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(d) Property and equipment

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

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Cost:</b>			
Balance at January 1, 2020	\$ 134,613	22,186	156,799
Additions	25,197	3,739	28,936
Disposal	(12,032)	(543)	(12,575)
Effect of exchange rate changes	(1,477)	(138)	(1,615)
Balance at December 31, 2020	<u>\$ 146,301</u>	<u>25,244</u>	<u>171,545</u>
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>
<b>Accumulated depreciation:</b>			
Balance at January 1, 2020	\$ 76,051	13,919	89,970
Depreciation	27,589	4,403	31,992
Disposal	(12,032)	(543)	(12,575)
Effect of exchange rate changes	(977)	(137)	(1,114)
Balance at December 31, 2020	<u>\$ 90,631</u>	<u>17,642</u>	<u>108,273</u>
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	(574)	(62)	(636)
Balance at December 31, 2019	<u>\$ 76,051</u>	<u>13,919</u>	<u>89,970</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2020	<u>\$ 55,670</u>	<u>7,602</u>	<u>63,272</u>
Balance at December 31, 2019	<u>\$ 58,562</u>	<u>8,267</u>	<u>66,829</u>

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, 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>
<b>Cost:</b>			
Balance at January 1, 2020	\$ 60,635	8,977	69,612
Additions	57,296	2,614	59,910
Derecognition	(22,876)	-	(22,876)
Effect of exchange rate changes	(993)	-	(993)
Balance at December 31, 2020	<u>\$ 94,062</u>	<u>11,591</u>	<u>105,653</u>
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	(509)	-	(509)
Balance at December 31, 2019	<u>\$ 60,635</u>	<u>8,977</u>	<u>69,612</u>
<b>Accumulated depreciation:</b>			
Balance at January 1, 2020	\$ 27,215	2,916	30,131
Depreciation	32,539	3,171	35,710
Derecognition	(18,060)	-	(18,060)
Effect of exchange rate changes	(632)	-	(632)
Balance at December 31, 2020	<u>\$ 41,062</u>	<u>6,087</u>	<u>47,149</u>
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>
<b>Carrying amounts:</b>			
Balance at December 31, 2020	<u>\$ 53,000</u>	<u>5,504</u>	<u>58,504</u>
Balance at December 31, 2019	<u>\$ 33,420</u>	<u>6,061</u>	<u>39,481</u>

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(f) Customers margin accounts/futures traders' equity

As of December 31, 2020 and 2019, the difference between customers' margin accounts and futures traders' equity were reconciled as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Customers margin accounts		
Cash in bank	\$ 29,144,632	26,981,210
Balance of the futures clearing house	6,038,034	4,874,988
Balance of other futures commission merchants	3,990,936	3,635,783
Marketable securities	598	185
Balance of customers margin accounts	<u>39,174,200</u>	<u>35,492,166</u>
Plus adjustment items:		
Commission cost	2,352	1,248
Others	26	(66)
Deduction adjustment items:		
Commission income	(11,746)	(7,426)
Futures transaction tax	(2,289)	(1,342)
Interest income	(789)	(5,699)
Temporary credits	(3,034)	(1,817)
Remittance amount of the customers after the market closed	(11,879)	(9,235)
Other receivables	(5,848)	-
Others	(4)	(31,851)
Balance of futures traders' equity	<u><b>\$ 39,140,989</b></u>	<u><b>35,435,978</b></u>

(g) Receivable - futures margin

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Receivable - futures margin - current	\$ 330	386
Less: Loss allowance	330	384
Subtotal	<u>-</u>	<u>2</u>
Receivable - futures margin - non-current	7,471	30,597
Less: Loss allowance	7,471	30,597
Subtotal	<u>-</u>	<u>-</u>
Total	<u><b>\$ -</b></u>	<u><b>2</b></u>

(Continued)

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

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

	<u>2020</u>	<u>2019</u>
Balance on January 1	\$ 30,981	33,370
Impairment losses recognized (reversed)	413	(2,389)
Amounts written off	(23,593)	-
Balance on December 31	<u>\$ 7,801</u>	<u>30,981</u>

(h) Intangible assets

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

	<u>Goodwill</u> <u>(Note2)</u>	<u>The seats of foreign futures exchanges</u> <u>(Note1)</u>	<u>Computer software</u>	<u>Total</u>
<b>Cost:</b>				
Balance at January 1, 2020	\$ 22,088	50,436	28,362	100,886
Additions	-	-	8,323	8,323
Scrap	-	-	(7,458)	(7,458)
Effect of exchange rate changes	-	(283)	66	(217)
Balance at December 31, 2020	<u>\$ 22,088</u>	<u>50,153</u>	<u>29,293</u>	<u>101,534</u>
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	-	(114)	(154)	(268)
Balance at December 31, 2019	<u>\$ 22,088</u>	<u>50,436</u>	<u>28,362</u>	<u>100,886</u>
<b>Amortization and impairment loss:</b>				
Balance at 1 January 1, 2020	\$ -	4,201	14,450	18,651
Amortization	-	-	9,740	9,740
Impairment loss	1,204	-	-	1,204
Scrap	-	-	(7,458)	(7,458)
Effect of exchange rate changes	-	(194)	45	(149)
Balance at December 31, 2020	<u>\$ 1,204</u>	<u>4,007</u>	<u>16,777</u>	<u>21,988</u>
Balance at 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>

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	Goodwill (Note2)	The seats of foreign futures exchanges (Note1)	Computer software	Total
<b>Carrying value:</b>				
Balance at December 31, 2020	\$ <u>20,884</u>	<u>46,146</u>	<u>12,516</u>	<u>79,546</u>
Balance at December 31, 2019	\$ <u>22,088</u>	<u>46,235</u>	<u>13,912</u>	<u>82,235</u>

Note: 1. The Group obtained the seats of foreign futures exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS No. 38 “Intangible Assets” endorsed by the FSC, the seats are regarded as intangible assets with an indefinite useful life.

2. The Group recognized an impairment loss of \$1,204 in 2020, according to discount rate of 4.65% on the basis of the future recoverable amount of sub-subsidiary from Mainland China.

(i) Lease liabilities

The Group’s lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	\$ <u>27,882</u>	<u>27,546</u>
Non-current	\$ <u>30,597</u>	<u>11,882</u>

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

The amounts recognized in profit or loss were as follows :

	For the years ended December 31,	
	2020	2019
Interest on lease liabilities	\$ <u>787</u>	<u>796</u>
Expenses relating to short-term leases	\$ <u>3,340</u>	<u>3,175</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>303</u>	<u>303</u>

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

	For the years ended December 31	
	2020	2019
Total cash outflow for leases	\$ <u>39,950</u>	<u>34,164</u>

(i) Real estate leases

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

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Other leases

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

(j) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligations	\$ (24,328)	(24,616)
Fair value of plan assets	16,841	17,897
Recognized liabilities for defined benefit obligations	<b>\$ (7,487)</b>	<b>(6,719)</b>

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

1) Composition of plan assets

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

The Group' s Bank of Taiwan labor pension reserve account balance amounted to \$16,841 as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligation

The movement in present value of the defined benefit obligation for the Group in 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Defined benefit obligation at January 1	\$ 24,616	26,128
Current service costs and interest	472	607
Benefits paid	(2,073)	(3,444)
Remeasurement of net defined benefit obligation		
- Experience gains or losses	522	963
- Actuarial losses (gains) arising from changes in financial assumptions	791	362
Defined benefit obligation at December 31	<b>\$ 24,328</b>	<b>24,616</b>

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Fair value of plan assets at January 1	\$ 17,897	18,216
Interest income	122	172
Benefits paid	(2,073)	(1,590)
Remeasurement of net defined benefit obligation		
- Return on plan assets (except net interests of period)	604	661
Contributions to the plan assets	291	438
Fair value of plan assets at December 31	<b>\$ 16,841</b>	<b>17,897</b>

4) Expense recognized in profit or loss

The expenses recognized in profit or loss of the Group in 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Current service cost	\$ 307	363
Net interest of net defined benefit obligation	43	72
	<b>\$ 350</b>	<b>435</b>

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

For the years ended December 31, 2020 and 2019, the accumulated remeasurement of net defined benefit obligation recognized in other comprehensive income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accumulated amount on January 1	\$ (12,130)	(11,466)
Recognized during the period	(709)	(664)
Accumulated amount on December 31	<b>\$ (12,839)</b>	<b>(12,130)</b>

6) Actuarial assumptions

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.41%	0.67%
Future salary growth rate	3.00%	2.50%

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The expected contribution to the defined benefit plan for the next year is \$150. The weighted average duration of the defined benefit obligation is 1 years.

#### 7) Sensitivity Analysis

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

For the years ended December 31, 2020 and 2019, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<b>Effects to defined benefit obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
December 31, 2020		
Discount rate	\$ (525)	446
Future salary increasing rate	409	(398)
December 31, 2019		
Discount rate	(582)	606
Future salary increasing rate	470	(457)

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 Group contributes 6% of the employee' s monthly wages to the Bureau of the Labor Insurance. Therefore, the Group has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Group contributed \$12,876 and \$12,059 under defined contribution plan to the Bureau of the Labor Insurance in the year 2020 and 2019, respectively.

#### (iii) For the years ended December 31, 2020 and 2019 the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,699 and \$3,031, respectively.

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**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(k) 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 is both 20% for the years ended December 31, 2020 and 2019.

The subsidiary CSC Futures (HK) Ltd. is founded in Hong Kong. The corporate income tax rate is both 16.5% for the years ended December 31, 2020 and 2019.

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 China are both 25% for the years ended December 31, 2020 and 2019.

(ii) Income tax expense

1) The amount of income tax expense (benefit) for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense	\$ 155,678	147,727
Deferred income tax expense (benefit)	6,484	(789)
Total	<b>\$ 162,162</b>	<b>146,938</b>

2) The amount of income tax expense (benefit) recognized in other comprehensive income of the Group in 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Exchange difference on translation of foreign operations	<b>\$ (178)</b>	<b>(66)</b>

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## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Reconciliation of income tax expense (benefit) and profit before tax of the Group for 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income before income tax	\$ 784,506	746,614
Income tax using the Company's domestic tax rate	156,092	148,744
Tax-exempt income	(5,966)	603
Unrecognized deferred tax assets for current-year losses	(279)	54
Unrecognized temporary differences for current year	2,607	(220)
Adjustments to prior year's income tax	7,293	(4,074)
10% surtax on undistributed earnings	49	4
Others	2,366	1,827
<b>Total</b>	<b>\$ 162,162</b>	<b>146,938</b>

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax liabilities

As of December 31, 2020 and 2019, the details of the Group's unrecognized deferred tax liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<b>\$ 3,605</b>	<b>14,845</b>

The dividend policies of the Group's subsidiaries, CSC Futures (HK) Ltd. and Capital True Partner Technology Co., Ltd., were prescribed not to appropriate the retain earning until December 31, 2020. 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.

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

2) Unrecognized deferred income tax assets

As of December 31, 2020 and 2019, the details of the Group's unrecognized deferred tax assets were as follows:

	December 31, 2020	December 31, 2019
Unrealized losses on foreign investments under Equity Method	\$ 620	275
Tax loss carried forward	595	874
	<b>\$ 1,215</b>	<b>1,149</b>

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, 2020, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	Expiry date
2017 (Assessed)	\$ 1,141	2027
2018 (Assessed)	1,564	2028
2019 (Assessed)	269	2029
Total	<b>\$ 2,974</b>	

3) Recognized deferred income tax assets and liabilities

As of December 31, 2020 and 2019, the details of the Group's recognized deferred tax assets and liabilities were as follows:

	December 31, 2020	December 31, 2019
Recognized deferred tax assets:		
Exchange difference on translation of foreign operations	\$ 414	236
Recognized deferred tax liabilities:		
Unrealized gains on foreign investments under Equity Method	\$ 2,930	2,469
Unrealized gains on derivative financial instruments	12,321	6,298
Total	<b>\$ 15,251</b>	<b>8,767</b>

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## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iv) Income tax assessment status

The Company's income tax returns through 2018 were assessed by the Tax Authority.

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

(l) Capital and other equity

(i) Common stock

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

As of December 31, 2020 and 2019, the Company had authorized capital both of \$2,500,000, with par value of \$10 per share; the issued common stock were 210,438 thousand shares, and 176,438 thousand shares.

(ii) Capital surplus

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

	December 31, 2020	December 31, 2019
Share premium		
Capital addition-Share premium	\$ 1,845,993	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	995	995
Right of inclusion	398	-
	<b>\$ 1,873,996</b>	<b>1,047,338</b>

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.

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

The above information of employee options as follows:

	<b>For the years ended December 31, 2020</b>	
	<b>Weighted average exercise price (NTD)</b>	<b>Number of options</b>
Outstanding at January 1	\$ -	-
Granted shares	34.00	1,032
Exercised shares	34.00	(1,032)
Expired shares	34.00	-
Outstanding at December 31		-

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### 3) Undistributed earnings

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

According to the resolution of shareholders' meeting on June 19, 2020 and May 30, 2019, the Company's 2019 and 2018 earnings distribution for owners were as follows:

	<b>For the years ended December 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>Per share</b>	<b>Amount</b>	<b>Per share</b>
Cash dividends	<b>\$ 399,831</b>	1.90	<b>599,888</b>	3.40

According to the resolution of board meeting on March 25, 2021, the Company's 2020 earnings distribution for owners were as follows:

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	
	<b>Amount</b>	<b>Per share</b>
Cash dividends	<b>\$ 393,518</b>	1.87

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(m) Earnings per share

The basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019 were calculated as follows:

(i) Basic earnings per share

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income attributable to common shareholders of the Company	<u>\$ 622,166</u>	<u>600,009</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>202,541</u>	<u>176,438</u>
Basic earnings per share (dollar)	<u>\$ 3.07</u>	<u>3.40</u>

(ii) Diluted earnings per share

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income attributable to common shareholders of the Company	<u>\$ 622,166</u>	<u>600,009</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	202,541	176,438
Influence from stock dividends for employee (thousands of shares)	234	202
Weighted-average outstanding shares of diluted earnings per share (thousands of shares)	<u>202,775</u>	<u>176,640</u>
Diluted earnings per share (dollar)	<u>\$ 3.07</u>	<u>3.40</u>

(n) Items of the statements of comprehensive income

(i) Brokerage fee revenue

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Consignment trading handling fee revenue - Domestic futures	\$ 994,090	793,127
Consignment trading handling fee revenue- Foreign futures	902,194	784,108
	<u>\$ 1,896,284</u>	<u>1,577,235</u>

(ii) Futures commission revenue

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Futures commission revenues - CSC Futures (HK) Ltd.	<u>\$ 322,130</u>	<u>209,879</u>

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(iii) Net gains (losses) on derivative instruments

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Non-hedging		
Net gains (losses) on futures contracts		
Gains on futures contracts	\$ 235,486	83,421
Losses on futures contracts	(241,099)	(79,563)
	<b>\$ (5,613)</b>	<b>3,858</b>
Net gains (losses) on option contracts		
Gains on option contracts	\$ 183,967	23,460
Losses on option contracts	(202,372)	(32,539)
	<b>\$ (18,405)</b>	<b>(9,079)</b>
Net gains (losses) on leverage derivatives		
Gains on leverage derivatives	\$ 530,918	203,064
Losses on leverage derivatives	(468,316)	(166,640)
	<b>\$ 62,602</b>	<b>36,424</b>
Net gains (losses) on derivative instruments - overseas subsidiaries	<b>\$ 1,246</b>	<b>(10,795)</b>
Non-hedging		
Total gains on derivative instruments	\$ 950,371	309,945
Total losses on derivative instruments	(911,787)	(278,742)
Net gains (losses) on derivative instruments - overseas subsidiaries	1,246	(10,795)
	<b>\$ 39,830</b>	<b>20,408</b>

(iv) Futures commission expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Re-consigned futures trading	\$ 266,087	246,008
Futures introducing broker business	185,190	131,039
Commission expenses - CSC Futures (HK) Ltd.	74,243	55,032
	<b>\$ 525,520</b>	<b>432,079</b>

(Continued)



**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(v) Employee benefit, depreciation and amortization expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Employee benefit expenses		
Salary expense	\$ 411,144	389,244
Labor and health insurance expense	24,272	22,823
Pension expense	14,925	15,525
Director remuneration	23,396	21,559
Others	23,211	8,195
Depreciation expense	67,702	59,246
Amortization expense	9,740	8,354
	<b><u>\$ 574,390</u></b>	<b><u>524,946</u></b>

(vi) Other operating expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Postage expense	\$ 58,773	55,304
Taxes	68,710	48,327
Rental expense	3,643	3,478
Information technology expense	157,191	139,799
Professional service fee	12,715	6,418
Others	86,975	92,033
	<b><u>\$ 388,007</u></b>	<b><u>345,359</u></b>

(vii) Other income and expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest income	\$ 364,733	541,224
Dividend income	39	356
Net gains (losses) on non-operating financial instruments at fair value through profit or loss	3,913	8,080
Net gains (losses) on foreign exchange	(7,133)	(5,327)
Net gains (losses) on disposal of investments	32,767	6,954
Other non-operating revenue - other	18,287	16,465
Other non-operating expense - other	(1,501)	(1,269)
	<b><u>\$ 411,105</u></b>	<b><u>566,483</u></b>

(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, 2020 and 2019, the estimated amounts of remuneration to employee were \$9,071 and \$8,714, and to directors and supervisors by the Company were \$9,071 and \$8,714, 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, 2020 and 2019. 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 2019 and 2018 were both \$8,714 and \$12,083, respectively. There was no difference between accounting estimates and actual distribution. Related information would be available at the Market Observation Post System website.

(o) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represent the maximum credit exposure. As of December 31, 2020 and 2019 the maximum credit exposure amounted to \$46,154,856 and \$40,915,762, 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, 2020 as shown in below, focusing on Taiwan (proportion 86.53%), secondly was Asia (proportion 12.78% excluded Taiwan), thirdly was North America (proportion 0.62%). 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, 2020	December 31, 2019
Taiwan	\$ 38,658,873	33,979,742
Asia (excluded Taiwan)	5,707,811	5,510,080
North America	277,056	150,403
Europe	19,516	14,983
Oceania	15,467	14,927
Total	<b><u>\$ 44,678,723</u></b>	<b><u>39,670,135</u></b>

3) Impairment loss

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

	December 31, 2020		December 31, 2019	
	Total amount	Impairment	Total amount	Impairment
Not past due	\$ -	-	107,352	8,537
Past due 0~30 days	222,364	7,257	-	-
Past due 31~120 days	-	-	-	-
Past due 121~360 days	-	-	-	-
Past due more than 360 days	544	544	22,444	22,444
	<b><u>\$ 222,908</u></b>	<b><u>7,801</u></b>	<b><u>129,796</u></b>	<b><u>30,981</u></b>

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, 2020 and 2019, the loss allowance of accrued receivables were recognized \$7,801 and \$30,981, 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, 2020 and 2019 was as follows:

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

<b>For the years ended December 31, 2020</b>						
	<b>12-month ECL</b>	<b>Lifetime ECL-not credit impaired</b>	<b>Lifetime ECL - credit impaired</b>			<b>Total</b>
			<b>Accounts receivable</b>	<b>Receivable- f utures margin</b>	<b>Other receivables</b>	
Balance on January 1	\$ -	-	-	30,981	-	30,981
Provision of impairment loss	-	-	-	413	-	413
Amounts written off	-	-	-	(23,593)	-	(23,593)
Balance on December 31	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>7,801</b>	<b>-</b>	<b>7,801</b>

<b>For the years ended December 31, 2019</b>						
	<b>12-month ECL</b>	<b>Lifetime ECL-not credit impaired</b>	<b>Lifetime ECL - credit impaired</b>			<b>Total</b>
			<b>Accounts receivable</b>	<b>Receivable- f utures margin</b>	<b>Other receivables</b>	
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	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>30,981</b>	<b>-</b>	<b>30,981</b>

(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.

	<b>Carrying amount</b>	<b>Contract cash flow</b>	<b>Within 6 months</b>	<b>6-12 months</b>	<b>1-2 year</b>	<b>2-5 year</b>	<b>More than 5 year</b>
<b>December 31, 2020</b>							
Financial liabilities at fair value through profit or loss	\$ 61,349	61,349	61,349	-	-	-	-
Futures traders' equity	39,140,989	39,140,989	39,140,989	-	-	-	-
Leverage contract trading- customers' equity	352,056	352,056	352,056	-	-	-	-
Accounts payable	151,660	151,660	151,660	-	-	-	-
Receipts under custody	5,078	5,078	5,078	-	-	-	-
Other payable	147,731	147,731	147,731	-	-	-	-
Lease liabilities	58,479	59,262	16,686	11,704	19,482	11,390	-
	<b>\$ 39,917,342</b>	<b>39,918,125</b>	<b>39,875,549</b>	<b>11,704</b>	<b>19,482</b>	<b>11,390</b>	<b>-</b>
<b>December 31, 2019</b>							
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	-
	<b>\$ 35,998,381</b>	<b>35,999,070</b>	<b>35,976,877</b>	<b>10,147</b>	<b>9,520</b>	<b>2,526</b>	<b>-</b>

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<b>December 31, 2020</b>		
	<b>Foreign Currency (dollar)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars</b>
<b><u>Financial assets</u></b>			
<b><u>Monetary items</u></b>			
USD	\$ 686,159,757.77	28.4800	19,541,830
EUR	7,257,270.14	35.0200	254,150
GBP	2,548,784.25	38.9000	99,148
JPY	879,997,536.00	0.2763	243,143
HKD	101,854,081.45	3.6730	374,110
AUD	1,740,498.65	21.9500	38,204
CHF	52,100.08	32.3100	1,683
SGD	536,196.03	21.5600	11,560
KRW	384,840,945.00	0.0264	10,160
CNY	66,210,990.01	4.3770	289,806
MYR	180,116.56	6.7895	1,223
THB	3,468,388.91	0.9556	3,314
NZD	42,605.66	20.5800	877
CAD	5,658.20	22.3500	126
ZAR	65,684.14	1.9490	128
<b><u>Non-monetary items</u></b>			
USD	3,609,523.78	28.4800	102,799
GBP	2,022.14	38.9000	79
NZD	1,123.43	20.5800	23
CHF	312.31	32.3100	10
<b><u>Investments under equity method</u></b>			
HKD	13,417,144.02	3.6730	49,281

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>December 31, 2020</b>		
	<b>Foreign Currency (dollar)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars</b>
<b><u>Financial liabilities</u></b>			
<b><u>Monetary items</u></b>			
USD	\$ 652,766,558.31	28.4800	18,590,792
EUR	7,183,427.80	35.0200	251,564
GBP	2,440,098.87	38.9000	94,920
JPY	880,552,975.00	0.2763	243,297
HKD	151,964,507.10	3.6730	558,166
AUD	1,699,687.84	21.9500	37,308
CHF	52,778.65	32.3100	1,705
SGD	610,765.31	21.5600	13,168
KRW	381,095,085.31	0.0264	10,061
CNY	11,227,802.96	4.3770	49,144
MYR	166,226.89	6.7895	1,129
THB	2,572,020.00	0.9556	2,458
NZD	389.98	20.5800	8
CAD	815.44	22.3500	18
<b><u>Non-monetary items</u></b>			
USD	12,089.44	28.4800	344
JPY	1,023,292.00	0.2763	283
CAD	3,807.98	22.3500	85
AUD	177.67	21.9500	4
CNY	239,997.19	4.3770	1,051
ZAR	904.88	1.9490	2
SGD	151.66	21.5600	3

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>December 31, 2019</b>		
	<b>Foreign Currency (dollar)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars</b>
<b><u>Financial assets</u></b>			
<b><u>Monetary items</u></b>			
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
<b><u>Non-monetary items</u></b>			
USD	4,203,877.55	29.9800	126,032
JPY	1,408,881.00	0.2760	389
CAD	21.90	22.9900	1
AUD	4,538.28	21.0100	95
CNY	4,699,184.91	4.3050	20,230
NZD	7,544.96	20.1900	152
<b><u>Investments under equity method</u></b>			
HKD	12,434,330.74	3.8490	47,860

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>December 31, 2019</b>		
	<b>Foreign Currency (dollar)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars</b>
<b><u>Financial liabilities</u></b>			
<b><u>Monetary items</u></b>			
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
<b><u>Non-monetary items</u></b>			
USD	175,268.09	29.9800	5,254
CNY	538,827.12	4.3050	2,320

Due to the variety of currencies, the Group disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$11,081 and \$7,023 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, with all other variable factors remain constant, a strengthening (weakening) 1% of the TWD against the USD, would cause after-tax comprehensive income result in a decrease or an increase by \$9,329 and \$6,295, respectively. The analytical basis was the same in both years.

(Continued)



**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****(iv) Analysis in interest rates**

For the years ended December 31, 2020 and 2019, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income result in an increase or a decrease by \$6,918 and \$6,948. 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.

(Continued)

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

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

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

		December 31, 2020			
Assets and Liabilities items	Total	Public quote of the same financial instrument in an active market (Level 1)	Observable price except public quote in an active market (Level 2)	Based neither on direct market data nor from the counter party (Level 3)	
<b><u>Fair value evaluated on a recurring basis</u></b>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 192,882	192,882	-	-	
Stock investment	102,510	102,510	-	-	
Financial assets at fair value through other comprehensive income	120,553	119,204	-	-	1,349
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 155,243	91,863	63,380	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	61,349	59,577	1,772	-	
		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)	
<b><u>Fair value evaluated on a recurring basis</u></b>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 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	-	

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

b) Valuation techniques

i) Non-derivative financial instruments

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

ii) Derivative financial instruments

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

iii) Transfer between Level 1 and Level 2

There is no transfer between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

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

(In Thousands Dollars)

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

Item	For the years ended December 31, 2019							Ending Balance
	Beginning Balance	Gains and losses on valuation		Addition		Reduction		
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 1,055	-	320	-	-	-	-	1,375

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

	<u>Change in fair value recognized in other comprehensive income</u>	
	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2020</b>		
Financial assets fair value through other comprehensive income	<u>\$ 13</u>	<u>(13)</u>
<b>December 31, 2019</b>		
Financial assets fair value through other comprehensive income	<u>\$ 14</u>	<u>(14)</u>

(Continued)

## 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.

(p) 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.

(Continued)

## 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.

(q) 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, 2020, the Group didn't change the method of capital management.

(r) 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, 2020 and 2019, were as follows:

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

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

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Other</b>	<b>Non-cash changes Foreign exchange movemen t</b>	<b>Fair value changes</b>	<b>December 31, 2019</b>
Lease liabilities	\$ 41,065	(30,686)	29,737	(688)	-	39,428
Total liabilities from financing activities	<b>\$ 41,065</b>	<b>(30,686)</b>	<b>29,737</b>	<b>(688)</b>	<b>-</b>	<b>39,428</b>

(Continued)



## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (7) Related-party transactions:

- (a) Parent company and ultimate controlling party

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

- (b) Names and relationship with related parties

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

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

- (c) Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$ 73,772	72,512
Post-employment benefits	1,141	1,080
Total	<b>\$ 74,913</b>	<b>73,592</b>

- (d) Significant transactions with related parties

- (i) The amounts of futures trading between the Group and related parties for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
<u>Brokerage fee revenue</u>		
Capital Securities Corporation	\$ 4,876	9,441
Funds issued by Capital Investment Trust Corp.	546	1,148
Total	<b>\$ 5,422</b>	<b>10,589</b>

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	December 31, 2020	December 31, 2019
<u>Futures traders' equity</u>		
Capital Securities Corporation	\$ 824,368	688,447
Funds issued by Capital Investment Trust Corp.	335,742	142,376
	<b>\$ 1,160,110</b>	<b>830,823</b>

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 2020 and 2019, interest expense amounted to \$149 and \$422, respectively.

Funds issued by Capital Investment Trust Corp. deposits margins to the Group for futures proprietary trading, and the Group paid the interest of excess margin annually. In 2020 and 2019, interest expense amounted to \$39 and \$92, respectively.

(ii) Accounts payable and receivable:

	December 31, 2020	December 31, 2019
<b><u>Accounts receivable</u></b>		
Capital Securities Corporation	\$ 2,679	374
CSC Securities (HK) Ltd.	56	348
	<b>\$ 2,735</b>	<b>722</b>
<b><u>Accounts payable</u></b>		
Capital Securities Corporation	<b>\$ 14,679</b>	<b>10,914</b>
<b><u>Other receivables (Note 1)</u></b>		
Capital Securities Corporation	\$ 3,841	4,052
CSC Securities (HK) Ltd.	-	16
	<b>\$ 3,841</b>	<b>4,068</b>
<b><u>Other payables</u></b>		
Capital Securities Corporation (Note 2)	\$ 4,762	789
CSC Securities (HK) Ltd. (Note 3)	119	82
	<b>\$ 4,881</b>	<b>871</b>

(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.

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iii) Bonds purchased under resale agreements

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Bonds purchased under resale agreements	<b>\$ 244,530</b>	<b>46,000</b>
Resale price under the agreements	<b>\$ 244,545</b>	<b>46,007</b>
Interest rates	<b>0.16%~ 0.22%</b>	<b>0.47%</b>
Date of repurchase	<b>2021.01.05~ 2021.01.15</b>	<b>2020.01.06</b>
	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest income	<b>\$ 329</b>	<b>461</b>

(iv) Leases

The Group signed three-year lease contracts and rented the office and parking spaces from Capital Securities Corporation. The total value of effective contracts was \$53,289. For the years ended December 31, 2020 and 2019, the Group recognized the amount of \$259 and \$254 as interest expense. As of December 31, 2020 and 2019, lease liabilities were amounted to \$45,251 and \$10,170, respectively, and refundable deposits amounted to \$4,633 and \$4,018, respectively.

The Group signed two-year lease contracts and rented the office from CSC Securities (HK) Ltd. The total value of effective contracts was \$24,435 (HKD\$6,112). For the years ended December 31, 2020 and 2019, the Group recognized the amount of \$325 and \$354 as interest expense. As of December 31, 2020 and 2019, lease liabilities were amounted to \$4,604 and \$16,167.

(v) Rental expenses

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ 647</b>	<b>376</b>

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

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(vi) Securities commission income

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	\$ 9,738	3,492
CSC Securities (HK) Ltd.	1,699	1,130
	<b>\$ 11,437</b>	<b>4,622</b>

(vii) Interest income (Rent deposit interest)

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	\$ 45	40

(viii) Securities brokerage charge

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	\$ 183,659	130,341
CSC Securities (HK) Ltd.	375	-
	<b>\$ 184,034</b>	<b>130,341</b>

(ix) Information technology expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	\$ 50,391	46,378

(x) Stock service fee

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	\$ 502	448

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(xi) Human resource and legal service fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>	<b>2020</b>	<b>2019</b>
Capital Securities Corporation	\$ <u>300</u>	<u>345</u>

(xii) Securities transaction fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>	<b>2020</b>	<b>2019</b>
Capital Securities Corporation	\$ <u>-</u>	<u>10</u>

(xiii) Re-consigned brokerage charge

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>	<b>2020</b>	<b>2019</b>
CSC Securities (HK) Ltd.	\$ <u>375</u>	<u>-</u>

(xiv) Discretionary service commission fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>	<b>2020</b>	<b>2019</b>
Capital Securities Corporation	\$ <u>16</u>	<u>-</u>

(xv) Management Service fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>	<b>2020</b>	<b>2019</b>
CSC Securities (HK) Ltd.	\$ <u>3,412</u>	<u>9,096</u>

(xvi) Stationery and printing fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>	<b>2020</b>	<b>2019</b>
Capital Securities Corporation	\$ <u>80</u>	<u>55</u>

(Continued)

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

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

- (a) As of December 31, 2020 and 2019, the open positions of futures and option contracts were as follows:

**December 31, 2020**

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract:						
	TAIEX Futures	Long	53	\$ 152,446	154,812	
	TAIEX Futures	Short	9	(24,292)	(25,137)	
	Mini Taiex Futures	Long	354	254,049	259,165	
	Mini Taiex Futures	Short	10	(6,770)	(7,040)	
	Stock Futures	Short	1	(391)	(392)	
	Subtotal			<u>375,042</u>		
Options contract:						
	TAIEX Options (Call)	Long	858	\$ 9,293	27,885	
	TAIEX Options (Call)	Short	1,494	(23,968)	(51,486)	
	TAIEX Options (Put)	Long	1,376	12,285	6,320	
	TAIEX Options (Put)	Short	748	(11,981)	(7,066)	
	TAIEX Weekly Options (Call)	Long	144	1,007	1,836	
	TAIEX Weekly Options (Call)	Short	231	(688)	(753)	
	TAIEX Weekly Options (Put)	Long	222	1,085	923	
	TAIEX Weekly Options (Put)	Short	98	(274)	(195)	
	Hushen 300 Options (Call)	Long	30	2,803	3,194	
	Hushen 300 Options (Put)	Long	18	11	6	
	Hushen 300 Options (Put)	Short	18	(122)	(77)	
	Subtotal			<u>(10,549)</u>		
Total				<u>\$ 364,493</u>		

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**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)	
	JPY Dollar Futures	Short	5	(17,355)	(17,324)	
	10-Year U.S. Treasury Note Futures	Short	5	(19,421)	(19,250)	
	Stock Futures	Long	62	6,873	6,969	
	Stock Futures	Short	18	(727)	(723)	
	Ultra U.S. Treasury Bond Futures	Short	3	(16,889)	(16,338)	
	Subtotal			(326,707)		
Options contract:						
	Stock Options (Call)	Long	10	\$ 1	1	
	Stock Options (Call)	Short	10	(96)	(127)	
	Stock Options (Put)	Long	14	1	1	
	Stock Options (Put)	Short	1	(3)	(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)	(6,257)	
	Electronic Sector Index Options (Call)	Long	10	51	22	
	Electronic Sector Index Options (Put)	Short	20	(76)	(33)	
	Financial Insurance Index Options(Call)	Short	20	(10)	(3)	
	Gold Options (Call)	Short	10	(20)	(19)	
	Gold Options (Put)	Long	2	3	-	
	Subtotal			(6,399)		
Total				<u>\$ (333,106)</u>		

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (b) As of December 31, 2020 and 2019, the nominal amount of open positions of leverage derivatives contracts were as follows:

Item	December 31, 2020	December 31, 2019
Leverage derivatives - long	<u>\$ 1,321,887</u>	<u>2,700,301</u>
Leverage derivatives - short	<u>\$ 1,282,847</u>	<u>2,448,322</u>

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	6,359,664	7.32	5,012,996	7.68	≥ 1	Satisfactory to requirement
	(Total liabilities – futures traders' equity)			869,294			
17	Current Assets	43,978,617	1.13	38,683,882	1.10	≥ 1	"
	Current Liabilities	39,018,015		35,119,902			
22	Stockholders' equity	6,359,664	570.37%	5,012,996	449.60%	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Post-adjustment net capital	4,868,930	66.09%	3,630,546	55.49%	≥ 20%	"
	Total customers margin deposits			7,366,955		6,542,582	

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

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

**(15) Other:None**

(Continued)



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

**(16) Other disclosures:**

## (a) Information on significant transactions:

## (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum Balance of the Period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables -Custome r	No	39,540	39,540	14,121	5%	2	-	Trading	-		-	181,681	908,403
1	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables -Custome r	No	169,456	169,456	41,234	2.23%	2	-	Trading	-		-	181,681	908,403
1	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables -Custome r	No	84,728	84,728	-	1.23%~ 3.23%	2	-	Trading	-		-	181,681	908,403
1	CSC Futures (HK) Ltd.	Alpha Rnd Singapore Pte Ltd	Account receivables -Custome r	No	79,080	79,080	-	3.23%	2	-	Trading	-		-	181,681	908,403
1	CSC Futures (HK) Ltd.	Derivative s China Alpha Fund	Account receivables -Custome r	No	79,080	79,080	-	3.23%	2	-	Trading	-		-	181,681	908,403
1	CSC Futures (HK) Ltd.	Perfect Hexagon Limited	Account receivables -Custome r	No	84,728	84,728	-	3.23%	2	-	Trading	-		-	181,681	908,403

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

Note 1: Type of Numbering

(1) 0 represents Parent company

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

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short-term financing

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

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

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

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

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

(Continued)

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

(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 Partner Technology Co., Ltd.	3	Information technology expenses	132	General transaction	0.01%
2	Capital True Partner Technology Co., Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	9,327	General transaction	0.39%
1	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Professional service fee	9,195	General transaction	0.38%
1	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other prepayments	74		-%
2	Capital True Partner Technology Co., Ltd.	CSC Futures (HK) Ltd.	3	Other advance revenue	74		-%
1	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payables	138		-%
2	Capital True Partner Technology Co., Ltd.	CSC Futures (HK) Ltd.	3	Accounts receivable	138		-%
2	Capital True Partner Technology Co., Ltd.	Capital Futures Corp.	2	Other operating revenue	10,777	General transaction	0.44%
0	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	1	Professional service fee	10,777	General transaction	0.44%
0	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	1	Other payables	1,088		-%
2	Capital True Partner Technology Co., Ltd.	Capital Futures Corp.	2	Accounts receivable	1,088		-%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures traders' equity	289,113		0.62%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Customers' margin account	289,113		0.62%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Futures traders' equity	3,717,106		8.01%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Customers' margin account	3,268,407		7.04%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Customers' margin account	448,699		0.97%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures commission revenue	6,893	General transaction	0.28%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Futures commission expenses	6,893	General transaction	0.28%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Brokerage fee revenue	70,227	General transaction	2.89%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures commission fees	70,227	General transaction	2.89%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Interests revenue	2,881	General transaction	0.12%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Financial cost	2,881	General transaction	0.12%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Other payables	7,421		0.02%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Other receivables	7,421		0.02%
3	Capital International Technology Corp.	Capital Futures Corp.	2	Professional service revenue	2,304	General transaction	0.10%
0	Capital Futures Corp.	Capital International Technology Corp.	1	Repairs and maintenance expense	2,304	General transaction	0.10%

Note 1: The numbers in the RefNo. 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.

(Continued)

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

(3) Subsidiaries to subsidiaries.

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Date of establishment	FSC Rule No.	Main businesses and products	Original investment amount		Highest Percentage of ownership	Balance as of December 31, 2020			Revenue of investee	Net income (losses) of investee	Share of profits/losses of investee	Cash dividend	Note
						December 31, 2020	December 31, 2019		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%	883,604	370,616	(13,999)	(13,616)	-	Subsidiary
Capital Futures Corporation	Capital International 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%	41,028	2,304	(1,549)	(1,549)	-	Subsidiary
Capital Futures Corporation	True Partner Capital Advisor Co., Ltd.	Hong Kong	2010.5.31	Gin Guan Zheng Zhi No. 1040027513 letter	Assets Management	36,701	36,701	49%	245	49.00%	49,281	147,943	4,702	2,304	-	Associate

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

(d) Information on investment in Mainland China:

(i) Investment in Mainland China and related information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	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	(C)	24,372	-	-	24,372	1,144	51.00%	51.00%	583 B (2)	23,482	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business	18,863	(C)	18,863	-	-	18,863	(2,321)	100.00%	100.00%	(2,321) B (2)	15,765	-

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, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Capital International Technology Corp.	43,235	43,235	80,000

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

(Continued)

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(e) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Capital Securities Corporation		119,177,014	56.63%

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

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

#### (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, 2020 and 2019, 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.

	<b>For the years ended December 31, 2020</b>			
	<b>Brokerage business</b>	<b>Others</b>	<b>Adjustment and elimination</b>	<b>Total</b>
Segment Revenue	<b>\$ 2,397,473</b>	<b>362,078</b>	<b>(333,315)</b>	<b>2,426,236</b>
Segment profit or loss	<b>\$ 714,369</b>	<b>70,137</b>	<b>-</b>	<b>784,506</b>

(Continued)

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2019**

	<b>Brokerage business</b>	<b>Others</b>	<b>Adjustment and elimination</b>	<b>Total</b>
Segment Revenue	<u>\$ 2,095,368</u>	<u>324,639</u>	<u>(503,229)</u>	<u>1,916,778</u>
Segment profit or loss	<u>\$ 682,987</u>	<u>63,627</u>	<u>-</u>	<u>746,614</u>

(c) Information about regions

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

(d) Information about major customers

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

**CAPITAL FUTURES CORPORATION****Financial Statements****With Independent Auditors' Report****For the Years Ended December 31, 2020 and 2019**

Address: 32nd and B1 Fl. No. 97, Tun Hwa South Rd., Sec. 2, Taipei, Taiwan, R.O.C.  
Telephone: 886-2-2700-2888

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

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## Independent Auditors' Report

To the Board of Directors of Capital Futures Corporation

### Opinion

We have audited the financial statements of Capital Futures Corporation( "the Company" ), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises and the Regulations Governing the Preparation of Financial Reports by Securities Firms.

### Basis for Opinion

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

### Key Audit Matters

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

Brokerage fee revenue recognized:

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

Explanation of key audit matters:

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

Audit procedures in response:

According to the key audit matters main audit procedures, we perform the sampling test on brokerage business dealing internal control and brokerage fee revenue recorded amount, then compare with the entrusted data from brokerage business and evaluate the revenue recognized policies 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 Managed Futures Enterprises and the Regulations Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 25, 2021

#### 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 Originally Issued in Chinese)  
CAPITAL FUTURES CORPORATION

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2020		December 31, 2019		Liabilities and Equity	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
111100 Cash and cash equivalents (Note 6(a))	\$ 4,546,619	10	3,258,958	8	212000 Financial liabilities at fair value through profit or loss- current (Note 6(b))	\$ 61,272	-	22,836	-
112000 Financial assets at fair value through profit or loss- current (Note 6(b))	330,679	1	512,716	1	214080 Futures traders' equity (Note 6(f))	38,200,906	84	34,489,833	86
113200 Financial assets at fair value through comprehensive income- current (Note 6(b))	119,204	-	-	-	214100 Leverage contract trading- customers' equity	352,056	1	308,590	1
114010 Bonds purchased under resale agreements (Note 6(b))	244,530	1	46,000	-	214130 Accounts payable	136,184	1	41,651	-
114070 Customers margin accounts (Note 6(f))	38,226,053	84	34,512,680	86	214140 Accounts payable- related parties (Note 7)	14,679	-	10,914	-
114080 Receivable- futures margin (Note 6(g))	-	-	2	-	214150 Advance receipts	3,773	-	2,422	-
114100 Security borrowing margin	-	-	3,874	-	214160 Receipts under custody	5,032	-	3,811	-
114130 Accounts receivable	131,327	-	11,379	-	214170 Other payables	125,741	-	118,233	1
114140 Accounts receivable-related parties (Note 7)	2,679	-	374	-	214180 Other payables- related parties (Note 7)	13,551	-	3,698	-
114150 Prepayments	3,330	-	3,955	-	214600 Current income tax liabilities	61,758	-	86,372	-
114170 Other receivables	17,388	-	21,347	-	215100 Provisions- current	5,577	-	5,952	-
114180 Other receivables- related parties (Note 7)	3,841	-	4,052	-	216000 Lease liabilities- current (Note 6(i))	22,238	-	14,920	-
114300 Leverage contract trading-customers' margin accounts	352,962	1	308,543	1	219000 Other current liabilities	15,248	-	10,670	-
119000 Other current assets	5	-	2	-		39,018,015	86	35,119,902	88
	43,978,617	97	38,683,882	96	<b>Non-Current liabilities:</b>				
<b>Non-current assets:</b>					226000 Lease liabilities- non-current (Note 6(i))	29,447	-	6,767	-
123200 Financial assets at fair value through other comprehensive income- non- current (Note 6(b))	1,349	-	1,375	-	228000 Deferred income tax liabilities (Note 6(k))	15,251	-	8,767	-
124100 Investments under equity method (Note 6(c))	973,913	2	1,030,228	3	229000 Other non- current liabilities (Note 6(j))	7,487	-	6,719	-
125000 Property and equipment (Note 6(d))	50,864	-	57,721	-		52,185	-	22,253	-
125800 Right-of-use assets (Note 6(e))	51,525	-	21,602	-	906003 <b>Total liabilities</b>	39,070,200	86	35,142,155	88
127000 Intangible assets (Note 6(h))	55,737	-	56,982	-	301010 Common stock (Note 6(l))	2,104,376	5	1,764,376	4
128000 Deferred income tax assets (Note 6(k))	414	-	236	-	302000 Capital surplus (Note 6(l))	1,873,996	4	1,047,338	3
129000 Other non-current assets	317,445	1	303,125	1	304010 Legal reserve	564,658	1	504,667	1
	1,451,247	3	1,471,269	4	304020 Special reserve	1,280,666	3	1,142,132	3
					304040 Unappropriated earnings (Note 6(l))	623,005	1	599,904	1
					305000 Other equity	(87,037)	-	(45,421)	-
					906004 <b>Total equity</b>	6,359,664	14	5,012,996	12
906001 <b>Total assets</b>	<b>\$ 45,429,864</b>	<b>100</b>	<b>40,155,151</b>	<b>100</b>	906002 <b>Total liabilities and equity</b>	<b>\$ 45,429,864</b>	<b>100</b>	<b>40,155,151</b>	<b>100</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**CAPITAL FUTURES CORPORATION**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	2020		2019	
	Amount	%	Amount	%
<b>Income:</b>				
401000	\$ 1,966,511	92	1,638,480	94
410000	113,688	5	36,165	2
421300	3,537	-	1,101	-
421500	(7,140)	-	13,966	1
421600	(1,304)	-	(1,144)	-
421610	1,109	-	(1,108)	-
424200	9,738	-	3,492	-
424400	(24,018)	(1)	(5,221)	-
424500	62,602	3	36,424	2
424800	220	-	204	-
424900	12,219	1	15,076	1
428000	(4,447)	-	(1,800)	-
	2,132,715	100	1,735,635	100
<b>Expenses:</b>				
501000	265,022	12	219,170	13
502000	3,147	-	1,325	-
521200	9,324	-	26,592	2
521640	70	-	193	-
425300	413	-	(2,237)	-
524100	458,171	22	385,391	22
524300	180,753	9	149,055	9
528000	4,552	-	2,129	-
531000	424,735	20	384,246	22
532000	58,890	3	55,275	3
533000	327,807	15	275,576	16
	1,732,884	81	1,496,715	87
	399,831	19	238,920	13
<b>Net operating income</b>				
<b>Non-operating income and expenses:</b>				
601100	(12,861)	(1)	(50,309)	(3)
602000	397,615	19	558,336	32
	384,754	18	508,027	29
902001	784,585	37	746,947	42
701000	162,419	8	146,938	8
	622,166	29	600,009	34
805000	<b>Other comprehensive income:</b>			
805500	<b>Components that may not be reclassified subsequently to profit or loss:</b>			
805510	(709)	-	(664)	-
805540	1,660	-	320	-
805599	-	-	-	-
	951	-	(344)	-
805600	<b>Components that may be reclassified subsequently to profit or loss:</b>			
805610	(43,782)	(2)	(18,129)	(1)
805660	328	-	(810)	-
805699	(178)	-	(66)	-
	(43,276)	(2)	(18,873)	(1)
805000	(42,325)	(2)	(19,217)	(1)
902006	\$ 579,841	27	\$ 580,792	33
975000	\$ 3.07		\$ 3.40	
985000	\$ 3.07		\$ 3.40	

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, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	Share Capital		Retained earnings			Other equity			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		
<b>Balance on January 1, 2019</b>	\$ 1,764,376	1,047,338	421,147	990,784	835,315	(27,804)	936	5,032,092	
Net income for the year ended December 31, 2019	-	-	-	-	600,009	-	-	600,009	
Other comprehensive income	-	-	-	-	(664)	(18,873)	320	(19,217)	
Total comprehensive income	-	-	-	-	599,345	(18,873)	320	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 for the contra equity account	-	-	-	(19,869)	19,869	-	-	-	
Balance on December 31, 2019	1,764,376	1,047,338	504,667	1,142,132	599,904	(46,677)	1,256	5,012,996	
Net income for the year ended December 31, 2020	-	-	-	-	622,166	-	-	622,166	
Other comprehensive income	-	-	-	-	(709)	(43,276)	1,660	(42,325)	
Total comprehensive income	-	-	-	-	621,457	(43,276)	1,660	579,841	
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	59,991	-	(59,991)	-	-	-	
Special reserve	-	-	-	119,981	(119,981)	-	-	-	
Cash dividends	-	-	-	-	(399,831)	-	-	(399,831)	
Special reserve for the contra equity account	-	-	-	18,553	(18,553)	-	-	-	
Capital increase by cash (Note 6(1))	340,000	826,260	-	-	-	-	-	1,166,260	
Right of inclusion	-	398	-	-	-	-	-	398	
<b>Balance on December 31, 2020</b>	\$ <b>2,104,376</b>	<b>1,873,996</b>	<b>564,658</b>	<b>1,280,666</b>	<b>623,005</b>	<b>(89,953)</b>	<b>2,916</b>	<b>6,359,664</b>	

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, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
<b>Net income before income tax</b>	\$ 784,585	746,947
<b>Adjustments:</b>		
<b>Adjustments to reconcile:</b>		
Depreciation expense	49,442	47,206
Amortization expense	9,448	8,069
(Reversal of) expected credit impairment loss	413	(2,237)
Net gains(losses) on financial assets or liabilities at fair value through profit or loss	4,927	(20,238)
Interest expense	9,324	26,592
Interest income (including financial income)	(358,577)	(529,587)
Dividend income	(3,576)	(1,457)
Share of loss of subsidiaries, associates and joint ventures under equity method	12,861	50,309
Gain on lease modification	(41)	-
<b>Total adjustments to reconcile</b>	<u>(275,779)</u>	<u>(421,343)</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in financial assets at fair value through profit or loss	176,001	(221,525)
Decrease (increase) in bond purchased under resale agreements	(198,530)	152,000
Increase in customers margin accounts	(3,713,373)	(389,728)
Decrease (increase) in receivable- futures margin	(411)	2,388
Increase in leverage contract trading- customer's margin accounts	(44,419)	(79,979)
Decrease(increase) in security borrowing margin	3,874	(3,874)
Decrease (increase) in accounts receivable	(119,948)	607
Increase in accounts receivable- related parties	(2,305)	(146)
Decrease in prepayments	625	6,970
Decrease (increase) in other receivables	(3,496)	18,544
Decrease in other receivables- related parties	215	15,761
Increase in other current assets	(3)	-
Decrease (increase) in clearing and settlement fund	(13,855)	2,954
Increase in refundable deposits	(465)	(100)
Increase in financial liabilities at fair value through profit or loss	39,545	12,665
Increase in futures traders' equity	3,711,073	391,651
Increase in leverage contract trading- customer's equity	43,466	82,691
Increase in accounts payable	94,533	7,476
Increase (decrease) in accounts payable- related parties	3,765	(8)
Increase (decrease) in advance receipts	1,351	(695)
Increase (decrease) in receipts under custody	1,221	(135)
Increase (decrease) in other payable	8,176	(1,504)
Increase in other payables- related parties	10,266	1,086
Increase (decrease) in provisions for liabilities	(375)	5,952
Increase in other current liabilities	4,578	2,182
(Decrease) increase in non-current liabilities	59	(1,857)
<b>Total changes in operating assets and liabilities</b>	<u>1,568</u>	<u>3,376</u>
<b>Total adjustments</b>	<u>(274,211)</u>	<u>(417,967)</u>
Cash inflow generated from operations	510,374	328,980
Interest received	365,995	530,050
Dividends received	3,609	1,349
Interest paid	(10,515)	(25,652)
Income taxes paid	(180,549)	(113,773)
<b>Net Cash flows from operating activities</b>	<u>688,914</u>	<u>720,954</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(117,518)	-
Acquisition of property and equipment	(19,807)	(38,619)
Acquisition of intangible assets	(8,203)	(12,646)
<b>Net cash flows used in investing activities</b>	<u>(145,528)</u>	<u>(51,265)</u>
<b>Cash flows from (used in) financing activities:</b>		
Right of inclusion	398	-
Payment of lease liabilities	(22,552)	(21,986)
Cash dividends paid	(399,831)	(599,888)
Capital increase by cash	1,166,260	-
<b>Net cash flows from (used in) financing activities</b>	<u>744,275</u>	<u>(621,874)</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,287,661</u>	<u>47,815</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>3,258,958</u>	<u>3,211,143</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,546,619</u>	<u>3,258,958</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, 2020 and 2019**

**(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 25, 2021.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(Continued)



## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**CAPITAL FUTURES CORPORATION**  
**Notes to the Financial Statements**

- Amendments to IAS 1 “Disclosure of Accounting Policies”

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

#### ● Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

##### (a) Statement of compliance

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

##### (b) Basis of preparation

###### (i) Basis of measurement

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

- 1) Financial 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 (obligation) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation, and the upper limit of the number of effects mentioned in (Note 4(p)) stated.

###### (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 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 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.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

(ii) Foreign operations

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

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

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

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

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

#### 3) Fair value through profit or loss (FVTPL)

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

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

#### 4) Impairment of financial assets

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

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

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

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

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

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months 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.

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

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

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

#### 5) Derecognition of financial assets

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

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

#### (ii) Financial liabilities

##### 1) Financial liabilities

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

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

##### 2) Derecognition of financial liabilities

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

(Continued)



## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

3) Offsetting of financial assets and liabilities

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

(iii) Non-hedging derivative financial instruments

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

(g) 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.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(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 income 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.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

#### (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

##### (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
  - 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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

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

(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 brokerage fee revenue 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.

(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.

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## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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.

(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.

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## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(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.

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.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(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 diluted potential ordinary shares of the Company include the estimation of employee remuneration.

(t) Segment information

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

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

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

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

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

Impairment of investments under equity method:

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

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**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

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

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash	\$ 60	60
Demand deposits	353,834	314,751
Time deposits	3,811,673	2,723,900
Futures margin-excess margin	287,066	209,255
Commercial paper	93,986	10,992
Total	<b><u>\$ 4,546,619</u></b>	<b><u>3,258,958</u></b>

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

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Open-ended funds and money- market instruments	\$ 30,000	112,948
Open-ended funds and money- market instruments valuation adjustment	72	1,492
Trading securities- proprietary trading	103,070	152,674
Trading securities- proprietary trading valuation adjustment	(662)	6,478
Securities invested by securities broker	48,166	146,849
Securities invested by securities broker valuation adjustment	934	(1,589)
Call options- non-hedging	36,964	3,482
Futures margin-proprietary fund- non-hedging	48,755	51,316
Non-hedging leverage derivatives	63,380	39,066
Total	<b><u>\$ 330,679</u></b>	<b><u>512,716</u></b>

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 2020 and 2019 will increase \$1,816 and \$4,189, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remain the same, there will be the same amount but opposite direction of influence.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income		
Listed stocks	\$ 99,266	-
OTC stocks	18,252	-
	117,518	-
Valuation adjustment	1,686	-
Total	<b>\$ 119,204</b>	<b>-</b>

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

During the years ended December 31, 2020 and 2019, the dividends of \$75 and \$0, respectively, related to equity investment at fair value through other comprehensive income held on the years then ended, were recognized.

No strategic investments were disposed in 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

- (iii) Bonds purchased under resale agreements

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Bonds purchased under resale agreements	<b>\$ 244,530</b>	<b>46,000</b>
Resale price under the agreements	<b>\$ 244,545</b>	<b>46,007</b>
Interest rates	<b>0.16%~0.22%</b>	<b>0.47%</b>
Date of repurchase	<b>110.01.05~110.01.15</b>	<b>109.01.06</b>

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

Equity investments at fair value through other comprehensive income:

	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Ownership ratio</b>	<b>Amount</b>	<b>Ownership ratio</b>	<b>Amount</b>
<b>Investee Company</b>				
Taiwan Futures Exchange Co., Ltd	0.0042%	<b>\$ 1,349</b>	0.0042%	<b>1,375</b>

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, 2020 and 2019, the dividends of \$39 and \$51, 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 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Put options - non-hedging	\$ 59,500	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 leverage derivatives	1,772	7,574
	<b><u>\$ 61,272</u></b>	<b><u>22,836</u></b>

(c) Investments under equity method

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiary	\$ 924,632	982,368
Associate	49,281	47,860
	<b><u>\$ 973,913</u></b>	<b><u>1,030,228</u></b>

(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 2020.

For the years ended December 31, 2020 and 2019, the Company's share of gains or losses of the subsidiaries were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Audited by the certified public accountants	<b><u>\$(15,165)</u></b>	<b><u>\$(52,778)</u></b>

(ii) Associate

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, 2020	December 31, 2019
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%

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Summarized ending balance of the insignificant associate	<b>\$ 49,281</b>	<b>47,860</b>
Shares belong to the Company:		
Net gains from continuing operations	\$ 2,304	2,469
Other comprehensive income (losses)	(705)	(262)
Total comprehensive income	<b>\$ 1,599</b>	<b>2,207</b>

(iii) Collateral and pledge

As of December 31, 2020 and 2019, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(d) Property and equipment

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

	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Cost:</b>			
Balance at January 1, 2020	\$ 101,607	19,030	120,637
Additions	16,068	3,739	19,807
Disposal	(12,032)	(543)	(12,575)
Balance at December 31, 2020	<b>\$ 105,643</b>	<b>22,226</b>	<b>127,869</b>
Balance at January 1, 2019	\$ 82,528	17,283	99,811
Additions	36,872	1,747	38,619
Disposal	(17,793)	-	(17,793)
Balance at December 31, 2019	<b>\$ 101,607</b>	<b>19,030</b>	<b>120,637</b>
<b>Accumulated depreciation:</b>			
Balance at January 1, 2020	\$ 52,153	10,763	62,916
Depreciation	22,260	4,404	26,664
Disposal	(12,032)	(543)	(12,575)
Balance at December 31, 2020	<b>\$ 62,381</b>	<b>14,624</b>	<b>77,005</b>

(Continued)

**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
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><b>\$ 52,153</b></u>	<u><b>10,763</b></u>	<u><b>62,916</b></u>
<b>Carrying amounts:</b>			
Balance at December 31, 2020	<u><b>\$ 43,262</b></u>	<u><b>7,602</b></u>	<u><b>50,864</b></u>
Balance at December 31, 2019	<u><b>\$ 49,454</b></u>	<u><b>8,267</b></u>	<u><b>57,721</b></u>

As of December 31, 2020 and 2019, the Company did not provide any property and equipment as collateral and pledge.

(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>
<b>Cost:</b>			
Balance at January 1, 2020	\$ 34,811	8,977	43,788
Additions	54,903	2,614	57,517
Derecognition	<u>(22,876)</u>	<u>-</u>	<u>(22,876)</u>
Balance at December 31, 2020	<u><b>\$ 66,838</b></u>	<u><b>11,591</b></u>	<u><b>78,429</b></u>
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><b>\$ 34,811</b></u>	<u><b>8,977</b></u>	<u><b>43,788</b></u>
<b>Accumulated depreciation:</b>			
Balance at January 1, 2020	\$ 19,270	2,916	22,186
Depreciation	19,607	3,171	22,778
Derecognition	<u>(18,060)</u>	<u>-</u>	<u>(18,060)</u>
Balance at December 31, 2020	<u><b>\$ 20,817</b></u>	<u><b>6,087</b></u>	<u><b>26,904</b></u>
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><b>\$ 19,270</b></u>	<u><b>2,916</b></u>	<u><b>22,186</b></u>

(Continued)

**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2020	<u>\$ 46,021</u>	<u>5,504</u>	<u>51,525</u>
Balance at December 31, 2019	<u>\$ 15,541</u>	<u>6,061</u>	<u>21,602</u>

(f) Customers margin accounts/futures traders' equity

As of December 31, 2020 and 2019, the difference between customers' margin accounts and futures traders' equity were reconciled as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Customers margin accounts		
Cash in bank	\$ 28,883,652	26,413,775
Balance of the futures clearing house	5,371,661	4,544,421
Balance of other futures commission merchants	3,970,142	3,554,299
Marketable securities	<u>598</u>	<u>185</u>
Balance of customers margin accounts	<u>38,226,053</u>	<u>34,512,680</u>
Plus adjustment items:		
Commission cost	2,352	1,248
Others	6	59
Deduction adjustment items:		
Commission income	(11,079)	(7,123)
Futures transaction tax	(2,289)	(1,342)
Interest income	(789)	(5,699)
Temporary credits	(1,465)	(755)
Remittance amount of the customers after the market closed	(11,879)	(9,235)
Other	<u>(4)</u>	<u>-</u>
Balance of futures traders' equity	<u>\$ 38,200,906</u>	<u>34,489,833</u>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(g) Receivable - futures margin

	December 31, 2020	December 31, 2019
Receivable - futures margin - current	\$ 330	386
Less: Loss allowance	330	384
Subtotal	<u>-</u>	<u>2</u>
Receivable - futures margin - non-current	7,471	30,597
Less: Loss allowance	7,471	30,597
Subtotal	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>2</u>

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

	2020	2019
Balance on January 1	\$ 30,981	33,370
Impairment losses recognized (reversed)	413	(2,389)
Amounts written off	(23,593)	-
Balance on December 31	<u>\$ 7,801</u>	<u>30,981</u>

(h) Intangible assets

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

	The seats of foreign futures exchanges (Note)	Computer software	Total
<b>Cost:</b>			
Balance at January 1, 2020	\$ 44,325	24,435	68,760
Additions	-	8,203	8,203
Scrap	-	(7,458)	(7,458)
Balance at December 31, 2020	<u>\$ 44,325</u>	<u>25,180</u>	<u>69,505</u>
Balance at January 1, 2019	\$ 44,325	21,410	65,735
Additions	-	12,646	12,646
Scrap	-	(9,621)	(9,621)
Balance at December 31, 2019	<u>\$ 44,325</u>	<u>24,435</u>	<u>68,760</u>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

	The seats of foreign futures exchanges (Note)	Computer software	Total
<b>Amortization and impairment loss:</b>			
Balance at 1 January 1, 2020	\$ -	11,778	11,778
Amortization	-	9,448	9,448
Scrap	-	(7,458)	(7,458)
Balance at December 31, 2020	<u>\$ -</u>	<u>13,768</u>	<u>13,768</u>
Balance at January 1, 2019	\$ -	13,330	13,330
Amortization	-	8,069	8,069
Scrap	-	(9,621)	(9,621)
Balance at December 31, 2019	<u>\$ -</u>	<u>11,778</u>	<u>11,778</u>
<b>Carrying value:</b>			
Balance at December 31, 2020	<u>\$ 44,325</u>	<u>11,412</u>	<u>55,737</u>
Balance at December 31, 2019	<u>\$ 44,325</u>	<u>12,657</u>	<u>56,982</u>

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

(i) Lease liabilities

The Company's lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Current	<u>\$ 22,238</u>	<u>14,920</u>
Non-current	<u>\$ 29,447</u>	<u>6,767</u>

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

The amounts recognized in profit or loss were as follows :

	For the years ended December 31,	
	2020	2019
Interest on lease liabilities	<u>\$ 399</u>	<u>329</u>
Expenses relating to short-term leases	<u>\$ 2,243</u>	<u>2,047</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 303</u>	<u>303</u>

(Continued)



## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<b>\$ 25,497</b>	<b>24,665</b>

(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.

(j) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligations	\$ (24,328)	(24,616)
Fair value of plan assets	16,841	17,897
Recognized liabilities for defined benefit obligations	<b>\$ (7,487)</b>	<b>(6,719)</b>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$16,841 as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation andw yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

2) Movement in present value of defined benefit obligation

The movement in present value of defined benefit obligation of the Company in 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Defined benefit obligation at January 1	\$ 24,616	26,128
Current service costs and interest	472	607
Benefits paid	(2,073)	(3,444)
Remeasurement of net defined benefit obligation		
- Experience gains or losses	522	963
- Actuarial losses (gains) arising from changes in financial assumptions	791	362
Defined benefit obligation at December 31	<b><u>\$ 24,328</u></b>	<b><u>24,616</u></b>

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Fair value of plan assets at January 1	\$ 17,897	18,216
Interest income	122	172
Benefits paid	(2,073)	(1,590)
Remeasurement of net defined benefit obligation		
- Return on plan assets (except net interests of period)	604	661
Contributions to the plan assets	291	438
Fair value of plan assets at December 31	<b><u>\$ 16,841</u></b>	<b><u>17,897</u></b>

4) Expense recognized in profit or loss

The expenses recognized in profit or loss of the Company in 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Current service cost	\$ 307	363
Net interest of net defined benefit obligation	43	72
	<b><u>\$ 350</u></b>	<b><u>435</u></b>

(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, 2020 and 2019, the accumulated remeasurement of net defined benefit obligation recognized in other comprehensive income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accumulated amount on January 1	\$ (12,130)	(11,466)
Recognized during the period	(709)	(664)
Accumulated amount on December 31	<b>\$ (12,839)</b>	<b>(12,130)</b>

- 6) Actuarial assumptions

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.41%	0.67%
Future salary growth rate	3.00%	2.50%

The expected contribution to the defined benefit plan for the next year is \$150. The weighted average duration of the defined benefit obligation is 1 years.

- 7) Sensitivity Analysis

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

For the years ended December 31, 2020 and 2019, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<b>Effects to defined benefit obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
December 31, 2020		
Discount rate	\$ (525)	446
Future salary increasing rate	409	(398)
December 31, 2019		
Discount rate	(582)	606
Future salary increasing rate	470	(457)

(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 \$12,876 and \$12,059 under defined contribution plan to the Bureau of the Labor Insurance in the year 2020 and 2019, respectively.

(k) Income taxes

(i) Income tax expense

- 1) The amount of income tax expense (benefit) for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense	\$ 155,935	147,727
Deferred income tax expense (benefit)	6,484	(789)
Total	<b>\$ 162,419</b>	<b>146,938</b>

- 2) The amount of income tax expense (benefit) recognized in other comprehensive income of the Company in 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Exchange differences on translation of foreign operations	<b>\$ (178)</b>	<b>(66)</b>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

Reconciliation of income tax expense (benefit) and profit before tax of the Company for 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income before income tax	\$ 784,585	746,947
Income tax using the Company's domestic tax rate	156,917	149,389
Tax exempt income	(5,966)	603
Adjustments to prior year's income tax	7,035	(4,074)
10% surtax on undistributed earnings	49	4
Others	4,384	1,016
<b>Total</b>	<b>\$ 162,419</b>	<b>146,938</b>

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax liabilities

As of December 31, 2020 and 2019, the details of the Company's unrecognized deferred tax liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<b>\$ 3,542</b>	<b>14,845</b>

The dividend policies of the Company's subsidiaries, CSC Futures (HK) Ltd. was prescribed not to appropriate the retained earning until December 31, 2020. Also, the Company does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

2) Recognized deferred income tax assets and liabilities

As of December 31, 2020 and 2019, the details of the Company's recognized deferred tax assets and liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Recognized deferred tax assets:		
Exchange difference on translation of foreign operations	\$ 414	236
Recognized deferred tax liabilities:		
Unrealized gains on foreign investments under equity method	\$ 2,930	2,469
Unrealized gains on derivative financial instruments	12,321	6,298
<b>Total</b>	<b>\$ 15,251</b>	<b>8,767</b>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(iv) Income tax assessment status

The Company's income tax returns through 2018 were assessed by the Tax Authority.

(l) Capital and other equity

(i) Common stock

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

As of December 31, 2020 and 2019, the Company had authorized capital both of \$2,500,000, with par value of \$10 per share; the issued common stock were 210,438 thousand shares, and 176,438 thousand shares.

(ii) Capital surplus

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

	December 31, 2020	December 31, 2019
Share premium		
Capital addition-Share premium	\$ 1,845,993	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	995	995
Right of inclusion	398	-
	<b>\$ 1,873,996</b>	<b>1,047,338</b>

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.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

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

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

The above information of employee options as follows:

	<u>For the years ended December 31, 2020</u>	
	<u>Weighted average exercise price (NTD)</u>	<u>Number of options</u>
Outstanding at January 1	\$ -	-
Granted shares	34.00	1,032
Exercised shares	34.00	(1,032)
Expired shares	34.00	-
Outstanding at December 31		<u><u>-</u></u>

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

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

#### 3) Undistributed earnings

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

According to the resolution of shareholders' meeting on June 19, 2020 and May 30, 2019, the Company's 2019 and 2018 earnings distribution for owners were as follows:

	<b>For the years ended December 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>Per share</b>	<b>Amount</b>	<b>Per share</b>
Cash dividends	<b>\$ 399,831</b>	1.90	<b>599,888</b>	3.40

According to the resolution of board meeting on March 25, 2021, the Company's 2020 earnings distribution for owners were as follows:

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	
	<b>Amount</b>	<b>Per share</b>
Cash dividends	<b>\$ 393,518</b>	1.87

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

(Continued)



## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(m) Earnings per share

The basic earnings per share and dilutive earnings per share for the years ended December 31, 2020 and 2019 were calculated as follows:

(i) Basic earnings per share

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income attributable to common shareholders of the Company	<u>\$ 622,166</u>	<u>600,009</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>202,541</u>	<u>176,438</u>
Basic earnings per share (dollar)	<u>\$ 3.07</u>	<u>3.40</u>

(ii) Diluted earnings per share

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income attributable to common shareholders of the Company	<u>\$ 622,166</u>	<u>600,009</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	202,541	176,438
Influence from stock dividends for employee (thousands of shares)	234	202
Weighted-average outstanding shares of diluted earnings per share (thousands of shares)	<u>202,775</u>	<u>176,640</u>
Diluted earnings per share (dollar)	<u>\$ 3.07</u>	<u>3.40</u>

(n) Items of the statements of comprehensive income

(i) Brokerage fee revenue

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Consignment trading handling fee revenue - Domestic futures	\$ 1,058,872	843,573
Consignment trading handling fee revenue- Foreign futures	907,639	794,907
	<u>\$ 1,966,511</u>	<u>1,638,480</u>

(Continued)

**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

(ii) Net gains (losses) on derivative instruments

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Non-hedging		
Net gains (losses) on futures contracts		
Gains on futures contracts	\$ 235,486	83,421
Losses on futures contracts	(241,099)	(79,563)
	<b><u>\$ (5,613)</u></b>	<b><u>3,858</u></b>
Net gains (losses) on option contracts		
Gains on option contracts	\$ 183,967	23,460
Losses on option contracts	(202,372)	(32,539)
	<b><u>\$ (18,405)</u></b>	<b><u>(9,079)</u></b>
	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net gains (losses) on leverage derivatives		
Gains on leverage derivatives	\$ 530,918	203,064
Losses on leverage derivatives	(468,316)	(166,640)
	<b><u>\$ 62,602</u></b>	<b><u>36,424</u></b>
Non-hedging		
Total gains on derivative instruments	\$ 950,371	309,945
Total losses on derivative instruments	(911,787)	(278,742)
	<b><u>\$ 38,584</u></b>	<b><u>31,203</u></b>

(iii) Futures commission expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Re-consigned futures trading	\$ 272,981	254,352
Futures introducing broker business	185,190	131,039
	<b><u>\$ 458,171</u></b>	<b><u>385,391</u></b>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(iv) Employee benefit, depreciation and amortization expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Employee benefit expenses		
Salary expense	\$ 361,754	326,398
Labor and health insurance expense	23,303	21,708
Pension expense	13,226	12,494
Director remuneration	18,883	16,897
Others	7,569	6,749
Depreciation expense	49,442	47,206
Amortization expense	9,448	8,069
	<b>\$ 483,625</b>	<b>439,521</b>

(v) Other operating expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Postage expense	\$ 43,328	40,072
Taxes	68,706	48,322
Rental expense	2,546	2,350
Information technology expense	128,417	114,239
Professional service fee	17,138	3,460
Others	67,672	67,133
	<b>\$ 327,807</b>	<b>275,576</b>

(vi) Other income and expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest income	\$ 358,577	529,587
Dividend income	39	356
Net gains (losses) on non-operating financial instruments at fair value through profit or loss	1,104	7,380
Net gains (losses) on foreign exchange	(7,417)	(1,460)
Net gains (losses) on disposal of investments	32,767	10,746
Other non-operating revenue - other	12,807	12,996
Other non-operating expense - other	(262)	(1,269)
	<b>\$ 397,615</b>	<b>558,336</b>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(vii) Remuneration to employees, directors and supervisors

According to 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, 2020 and 2019, the estimated amounts of remuneration to employee were \$9,071 and \$8,714, and to directors and supervisors by the Company were \$9,071 and \$8,714, 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, 2020 and 2019. 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 2019 and 2018 were both \$8,714 and \$12,083, respectively. There was no difference between accounting estimates and actual distribution. Related information would be available at the Market Observation Post System website.

(o) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represent the maximum credit exposure. As of December 31, 2020 and 2019 the maximum credit exposure amounted to \$44,294,076 and \$38,984,425, 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 domestic and overseas financial institutions.

The exposure area of credit risk in December 31, 2020 as shown in below, focusing on Taiwan (proportion 90.59%), secondly was Asia (proportion 9.10% excluded Taiwan), thirdly was North America (proportion 0.27%). The proportion of investment area did not change significantly compared to the same period last year.

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

Area	December 31, 2020	December 31, 2019
Taiwan	\$ 38,971,155	34,233,319
Asia (excluded Taiwan)	3,913,925	3,494,763
North America	115,277	74,629
Oceania	15,467	14,927
Europe	1,378	-
<b>Total</b>	<b>\$ 43,017,202</b>	<b>37,817,638</b>

#### 3) Impairment loss

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

	December 31, 2020		December 31, 2019	
	Total amount	Total amount	Total amount	Total amount
Not past due	\$ 162,492	7,257	45,691	8,537
Past due 0~30 days	-	-	-	-
Past due 31~120 days	-	-	-	-
Past due 121~360 days	544	544	-	-
Past due more than 360 days	-	-	22,444	22,444
	<b>\$ 163,036</b>	<b>7,801</b>	<b>68,135</b>	<b>30,981</b>

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, 2020 and 2019, the loss allowance of accrued receivables were recognized \$7,801 and \$30,981, 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, 2020 and 2019 was as follows:

For the years ended December 31, 2020						
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL - credit impaired			Total
			Accounts receivable	Receivable- f utures- f margin	Other receivables	
Balance on January 1	\$ -	-	-	30,981	-	30,981
Provision of impairment loss	-	-	-	413	-	413
Amounts written off	-	-	-	(23,593)	-	(23,593)
Balance on December 31	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>7,801</b>	<b>-</b>	<b>7,801</b>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the 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- f utures 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>

(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.

	Carrying amount	Contract cash flow	Within 6 months	6-12 months	1-2 year	2-5 year	More than 5 year
<b>December 31, 2020</b>							
Financial liabilities at fair value through profit or loss	\$ 61,272	61,272	61,272	-	-	-	-
Futures traders' equity	38,200,906	38,200,906	38,200,906	-	-	-	-
Leverage contract trading- customers' equity	352,056	352,056	352,056	-	-	-	-
Accounts payable	150,863	150,863	150,863	-	-	-	-
Receipts under custody	5,032	5,032	5,032	-	-	-	-
Other payables	139,292	139,292	139,292	-	-	-	-
Lease liabilities	51,685	52,404	11,354	11,338	18,750	10,962	-
	<u>\$ 38,961,106</u>	<u>38,961,825</u>	<u>38,920,775</u>	<u>11,338</u>	<u>18,750</u>	<u>10,962</u>	<u>-</u>
<b>December 31, 2019</b>							
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 payables	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>

(Continued)

**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:

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

(Continued)

**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

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

(Continued)



**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

	<b>December 31, 2019</b>		
	<b>Foreign Currency (dollar)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars</b>
<b><u>Financial assets</u></b>			
<b><u>Monetary items</u></b>			
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
<b><u>Non-monetary items</u></b>			
USD	4,203,877.55	29.9800	126,032
JPY	1,408,881.00	0.2760	389
CAD	21.90	22.9900	1
AUD	4,538.28	21.0100	95
CNY	4,699,184.91	4.3050	20,230
NZD	7,544.96	20.1900	152
<b><u>Investments under equity method</u></b>			
HKD	256,684,610.03	3.849	987,979

(Continued)

**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

	December 31, 2019		
	Foreign Currency (dollar)	Exchange rate	New Taiwan Dollars
<b><u>Financial liabilities</u></b>			
<b><u>Monetary items</u></b>			
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
<b><u>Non-monetary items</u></b>			
USD	175,268.09	29.9800	5,254
CNY	538,827.12	4.3050	2,320

The Company disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$11,365 and \$3,156 for the years ended December 31, 2020 and 2019, respectively.

2) Sensitivity analysis

The currency risk of the Company arises mainly from cash and cash equivalents, customers' margin accounts, financial assets at fair value through profit or loss and futures traders' equity, which are denominated in foreign currency. For the years ended December 31, 2020 and 2019, with all other variable factors remain constant, a strengthening (weakening) 1% of the TWD against the USD, would cause after-tax comprehensive income result in a decrease or an increase by \$13,690 and \$10,950, respectively. The analytical basis was the same in both years.

(iv) Analysis in interest rates

For the years ended December 31, 2020 and 2019, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income result in an increase or a decrease by \$6,913 and \$6,945. This is mainly due to the Company's time deposits and guarantee deposited for business operations in variable rates and settlement fund in variable rate.

(Continued)

**CAPITAL FUTURES CORPORATION****Notes to the Financial Statements**

## (v) Fair value and hierarchy information

## 1) Fair value information

## a) General description

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

## b) Definition of fair value hierarchy

## i) Level 1

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

## ii) Level 2

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

## iii) Level 3

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

(Continued)

## CAPITAL FUTURES CORPORATION

### 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, 2020			
Assets and Liabilities items	Total	Public quote of the same financial instrument in an active market (Level 1)	Observable price except public quote in an active market (Level 2)	Based neither on direct market data nor from the counter party (Level 3)	
<b><u>Fair value evaluated on a recurring basis</u></b>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 79,172	79,172	-	-	
Stock investment	102,408	102,408	-	-	
Financial assets at fair value through other comprehensive income	120,553	119,204	-	1,349	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 149,099	85,719	63,380	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	61,272	59,500	1,772	-	
		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)	
<b><u>Fair value evaluated on a recurring basis</u></b>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 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	-	

(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, 2020 and 2019.

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

(In Thousands Dollars)

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

Item	For the years ended December 31, 2019							Ending Balance
	Beginning Balance	Gains and losses on valuation		Addition		Reduction		
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 1,055	-	320	-	-	-	-	1,375

(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"> <li>• Price-to-Book Ratio</li> <li>• Discount for lack of marketability</li> </ul>	<ul style="list-style-type: none"> <li>• The higher price to-book-ratio is, the higher fair value is.</li> <li>• The higher discount for lack of marketability is, the lower the fair value is.</li> </ul>

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

The fair value measurement that the 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
<b>December 31, 2020</b>		
Financial assets fair value through other comprehensive income	\$ 13	(13)
<b>December 31, 2019</b>		
Financial assets fair value through other comprehensive income	\$ 14	(14)

(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.

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

#### (iii) Credit risk

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

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

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

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

#### (iv) Liquidity risk

Liquidity risks are market liquidity risk and capital liquidity risk

##### 1) Market liquidity risk:

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

(Continued)



## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

2) Capital liquidity risk:

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

Liquidity risk management of the Company includes :

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

(v) Market risk

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

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

Quantitative Measurement on Market Risk was as follows:

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

(q) 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, 2020, the Company didn't change the method of capital management.

(r) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019, respectively, were as follows:

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

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

	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	<u>\$ 37,672</u>	<u>(21,986)</u>	<u>6,001</u>	<u>-</u>	<u>-</u>	<u>21,687</u>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

#### (7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Names and relationship with related parties

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

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

(c) Key management personnel compensation

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 61,184	58,991
Post-employment benefits	1,074	1,010
Total	<b>\$ 62,258</b>	<b>60,001</b>

(d) Significant transactions with related parties

(i) The amounts of futures trading between the Company and related parties for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<u>Brokerage fee revenue</u>		
Capital Securities Corporation	\$ 4,876	9,441
CSC Futures (HK) Ltd.	70,227	61,245
Fund issued by Capital Investment Trust Corp.	546	1,148
Total	<b>\$ 75,649</b>	<b>71,834</b>

(Continued)

**CAPITAL FUTURES CORPORATION**  
**Notes to the Financial Statements**

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

	December 31, 2020	December 31, 2019
<u>Futures traders' equity</u>		
Capital Securities Corporation	\$ 824,368	688,447
CSC Futures (HK) Ltd.	3,717,106	4,375,854
Fund issued by Capital Investment Trust Corp.	335,742	142,376
	<b>\$ 4,877,216</b>	<b>5,206,677</b>
	December 31, 2020	December 31, 2019
<u>Customers margin account- other futures commission merchants</u>		
CSC Futures (HK) Ltd.	<b>\$ 289,113</b>	<b>215,941</b>

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 2020 and 2019, interest expense amounted to \$149 and \$422, 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 2020 and 2019, interest expense amounted to \$2,881 and \$7,702, respectively.

Funds issued by Capital Investment Trust Corp. deposits margins to the Company for futures proprietary trading, and the Company paid the interest of excess margin annually. In 2020 and 2019, interest expense amounted to \$39 and \$92, respectively.

(ii) Accounts payable and receivable:

	December 31, 2020	December 31, 2019
<b>Accounts receivable</b>		
Capital Securities Corporation	<b>\$ 2,679</b>	<b>374</b>
<b>Accounts payable</b>		
Capital Securities Corporation	<b>\$ 14,679</b>	<b>10,914</b>
<b>Other receivables (Note 1)</b>		
Capital Securities Corporation	<b>\$ 3,841</b>	<b>4,052</b>
<b>Other payables</b>		
Capital Securities Corporation (Note 2)	\$ 4,762	789
CSC Securities (HK) Ltd. (Note 3)	7,421	2,909
Capital True Partner Technology Co., Ltd. (Note 4)	1,368	-
	<b>\$ 13,551</b>	<b>3,698</b>

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

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

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

(Note 4) Payables for professional service fee.

(iii) Bonds purchased under resale agreements

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Bonds purchased under resale agreements	<b>\$ 244,530</b>	<b>46,000</b>
Resale price under the agreements	<b>\$ 244,545</b>	<b>46,007</b>
Interest rates	<b>0.16%~ 0.22%</b>	<b>0.47%</b>
Date of repurchase	<b>2021.01.05~ 2021.01.15</b>	<b>2020.01.06</b>
	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest income	<b>\$ 329</b>	<b>461</b>

(iv) Leases

The Company signed three-year lease contracts and rented the office and parking spaces from Capital Securities Corporation. The total value of effective contracts was \$51,091. For the years ended December 31, 2020 and 2019, the Company recognized the amount of \$250 and \$252 as interest expense. As of December 31, 2020 and 2019, lease liabilities was amounted to \$43,385 and \$10,145, respectively, and refundable deposits amount to \$4,450 and \$4,007, respectively.

(v) Rental expenses

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

	<b>For the years ended December 31,</b>	
<b>Related parties</b>	<b>2020</b>	<b>2019</b>
Capital Securities Corporation	<b>\$ 646</b>	<b>376</b>

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(vi) Securities commission income

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

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ 9,738</b>	<b>3,492</b>

(vii) Interest income (Rent deposit interest)

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ 44</b>	<b>40</b>

(viii) Securities brokerage charge

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	\$ 183,659	130,341
CSC Securities (HK) Ltd.	6,893	8,345
	<b>\$ 190,552</b>	<b>138,686</b>

(ix) Information technology expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ 50,391</b>	<b>46,378</b>

(x) Stock service fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ 502</b>	<b>448</b>

(Continued)

**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

(xi) Human resource and legal service fee

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ 300</b>	<b>300</b>

(xii) Securities transaction fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ -</b>	<b>10</b>

(xiii) Discretionary service commission fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ 16</b>	<b>-</b>

(xiv) Stationery and printing fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital Securities Corporation	<b>\$ 80</b>	<b>55</b>

(xv) Repair and maintenance expenses

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital International Technology Co., Ltd.	<b>\$ 2,419</b>	<b>-</b>

(xvi) Professional service fees

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Related parties</b>		
Capital True Partner Technology Co., Ltd.	<b>\$ 13,241</b>	<b>-</b>

(Continued)



## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

- (a) As of December 31, 2020 and 2019, the open positions of futures and option contracts were as follows:

#### December 31, 2020

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

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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)	
	JPY Dollar Futures	Short	5	(17,355)	(17,324)	
	10-Year U.S. Treasury Note Futures	Short	5	(19,421)	(19,250)	
	Stock Futures	Long	62	6,873	6,969	
	Stock Futures	Short	18	(727)	(723)	
	Ultra U.S. Treasury Bond Futures	Short	3	(16,889)	(16,338)	
	Subtotal			(326,707)		
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)	
	Financial Insurance Index Options(Call)	Short	20	(10)	(3)	
	Gold Option (Call)	Short	10	(20)	(19)	
	Gold Option (Put)	Long	2	3	-	
	Subtotal			(6,399)		
Total				<u>\$ (333,106)</u>		

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

- (b) As of December 31, 2020 and 2019, the nominal amount of open positions of leverage derivatives contracts were as follows:

Item	December 31, 2020	December 31, 2019
Leverage derivatives - long	<u>\$ 1,321,887</u>	<u>2,700,301</u>
Leverage derivatives - short	<u>\$ 1,282,847</u>	<u>2,448,322</u>

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	6,359,664	7.32	5,012,996	7.68	≥ 1	Satisfactory to requirement
	(Total liabilities – futures traders' equity)			869,294			
17	Current Assets	43,978,617	1.13	38,683,882	1.10	≥ 1	"
	Current Liabilities	39,018,015		35,119,902			
22	Stockholders' equity	6,359,664	570.37%	5,012,996	449.60%	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Post-adjustment net capital	4,868,930	66.09%	3,630,546	55.49%	≥ 20%	"
	Total customer margin depos			7,366,955		6,542,582	

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

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

**(15) Other:None**

(Continued)

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

#### (16) Other disclosures:

##### (a) Information on significant transactions:

##### (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum Balance of the Period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables -Custome r	No	39,540	39,540	14,121	5%	2	-	Trading	-	-	-	181,681	908,403
1	CSC Futures (HK) Ltd.	AAA Fintech Limited	Account receivables -Custome r	No	169,456	169,456	41,234	2.23%	2	-	Trading	-	-	-	181,681	908,403
1	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables -Custome r	No	84,728	84,728	-	1.23%~3.2 3%	2	-	Trading	-	-	-	181,681	908,403
1	CSC Futures (HK) Ltd.	Alpha Rnd Singapore Pte Ltd	Account receivables -Custome r	No	79,080	79,080	-	3.23%	2	-	Trading	-	-	-	181,681	908,403
1	CSC Futures (HK) Ltd.	Derivative s China Alpha Fund	Account receivables -Custome r	No	79,080	79,080	-	3.23%	2	-	Trading	-	-	-	181,681	908,403
1	CSC Futures (HK) Ltd.	Perfect Hexagon Limited	Account receivables -Custome r	No	84,728	84,728	-	3.23%	2	-	Trading	-	-	-	181,681	908,403

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

Note 1: Type of Numbering

(1) 0 represents Parent company

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

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short-term financing

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

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

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

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

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

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Date of establishment	FSC Rule No.	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Revenue of investee	Net income (losses) of investee	Share of profits/losses of investee	Cash dividend	Note
						December 31, 2020	December 31, 2019	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%	883,604	370,616	(13,999)	(13,616)	-	Subsidiary
Capital Futures Corporation	Capital International 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%	41,028	2,304	(1,549)	(1,549)	-	Subsidiary
Capital Futures Corporation	True Partner Capital Advisor Co., Ltd.	Hong Kong	2010.5.31	Gin Guan Zheng Zhi No. 1040027513 letter	Assets Management	36,701	36,701	245	49.00%	49,281	147,943	4,702	2,304	-	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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Highest percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	1,144	51.00%	583 B (2)	23,482	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business	18,863	(C)	18,863	-	-	18,863	(2,321)	100.00%	(2,321) B (2)	15,765	-

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, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
43,235	43,235	80,000

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

(e) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Capital Securities Corporation		119,177,014	56.63%

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

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

(17) Segment information:

Please refer to the consolidated financial report for the year ended December 31, 2020.

(Continued)



## 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	
			2020	2019	Amount	%
Current assets			43,978,617	38,683,882	5,294,735	13.69
Property and equipment			50,864	57,721	(6,857)	(11.88)
Other non-current assets			1,400,383	1,413,548	(13,165)	(0.93)
Current liabilities	Before distribution		39,018,015	35,119,902	3,898,113	11.10
	After distribution		Note 2	35,519,733	-	-
Non-current liabilities			52,185	22,253	29,932	134.51
Capital stock			2,104,376	1,764,376	340,000	19.27
Retained earnings	Before distribution		2,468,329	2,246,703	221,626	9.86
	After distribution		Note 2	1,846,872	-	-
Total Assets			45,429,864	40,155,151	5,274,713	13.14
Total liabilities	Before distribution		39,070,200	35,142,155	3,928,045	11.18
	After distribution		Note 2	35,541,986	-	-
Total shareholders' equity	Before distribution		6,359,664	5,012,996	1,346,668	26.86
	After distribution		Note 2	4,613,165	-	-

Note 1 : All financial information has been audited.

Note 2 : Appropriation of 2020 earnings had yet to be resolved in a shareholders' meeting.

Explanation to major variations:

1. Non-current liabilities: During the current period, the lease liabilities increased due to the adjustment of the business office lease, resulting in an increase in non-current liabilities.
2. Total owner's equity: The total amount of owner's equity increased due to cash capital increase during the current period.

### 7.2 Financial performance

The financial performance analysis in the last 2 years (standalone)

Unit: NTD Thousand

Item		Year	2020	2019	Difference	
					Amount	%
Income			\$2,132,715	\$1,735,635	397,080	22.88
Operating expense			1,732,884	1,496,715	236,169	15.78
Operating profits			399,831	238,920	160,911	67.35

Other income and xpenses	384,754	508,027	(123,273)	(24.27)
Income before tax	784,585	746,947	37,638	5.04
Tax	162,419	146,938	15,481	10.54
Net income from continuing operations	\$622,166	\$600,009	22,157	3.69

## 7.3 Cash flow

### 7.3.1 Liquidity analysis for the last 2 years

Unit: NTD Thousand

Item \ Year	2020	2019	Variation (%)
Current ratio (%)	1.77	2.05	(13.66)
Cash flow adequacy ratio (%)	126.63	115.2	9.92
Cash reinvestment ratio (%)	4.46	2.37	88.19

### 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
4,546,619	785,714	721,793	4,610,540	-	-

## 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 its "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 improvements:

- CSC Futures (HK) Ltd. (subsidiary), although still making a loss in the current period, has improved due to the growth of trading volume in Hong Kong and offshore futures and the increase in operating income. At present, in addition to actively developing new commodity sources, continuing to develop a better trading environment to enhance its advantages in the market.
- Capital International Technology Corp. (subsidiary) has improved its loss due to increased operating income. At present, we continue to strengthen the integration of resources between the groups, actively develop information systems, 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's financial structure is sound, with stable cash flow, and no external borrowings, so there is no risk of changes in borrowing interest rates. Affected by the Covid19 pandemic, all countries have adopted interest rate cuts or fiscal policies to promote economic recovery since February 2020. The Fed said that it will not raise interest rates before 2022, and therefore believes that the low interest rate environment will continue. However, the current inflation in emerging markets has reached expectations and the probability of interest rate cuts in the future is reduced. The company will continue to pay attention to the decisions of central banks to reduce the impact of interest rate changes. The Company was also affected by low interest rates in 2020, which led to a decline in interest income. Net interest income decreased from NT\$ 529,587 thousand dollars in 2019 to NT\$ 358,577 thousand dollars in 2020, a decrease of 32.3%.
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 Company's main source of income is transaction fees for entrusted customers. The foreign currency-denominated fee income is recognized at a fixed time in accordance with the customer margin management method. The Company's exchange loss was 28,759,000 due to the sharp appreciation of the Taiwan dollar in 2020.

C. Impacts of inflation to The Company's profit and loss, and responsive measures in the future:

Affected by the Covid-19 pandemic in 2020, countries all used interest rate cuts or fiscal policies to resolve short-term liquidity problems, which stabilized the inflation rate this year. However, because all countries are in a low-interest environment, and the United States launched a 1.9 trillion US dollar relief plan in 2020 passed to make the global financial market abundant, but in the future, we still need to continue to pay attention to the short-term rapid inflation, which will cause countries to introduce tightening fiscal and monetary policies. If the stock market retreats sharply after these unfavorable events, it will help in 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 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 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 is developing rapidly, the financial market is pulsating

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

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 litigation cases of the major juristic shareholder of the Company, Capital Securities Corp., and the Company are as followings:

Date: Dec. 31, 2021

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 judged by Taiwan High Court.  According the judgement of Taiwan Shilin District Court on 2019.12.26, the Company was not liable for compensation.	2006.11.23	NT\$1,545,364
Criminal	When the customer who traded at shi-Song branch: 〇 - Ping Yu , inspected the transaction documents, Capital Securities Corp. discovered that Jiang Jianping forged the inexistent documents of Principal-	Complainant: Capital Securities Corp. Defendant: Jiang Jianping	This case is under investigation by Taiwan Taipei District Prosecutors Office for forgery and fraud compliants.	2018.12.18	

	Guaranteed Notes, the victims including ○ -Ping Yu were total 15 customers.				
Civil	The customer ○ -Yen Fan who traded at Wanhua branch of Capital Securities Corp. accused that the sales ○ -Ling Jan unauthorized privately solicited investment for fraud and suffered loss. Therefore, the prosecution request has been submitted that ○ -Ling Jan and Capital Securities Corp. are liable for joint indemnity for NTD 2,798,313.	Plaintiff: ○ -Yen Fan Defendant: ○ -Ling Jan, Capital Securities Corp.	The case is being judged by Taiwan Taipei District Court.	2019.04.08	NT\$2,798,313
Civil	Jiang Jianping, the former salesperson of Qunyi Jindingzhen Xisong Branch, used false PGN capital preservation funds to defraud the client Chen Junqin, but the customer Chen Junqin admitted that Mr. Jiang had stolen stocks and stolen money, so he sued Qunyi Jindingzheng and its former salesperson Jiang Jianping to compensate him NT\$16,374,778.	Plaintiff: Chen Junqin Defendant: Jiang Jianping Capital Securities Corp.	The case is being judged by Taiwan Taipei District Court.	2020.4.16	NT\$16,374,778
Civil	Wang Daji, a client of the leveraged trading department of the company, requested damages from the company because of his dissatisfaction with the profit suspension order on March 9, 2020, which did not trigger matter.	Plaintiff: Wang Daji Defendant: Capital Futures Corp.	The Company received the judgement on April 9, 2021, but this case has not confirmed yet.	2020.9.14	NT\$210,000
Civil	In 2018, Jiang Jianping, a former salesperson of the Xisong branch of Qunyi Jindingzheng, used a fictitious PGN capital preservation fund to defraud customers. After Qunyi Jindingzheng paid part of the victimized customers, he also sued Jiang Jianping for NT\$14,192,800.	Plaintiff: Capital Securities Corp. Defendant: Jiang Jianping	Capital Securities Corp. received the judgement on Jan. 4, 2021 and won, this case has confirmed	2020.9.23	NT\$14,192,800
Criminal	Wang Daji, a client of the company's leveraged trading department, alleged that the profit suspension order on March 9, 2020 did not trigger	Complainant: Wang Daji Defendant: Capital Futures Corp.	This case is under investigation by Taiwan Taipei District Prosecutors Office	2020.12.16	

	and charged the company with a breach of trust from the Da'an Branch of the Taipei City Government Police Department.				
Civil	Zhang Shuhui, a customer of the company's Taichung branch, suffered a loss of US\$37,175 due to the negative price of the e-mini crude oil on April 21, 2020, and requested damages for non-performance of the debt and punitive liquidated damages under the Financial Consumer Protection Law.	Plaintiff: Zhang Shuhui Defendant: Capital Futures Corp.	The case is being judged by Taiwan Taipei District Court.	2021.1.14	US\$37,175 plus NT\$200,000

## 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"> <li>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.</li> <li>2. Assess operational strategies and make decisions.</li> <li>3. Approve operational application and authorize trading.</li> <li>4. Ensure the effectiveness of risk management and undertake the ultimate responsibility of risk management.</li> </ol>

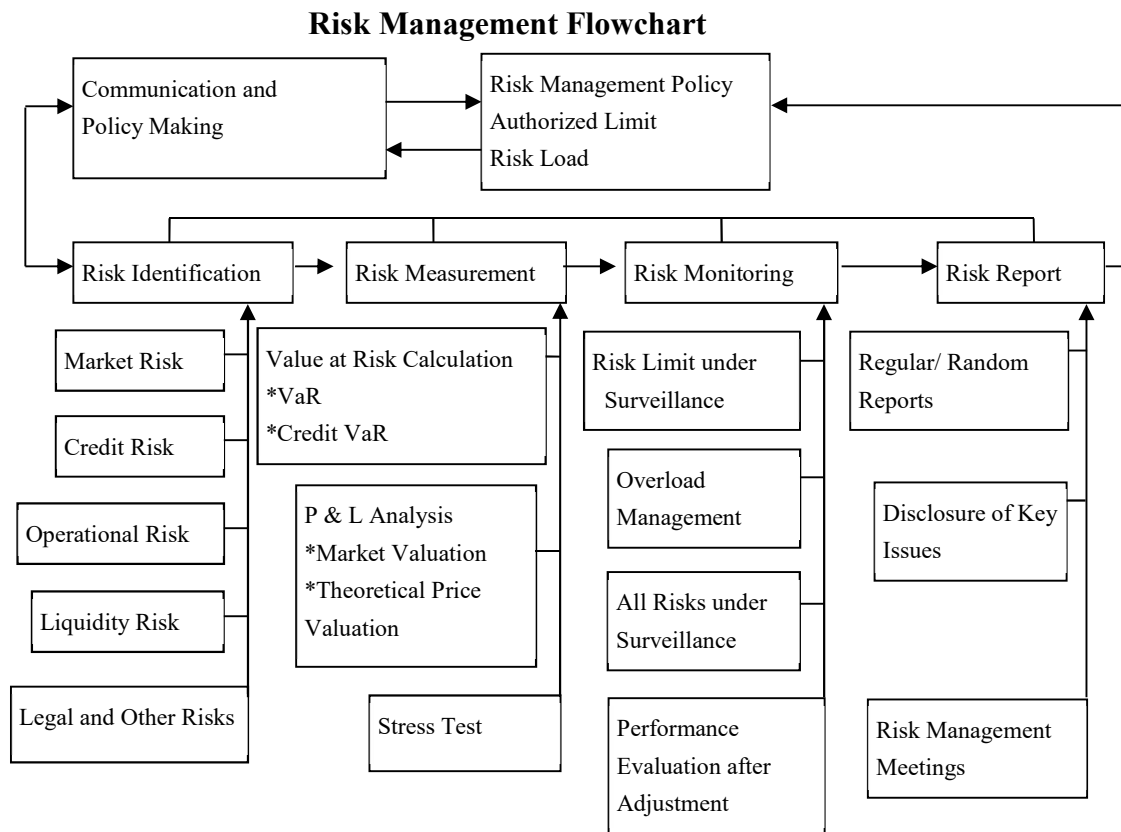
II. General Manager	<ol style="list-style-type: none"> <li>1. Report to the Board of Directors the risk evaluation of positions, trading performance and execution percentage of the target.</li> <li>2. Report to the Board of Directors immediately if any abnormal situation happens (e.g. positions exceeding total stop-loss limits), and demand the subordinates to take necessary approaches.</li> </ol>
III. Risk Management Department	<ol style="list-style-type: none"> <li>1. Assist in risk management system making.</li> <li>2. Assist departments set up risk limits and assignment methods.</li> <li>3. Ensure the execution of the risk management system determined by the Board of Directors.</li> <li>4. Present timely and completely risk management related reports to the Chairman, Vice-Chairman and General Manager.</li> <li>5. Be familiarized with the content of each trade before it takes place and monitor the positions of completed trade.</li> <li>6. Upgrade risk assessment capabilities over the quantifiable financial products.</li> <li>7. Be familiarized with the risk limits of each business department and how they are used.</li> <li>8. Assess the company's risk exposure and risk concentration.</li> <li>9. Develop and apply stress-testing and back-testing methods.</li> <li>10. Inspect the variation between the actual and forecasted P &amp; L of the portfolio.</li> <li>11. Review product pricing models and valuation system used by business departments.</li> <li>12. Monitor other risk control associated issues.</li> </ol>
IV. Business Department (subsidiary)	<p>middle-level directors' function (risk control personnel)</p> <ol style="list-style-type: none"> <li>1. Ensure the delivery of risk management information in a timely and correct manner.</li> <li>2. Ensure effective enforcement of risk limits associated regulations by the business department (subsidiary).</li> <li>3. Supervise risk exposure and report on the over limit situation, including approaches taken by the business department (subsidiary).</li> <li>4. Ensure effective internal control in the business department (subsidiary) to meet regulations and risk management system.</li> </ol> <p>Business department manager(Responsible person of the subsidiary)</p> <ol style="list-style-type: none"> <li>1. Undertake all risk management associated issues of the business department (subsidiary). Supervise operational risk and take necessary approaches.</li> <li>2. Supervise the delivery of risk management information.</li> </ol>
V. Audit Department	<ol style="list-style-type: none"> <li>1. Inspect regularly the appropriateness of the internal control of product trading in business departments.</li> </ol>



	<ol style="list-style-type: none"> <li>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.</li> <li>3. Oversee the compliance of rules and regulations.</li> </ol>
VI. Finance Department	<ol style="list-style-type: none"> <li>1. Process accounts and transfer capital according to authorized contracts and trade documents.</li> <li>2. Make a memorandum for off-balance sheet trade contract.</li> <li>3. Acquire price information from quotation system of trading department to re-valuate positions.</li> <li>4. Make timely entry of completed transaction and recognize profit and loss.</li> <li>5. Make promulgations in accordance with the competent authorities.</li> </ol>
VII. Clearing and Settlement Department	<ol style="list-style-type: none"> <li>1. Inquire for client's credits at account opening before trade.</li> <li>2. Safeguard opening account contracts and trade contracts.</li> <li>3. Make product clearing and settlement.</li> <li>4. Execute margin call and counter transaction under insufficient margin.</li> <li>5. Report to the competent authorities on trade contracts.</li> <li>6. Confirm trade contents.</li> <li>7. Monitor special clients' credit after transaction.</li> </ol>
VIII. Compliance and Legal Division	<ol style="list-style-type: none"> <li>1. Consult with legal professionals of related management policies.</li> <li>2. Review the obligatory relationship, appropriateness and legal documents of each trade contract before signing.</li> <li>3. Scrutinize each application that requires the official signatures.</li> <li>4. Supervises legal and compliance affairs.</li> <li>5. Supervises business units in assessing impact of new regulations on the company's businesses.</li> <li>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.</li> </ol>

## 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.

$ANC \text{ ratio} = ANC / \text{total margin required for open positions}$

#### **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 2020 Organizational chart of affiliates



Table 1: 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

Table 2: Information on shareholders presumed to have a controlling and dependent relationship: None



Table 3: Directors, Supervisors, and Presidents of Affiliated Companies

Unit: Shares; % Date: March 31, 2021

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
Capital International Technology Corp.	Legal Person	Capital Futures Corp.	5,000,000	100.00%
	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
Capital True Partner Technology (Chengdu) Co., Ltd.	President	Lee, Wen-Chu	0	0
	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 : Maria Zhang	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
Capital Futures Technology (Shanghai) Co., Ltd.	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
	Director	Capital International Technology Corp. representative : Mao, Chen-Hua	0	0
Capital Futures Technology (Shanghai) Co., Ltd.	Director	Capital International Technology Corp. representative : Lee, Wen-Chu	0	0
	Supervisor	Capital International Technology Corp. representative : Chen, Wen-Tsay	0	0
	President	Hung, Ming-Nan	0	0

Table 4: Operational Overview of Affiliated companies

Unit: NTD Thousand Date: Dec. 31, 2020

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	42,996	1,968	41,028	2,304	1,389	-1,549	-0.31
CSC Futures (HK) Ltd.	875,750	5,875,341	4,966,938	908,403	370,616	-28,222	-13,999	-0.06
Capital True Partner Technology (Chengdu) Co., Ltd.	5,013	6,882	1,789	5,093	20,104	945	1,144	1.14
Capital Futures Technology (Shanghai) Co., Ltd.	18,863	16,247	482	15,765	25	-5,727	-2,321	-0.58

Note : The 2019.12.31 exchange rate : Assets and liabilities : TWD/HKD=3.643/1 · TWD/CNY= 4.352/1; Profit and loss: TWD/HKD= 3.761/1, TWD/CNY=4.341/1

(1) Consolidated financial statements of affiliated companies: Please refer to page 91 to 154 of this annual report.

(2) The affiliation report: Please refer to page 278 to 281 of 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 2020 Affiliation Report (for the period from January 1 to December 31, 2020) 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.

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Declared by:

Company : Capital Futures Corp.

Chairman : Sun, Tien-Shan

Date : March 25, 2021

## CPA's opinion about Affiliated Report

To Capital Futures Corp.:

The Company's Annual Report has been reviewed by the CPA in accordance with Letter No.4448 of the Ministry of Finance dated on Nov. 30, 1999. This review was based on whether the Company's 2020 affiliated report was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the disclosed information is consistent with the financial statement of the same period checked by the CPA on March 25, 2021, and whether the disclosed information has major discrepancies, and issued a review opinion accordingly.

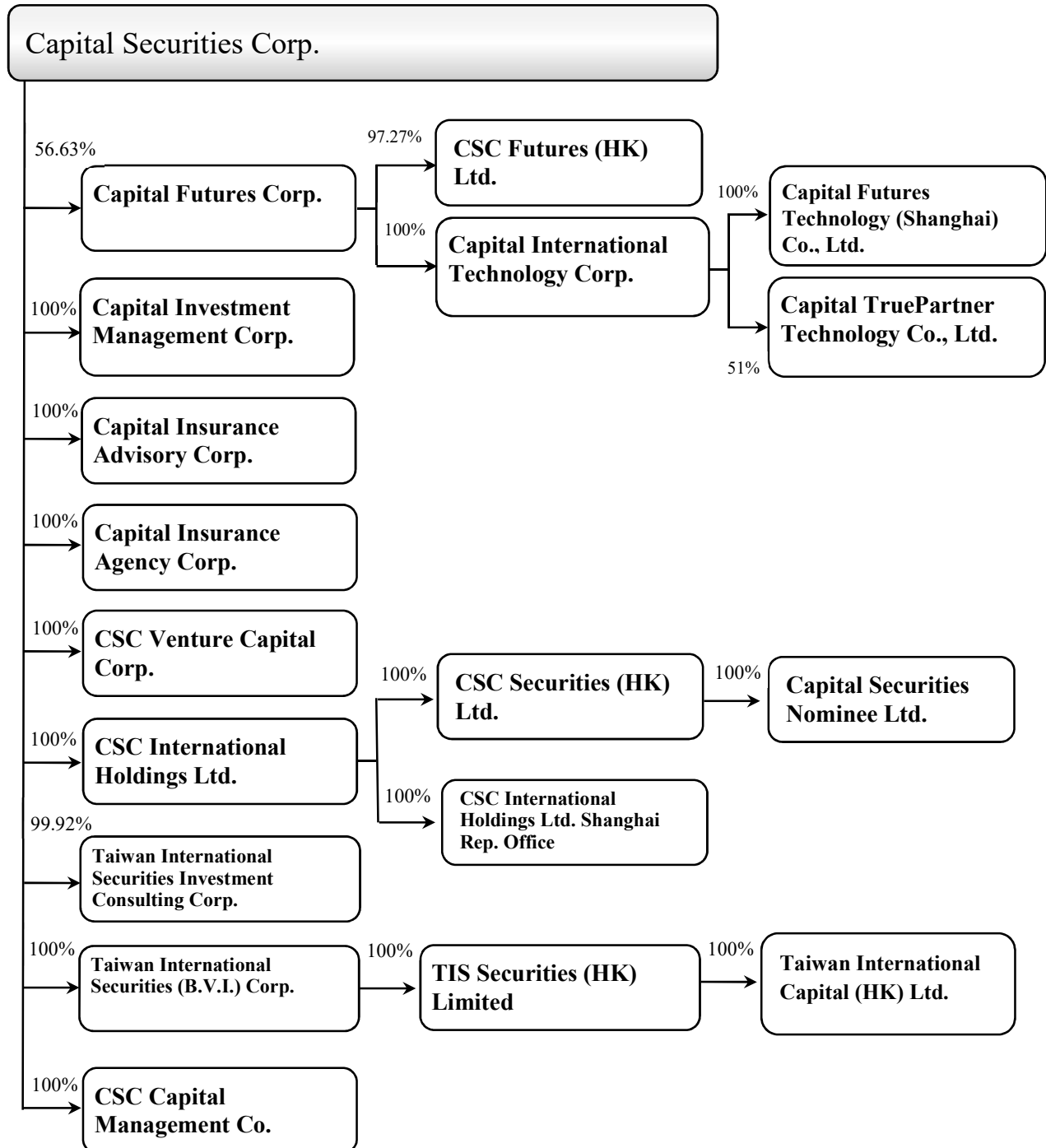
According to the results of this accountant's review, it was not found that the preparation of the above-mentioned affiliated report violated the provisions of the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", nor was it found that there were significant discrepancies in the information disclosed in the above-mentioned affiliated report and in the notes to the financial statements during the same period.

# 2020 Affiliation Report

## I. Group organization chart and shareholding structure

Date : Dec. 31, 2020

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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	119,177	56.63%	—	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.

NTD thousand

Type (Lease/Lessee)	Name of property	Location	Period	Leasing	Rent	Payment terms	Compare with other normal rent	2020 rent	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、2020.8.1~2023.7.31	Operating leasehold	Refer to current market standards	Monthly	No differentiation	16,175 (Note 1)	Normal	None

Note 1: It defines the actual rental expense to Capital Securities Co., and the refundable deposits is NT\$ 4,450 thousand dollars.

VII. Disclosure of major transactions:

1. The brokerage fee income from futures trading with Capital Securities Corp. in 2020 was 4,876 thousand dollars, and the rights and interests of its futures traders were 824,368 thousand dollars as of December 31, 2020. The interest expense of deposit guarantee for futures trading is 149 thousand yuan.
2. Accounts receivable (payable) to Capital Securities Corp. on December 31, 2019: accounts receivable NT\$2,679 thousand dollars, accounts payable NT\$14,679 thousand dollars, and other accounts receivable 3,841 thousand dollars and other payables NT\$4,762 thousand dollars.
3. The Company received an interest income of 329,000 thousand dollars for the bond investment with a sell-back from Capital Securities Corp. in 2020, and as of December 31, 2019, it was still under the bond with a sell-back. The bond investment is 244,530 thousand dollars, the agreed sale date is from January 5, 2021 to January 15, 2021, and the agreed interest rate is 0.16% to 0.22%.
4. Signed a three-year lease contract with Capital Securities Corp. for the lease of offices and parking spaces in 2019. As of December 31, the total effective contract value is 51,091 thousand dollars. The recognized interest expense of this lease transaction in 2020 was NT\$250 thousand dollars, and the balance of the lease liabilities as of December 31, 2020 was NT\$43,385 thousand dollars respectively. In addition, as of December 31, 2020, the deposit deposit was NT\$4,450 thousand dollars.
5. In 2020, a lease contract was signed with Capital Securities Corp., and a rental expense of NT\$646 thousand dollars was recognized due to the application of short-term or low-value leases.
6. In 2020, he was entrusted as the securities trading assistant of Capital Securities Corp., and its securities commission income was 9,738 thousand dollars.
7. In 2020, the interest income of Capital Securities Corp. (rental interest) was NT\$44 thousand dollars.
8. In 2020, Capital Securities Corp. was entrusted as a futures trading assistant, and the commission payment was 183,659 thousand dollars.
9. The computer information service fee paid to Capital Securities Corp. in 2020 was 50,391 thousand dollars.
10. In 2020, the payment to Capital Securities Corp. stock agency expenses was 502 thousand dollars.
11. The human resources and legal service fees paid to Capital Securities Corp. in 2020 were 300 thousand dollars.
12. The commission expenses paid to Capital Securities Corp. for discretionary business in 2020 was 16 thousand dollars.
13. The stationery printing expenses paid to Capital Securities Corp. in 2020 were 80 thousand dollars.

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**