

Stock code: 6024



**CAPITAL**  
**2021**  
**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.

Date of Issuance: April 23, 2022

Capital Futures Corp. Annual report is available at:

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

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

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Title: President

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

Head Office

Address: B1 & 32F, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City, R.O.C

Tel: (02)2700-2888

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Address: 3F.-6, No.633, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City, R.O.C

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**IV. Institution for stock transfer**

Name: Capital Securities Corp.

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

Tel: (02)2702-3999

Website: www.capital.com.tw

**V. Names of financial statement auditors in the latest year**

CPA Firm: KPMG

Auditors: Wu, Cheng-Yen & Chung, Tan-Tan

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

Tel: (02)8101-6666

Website: www.kpmg.com.tw

**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>**

# Table of contents

<b>Chapter I</b>	<b>Report to Shareholders .....</b>	<b>1</b>
<b>Chapter II</b>	<b>Company Profile .....</b>	<b>4</b>
	I. Date of incorporation.....	4
	II. Company history .....	4
	III. Capital Futures Awards .....	6
<b>Chapter III</b>	<b>Corporate Governance Report .....</b>	<b>8</b>
	I. Organizational structure.....	8
	II. Background information of directors, supervisor, President, Executive Vice Presidents, Vice Presidents,, and the heads of various departments and branches ..	11
	III. Corporate governance.....	39
	IV. Information in public fees of the Certified Public Accountant Association .....	97
	V. Information on replacement of certified public accountant.....	97
	VI. Where the company’s chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed .....	98
	VII. The status of changes that directors, supervisors and shareholders holding more than 10 percent of outstanding shares had transferred and pledged their shares .....	99
	VIII. Information Disclosing the Relationship between any of the Company’s Top Ten Shareholders.....	102
	IX. Shares Held by the Company, Directors, Managers and Companies Directly or Indirectly Control the Company, and the Comprehensive Shareholding Ratio Based on Combined Calculation .....	104
<b>Chapter IV</b>	<b>Capital Overview .....</b>	<b>105</b>
	I Capital and Shares .....	105
	II Any issuance corporate bonds, preferred shares, global depository receipts, and employee stock warrants, and new restricted employee shares, and the status of implementation.....	112

III	Depository Receipts and Employee Share Subscription Warrant Status of New Shares Issuance in Connection with Mergers and Acquisitions.....	112
IV	Financing Plans and Execution Status.....	112
<b>Chapter V Operation Highlights .....</b>		<b>113</b>
I	Business Activities .....	113
II	Overview of the market, production, and sales - an overview of the overall economic environment and trends in the industry .....	123
III	The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels. ....	127
IV	Information on environmental protection expenditures. ....	127
V	Labor Relations .....	127
VI	ICT security management.....	133
VII	Important Contracts.....	134
<b>Chapter VI Financial Summary .....</b>		<b>135</b>
I	Five-Year Financial Summary .....	135
II	Five-Year Financial Analysis.....	139
III	The Audit Committee's Audit Report as shown through the financial statements in the latest year.....	144
IV	The financial statements in the latest year. ....	144
V	Auditor's Responsibilities for the Audit of Individual Financial Report in the latest year. Not including the statements of major accounting items. ....	144
VI	If the company or an affiliated enterprise has encountered any financial difficulties in the most recent fiscal year up to the prospectus publication date .....	144
<b>Chapter VII Review of Financial Conditions, Operating Results, and Risk Management .....</b>		<b>146</b>
I	Analysis of Financial Status.....	146
II	Analysis of Operation Results.....	147
III	Cash Flow .....	147
IV	The impact of the significant capital expenditure over the past year upon the financial performance .....	147

V	The outward investment policies over the past year .....	148
VI	Risk analysis and assessment in the most recent year and up to the date of publication of the annual report.....	148
VII	Other Important Matters .....	157
<b>Chapter VIII Special Disclosures.....</b>		<b>158</b>
I	Summary of Affiliated Companies.....	158
II	Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	162
III	Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report.....	162
IV	Other Necessary Supplement .....	162
V	Disclosures of Events Which May Have a Significant Influence on Stockholders' Equity or Share Price, in Compliance with Item 3, Paragraph 2 in Article 36 of the Securities and Exchange Act of the R.O.C. ....	162
<b>Attachment .....</b>		<b>171</b>

# Chapter I Report to Shareholders

## I Operating performance in 2021

In 2021, the outbreak of the COVID-19 epidemic has greatly impacted the global economy, which continued to affect the financial market. The Company's 2021 annual trading volume of the domestic futures brokerage business was 61.76 million lots, increasing 24% from 49.84 million the previous year with a market share of 7.87%. The Company's annual trading volume of the foreign futures brokerage business was 7.56 million lots, decreasing 7.5% from the previous year with a market share of 20.3%. In 2021, the consolidated revenues was NT\$2,438,961 thousand, increasing 0.52% from the previous year, and the net income before and after tax were NT\$599,901 thousand and NT\$489,323 thousand, respectively decreasing 23.53% and 21.37% 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 transaction business. Furthermore, the Company aimed to operate diversified business and earn diversified income by building the multi-engine profitable model to improve the overall performance.

Capital Futures actively develops an independent IT global trading platform in financial technology, attaches great importance to the trading experience of customers, and develops the mobile APP "Happy Trader" that meets the needs of professional investors. The APP includes several practical functions and strives to create a variety of intelligent trading services, intuitive display of commodity market, and instant transaction; in addition, technical analysis chart combined with fast order function, allowing customers to access more flexible investment commodities in the international market, lowering the investor's transaction threshold to achieve inclusive finance. The Company has also built the industry's first customer-exclusive investment community platform "Trader168" to provide customers with diversified and real-time investment information and trading forum. The Company leads the leveraged trading business in the industry as the first CFD futures broker to offer foreign stocks and foreign indices, and the leveraged trading business has ranked first in the industry for five consecutive years since operation, with a market share of over 50% , and successfully registered the trademarks of "奈米金", "奈米指" and "奈米油."

With the vision of "becoming the most heart-warming digital financial company", Capital Futures has won three recognitions in the 2021 "Digital Financial Service Award" hosted by the Commercial Times with the joint efforts of the Company and all its employee, among which are the two highest honors "Digital Transformation Award - Gold" and "Digital Information Services Award - Gold" and "Digital Innovation Award - Excellence".

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. 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.

## II 2021 income and profit analysis (Consolidated)

(Expressed in Thousands of New Taiwan Dollars)

Item	2021	2020
Income	2,438,961	2,426,236
Expenses	2,018,766	2,055,139
Non-operating income and expenses	179,706	413,409
Net income before tax	599,901	784,506
Net income	489,323	622,344
Return on Equity (%)	7.73%	10.89%
Net profit margin (%)	20.06%	25.65%
Return on assets (%)	1.05%	1.42%
Earnings per share after tax (dollar)	2.33	3.07

## III Operating plans and development strategies for the future

With the popularization of vaccines, changes have been brought to the global economy where consumption has resurged, and the demand for materials and energy has increased. Inflation has become a topic of concern. With the epidemic has not yet been resolved, the inflation posing new challenges, and many factors such as the issue of raising interest rates affecting the uncertainty of the global economy and financial markets, which may enlarge the market volatility and the hedging demand, trading in domestic and international futures markets should keep booming, and the trading volume has chance to increase; consequently, the opportunities shall present to the overall operation of futures industry.

The operating plans and development strategies of the Company in 2022 are as follows:

1. Domestic market:
  - (1) Use the quantitative stock selection strategy and develop a day-trading interface to attract day-trading customers to the futures market based on the upsurge of the spot market.
  - (2) Continuously optimize IT Infra to provide the best solutions for high-frequency professional customers.
2. Foreign market:
  - (1) Provide global market investment information through Capital's exclusive community platform to become the "Facebook of investment" for customers and enhance customers' global outlook and brand loyalty.
  - (2) Integrate the resources of various investment and research departments to provide 24H global real-time important information and use the intelligent push broadcast system developed by the digital team to push broadcast to the customers in real time, making high-quality services more accessible.
3. Leverage Transaction Merchants:
  - (1) Promote the foreign CFD stocks, and market "Buy US stocks, come to Capital".
  - (2) Optimize semi-automatic intelligent trading, simplify customer trading process, stabilize trading volume, and improve performance.
  - (3) Seek for the competent authorities and the CBC to approve "non-foreign exchange" CFD referral and allow futures salesmen and securities IB salesmen to refer non-foreign exchange commodities to expand the distribution channel.

4. Proprietary Trading:
  - (1) In response to possible brokerage systemic risks, the proprietary strategy is more flexible with strict risk control.
  - (2) When market volatility rises, market-making proprietary will actively increase volatility strategy trading.
5. Cultivate talent with schools (new foreign exchange workforce, campus talent recruitment), increase industry-university cooperation (winter and summer internships and work-study programs), and introduce new talents from various fields to implement the positive cycle of selecting, cultivating, retaining and utilize talents.
6. Provide employees with an internal entrepreneurial environment for employees welfare to strengthen employees' synergy and recognition with the Company.
7. Strengthen internal audit and internal control, legal compliance and strict risk control, and fulfill the corporate responsibility of environmental, social and governance (ESG) to ensure sustainable operation of the Company.

Chairman:

Managerial Officer:

Accounting manager:

## Chapter II Company Profile

### I. 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

### II. Company history:

Year	Major events
1997	The Capital Futures Brokerage Corp. was established on February 26th.
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 futures trading business 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 15th.
2008	Approved to promote the futures advisory service and training in Mainland China in September.
2009	The stocks of the Company listed on the TPEX on April 27th.
2010	Approved to operate a securities introducing broker in July.
2010	Approved 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 (HK) 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 on 15th 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 to concurrently operate proprietary securities trading business in July.
- 2015 Approved to invest 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 CBC 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.

### III. Capital Futures Awards:

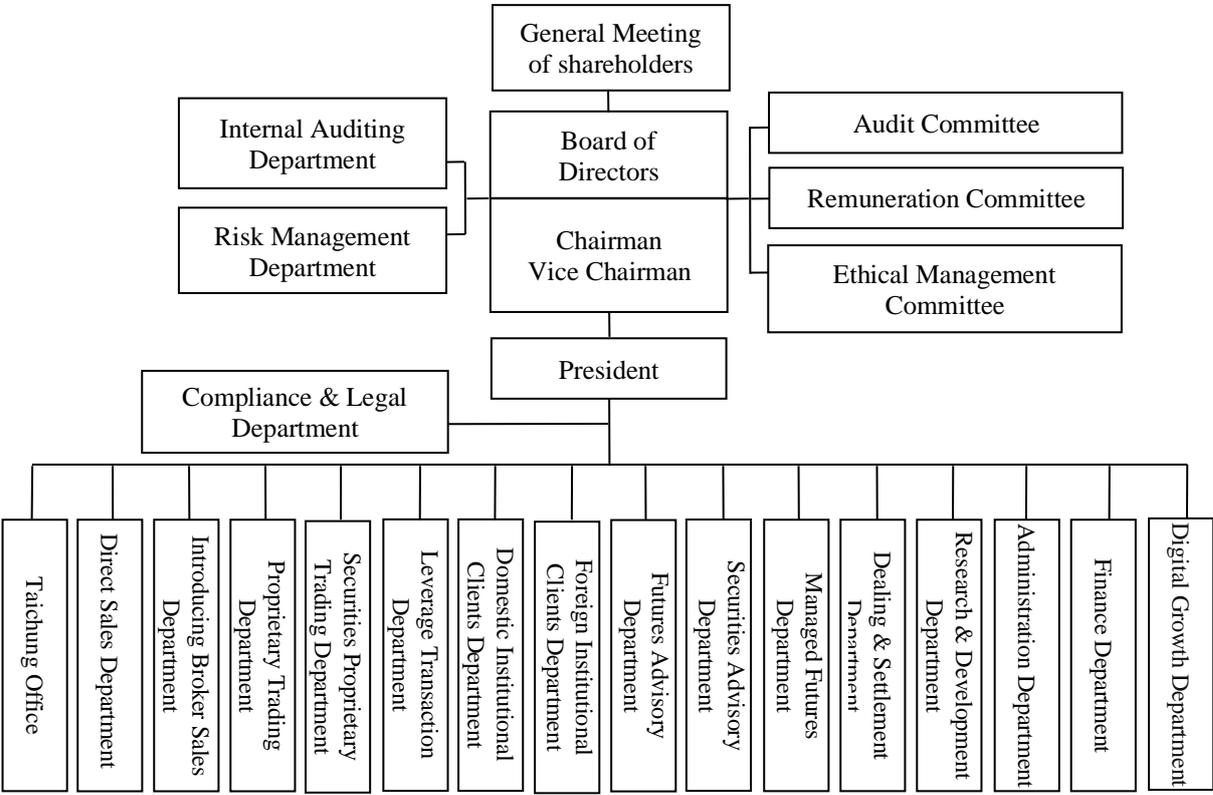
Date	Award - Approval Organization	Awards-Content
2021.09	Commercial Times	Gold Award for Model of DX, Gold Award for Digital Service, and Quality Award for Digital Innovation
2021.09	Securities & Futures Institute of R.O.C.	The 16th-term Golden Goblet Award for Outstanding Entrepreneurial Leader to President Lee, Wen-Chu
2021.08	Taiwan Futures Exchange	TAIFEX Session VII Futures Diamond Awards - Growth in Proprietary Trading Volume
2021.08	Taiwan Futures Exchange	TAIFEX Session VII Futures Diamond Awards - 3rd Place of Trading Volume in FCM
2020.12	Hong Kong Exchanges and Clearing Limited	CSC Futures (HK) - Outstanding Futures Commission Merchant Award
2020.11	Futures Daily Co., Ltd.	CSC Futures (HK) - IT Service Awards in the 7th Global Derivatives Trading Firm Competition
2020.09	Taiwan Futures Exchange	TAIFEX Session VI Futures Diamond Awards - 3rd Place of Trading Volume in FCM
2020.08	Shanghai International Energy Exchange	CSC Futures (HK) - Award for Outstanding Contribution in the Overseas brokers
2019.12	Hong Kong Exchanges and Clearing Limited	CSC Futures (HK) - Outstanding Partner Award in Base metal business, precious metal business, and Ferrous metals business.
2019.12	Excellence Magazine	The Best Futures Broker in trading stock futures.
2019.11	Singapore Exchange	Top 5 North Asia Futures Brokers (SGX China Equities Index Derivatives )
2019.08	1111 Job Bank	The happiness enterprise in 2019_Classification: Financial Service Industry
2018.10	Taiwan Futures Exchange	TAIFEX Session IV Futures Diamond Awards - 3rd Place of FINI's Trading Volume in FCM
2018.10	Taiwan Futures Exchange	TAIFEX Session IV Futures Diamond Awards - 3rd Place of Trading Volume in FCM
2017.11	Securities & Futures Institute of R.O.C.	The 14th-term Golden Goblet Award for Outstanding Futures Industry. Talent to Senior Executive Vice President Mao, Jen-Hua
2017.11	General Chamber of Commerce of R.O.C.	The Golden Merchant Award to President Lee, Wen-Chu.
2016.11	Futures Daily Co., Ltd.	CSC Futures (HK) - HKEX 3rd Global Derivatives Real-Trading Competition - The Excellent FCM of HKEX.
2016.10	Taiwan Futures Exchange	TAIFEX Session II Futures Diamond Awards-Top-One Performance in Market Making of RMB Currency Options
2015.11	Securities & Futures Institute of R.O.C.	The 13th Golden Goblet Award-Special Salary Raise.
2015.03	Singapore Exchange Derivatives Trading Limited (SGX-DT)	The 2014 Volume Growth Award for CSC Futures (HK).
2015.02	Singapore Exchange Derivatives Trading Limited (SGX-DT)	Taiwan FCM of Top-one trading volume in SGX-DT in 2014.
2014.11	Taiwan Futures Exchange	Promotional Sales Award of Eurex/TAIFEX Linked Products.
2014.10	ICE Futures Europe	Approved as a Market Participant and developed the DMA.
2014.05	Taiwan Futures Exchange	Eurex/TAIFEX Link Award for Market Making Price Quoting of Local FCMs.
2013.08	Futures & Options World	FOW Awards for Asia 2013 -- Non-Bank FCM of the Year.
2013.08	Securities & Futures Institute of R.O.C.	The 12th-term Golden Goblet Award for Outstanding Futures Industry. Talent to Senior Executive Vice President Chen, Wen-Tsai

2013.08	Securities & Futures Institute of R.O.C.	The 12th-term Golden Goblet Company Award for Outstanding Finance Innovation
2012.12	ICE Futures US	Approved as an Energy Member Firm of ICE Futures US and set up the Direct Market Access (DMA).
2012.11	General Chamber of Commerce of R.O.C.	The Golden Merchant Award to President Alex Chia.
2012.07	Eurex	Approved as a Market Participant (NCM) of Eurex and developed the Direct Market Access (DMA).
2012.07	CME Group--Electronic Transaction to Option Commodities	The 1st FCM in Asia offers B to C options E-trading of the CME Group.
2011.10	Taiwan Futures Exchange	Award for the top trading volume (average branch volume) of the stock futures competition in September.
2011.07	NYSE Euronext--NYSE Liffe	The 1st FCM in Taiwan approved as a Member of NYSE Euronext--NYSE Liffe in London and Paris Markets
2011.07	Securities & Futures Institute of R.O.C.	The 11th-term Golden Goblet Award for Outstanding Entrepreneurial Leader to President Alex Chia
2011.07	Securities & Futures Institute of R.O.C.	The 11th-term Golden Goblet Award for Special Contribution to Independent Director Chao Chuan Chu
2011.06	CME Group--NYMEX	The 1st FCM in Taiwan approved as a NYMEX Rule 106.J. Member Firm.
2011.06	CME Group--COMEX	The 1st FCM in Taiwan approved as a COMEX Rule 106.J. Member Firm.
2011.03	CME Group--CBOT	The 1st FCM in Taiwan approve as a CBOT Rule 106.R. Trading Member Firm (Transferred to Rule 106.H).
2011.03	CME Group--CME	The 1st FCM in Taiwan approved as a CME Rule 106.H. Trading Member Firm.
2010.01	CME Group	The 1st FCM in Taiwan certified by the CME group for Direct Market Access (DMA).
2009.08	Singapore Exchange Derivatives Trading Limited (SGX-DT)	The 1st FCM in Taiwan approved as a SGX-DT Trading Member (Agency and Proprietary).
2009.07	Securities & Futures Institute of R.O.C.	The 10th-term Golden Goblet Company Award for Outstanding Finance Innovation
2009.03	Taiwan Futures Exchange	Awarded for high trading volume FCM in Taiwan's futures market in 2008.
2005.11	General Chamber of Commerce of R.O.C.	The Golden Merchant Award to Chairman Tim Sun.
2005.07	Securities & Futures Institute of R.O.C.	The 8th-term Golden Goblet Award for Outstanding Entrepreneurial Leader to Chairman Tim Sun
2001.07	Securities & Futures Institute of R.O.C.	The 6th-term Golden Goblet Award for Outstanding Futures Industry Talent to Executive Vice President Tsai Jen-Tsuen
1997.07	Securities & Futures Institute of R.O.C.	The 4th-term Golden Goblet Award for Outstanding Securities Industry Talent to Chairman Tim Sun

# Chapter III Corporate Governance Report

## I. Organizational structure

### (I) Organization Chart



(II) Business affairs operated by the key departments:

Department	Functions
Internal Auditing Department	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions.
Compliance & Legal Department	Responsible for the planning, management and implementation of the Company's legal compliance system, as well as legal affairs and corporate governance related matters.
Risk Management Department	Responsible for maintaining and monitoring the risk analysis, identification, control and response of daily sales activities.
Administration Department	Responsible for the general affairs and administration of the Company.
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 the domestic and foreign futures trading brokerage business announced by the competent authority, operate securities trading auxiliary business, and other businesses approved by the competent authority.
Introducing Broker Sales Department	Responsible for the business approved by competent authority, and assist futures introducing broker in the planning, execution, solicitation, collection, education and training of futures introducing broker.
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	Participate in the activities of relevant international organizations and source foreign institutional investors. Provide assistance to foreign institutional investors as the interface with the domestic and foreign markets announced and approved by competent authority, and manage transaction-related businesses such as buying and selling commodities. Provide market information, research reports, transaction information and other services related to foreign institutional investors.
Proprietary Trading Department	Responsible for trading authorized financial products with equity fund.
Securities Proprietary Trading Department	Concurrently engaged in proprietary securities trading business in accordance with relevant laws and regulations, use its own funds to engage in the trading of various commodities approved by the competent authority in the securities market.

Leverage Transaction Department	Execute the leverage transaction business which is approved by authorities.
Futures Advisory Department	Recruit futures advisory members and provide professional consultation and advice to futures investors. Hold professional courses and investment seminars with added value according to the approved advisory business announced by the competent authority, including advice, solicitation, publication, and lectures.
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.
Digital Growth Department	Responsible for optimizing the user experience and the company's marketing effectiveness for the digital growth business as well as the maintenance and management of the Company's network information.
Branch	Responsible for the domestic and foreign futures trading brokerage business announced by the competent authority, operate securities trading auxiliary business, and other businesses approved by the competent authority. Cooperate with the promotion of various businesses of the Head Office.

## II. Background information of directors, supervisor, President, Executive Vice Presidents, Vice Presidents,, and the heads of various departments and branches:

### (I) Directors' and Supervisors' Information

March 31, 2022

Title	Nationality and Registry	Name	Gender / Age	Date Elected	Term	Date first elected (Note 1)	Shares at Election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors or supervisor			Remark
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Chairman	Republic of China	Capital Securities Corp. Representative: Lee, Wen-Chu	Male Age 51~ 60	2021.05.20 2021.08.26	3 Years	1997.07.08 2021.08.26	119,066,014	56.58%	0	0	0	0	EMBA, Business Administration Executive Program, National Chengchi University President of Capital Futures Corp.	CEO of Capital Futures Corp. Director of CSC 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. Director of Taiwan Futures Exchange	-	-	-	-		
							208,690	0.10%	0	0	0	0		-	-	-	Note 2			
Director	Republic of China	Capital Securities Corp. Representative: Wang, Jiunn-Chih	Male Age 61~ 70	2021.05.20	3 Years	1997.07.08 2021.11.22	119,066,014	56.58%	0	0	0	0	Ph.D. in Technology Management, Chung Hua University Chairman, Capital Securities Corp.	Chairman, Capital Securities Corp. Chairman of CSC Venture Capital Corp. Director of CSC International Holdings Ltd., Director of Capital Securities (HK) Ltd. Director of CSC Futures (HK) Ltd.	-	-	-	-		
							0	0	0	0	0	0		-	-	-	-			
Director	Republic of China	Capital Securities Corp. Representative: Liu, Ching-Tsun	Male Age 71~ 80	2021.05.20	3 Years	1997.07.08 2011.09.19	119,066,014	56.63%	0	0	0	0	M.P.A., University of San Francisco, USA Chairman, Capital Securities Corp.	Director of Capital Securities Corp. Director of Taiwan Oasis Technology Co., Ltd.	-	-	-	-		
							0	0	0	0	0	0		-	-	-	-			

Title	Nationality and Registry	Name	Gender / Age	Date Elected	Term	Date first elected (Note 1)	Shares at Election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors or supervisor			Remark
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Director	Republic of China	Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui	Female Age 41~ 50	2021.05.20	3 Years	2012.06.19 2018.10.16	2,031	0.00%	2,031	0.00%	0	0	0	0	Department of Public Finance, National Chung Hsing University Director, Hontai Life Insurance	Chairman of Kai Ta Enterprise Co., Ltd. Director of Bao Sheng Investment Co., Ltd. Director of Fengyang Investment Co., Ltd. Director of Taiwan Fengshang Energy Saving Tech Co., Ltd. Director of Chaolung Investment Co., Ltd. Director of Fu Ding Investment Co., Ltd. Director of Tai Sheng Investment Co., Ltd. Supervisor of Wei Wong Investment Co., Ltd.	-	-	-	-
									0	0	0	0	0	0			-	-	-	-
Independent Director	Republic of China	Chen, Kuo-Tay	Male Age 61~ 70	2021.05.20	3 Years	2018.05.24	0	0	0	0	0	0	0	0	Ph.D. of Business, The University of Texas at Austin, USA Professor, Department of Accounting, National Taiwan University.	None	-	-	-	-
Independent Director	Republic of China	Hsiao, Nai-Ching	Female Age 61~ 70	2021.05.20	3 Years	2020.06.19	0	0	0	0	0	0	0	0	Master of Law, National Chung Hsing University Judge of Supreme Court	Lawyer, Hsiao Nai Ching Law Firm	-	-	-	-

Title	Nationality and Registry	Name	Gender / Age	Date Elected	Term	Date first elected (Note 1)	Shares at Election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors or supervisor			Remark
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Independent Director	Republic of China	Wu, Yung-Sheng	Male Age 61~70	2021.05.20	3 Years	2021.05.20	0	0	0	0	0	0	0	0	Ph.D. of Law, National Chengchi University School consultant of Ming Chuan University and an adjunct professor of the Department of Finance	Independent Director of Rubytech Corp. Independent Director of DEXIN Corp.	-	-	-	-

Note 1: Date of first serving as a director and independent director of the Company.

Note 2: Where the chairperson of the Board of Directors and the president 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: Director Lee, Wen-Chu is appointed as the CEO to meet the long-term development demand of the Company, who will implement the decisions made by the Board of Directors, and improve business performance and management efficiency.

Table 1: The Major Shareholders of Corporate Shareholders

March 31, 2022

Corporate Shareholder Name	Major Shareholders Ratio of Corporate Shareholders (%)
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%)
Hung Yeh 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 Lain 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%)

Table 2: Major shareholder(s) where the major shareholder of the juristic is a juristic person

Corporate Shareholder Name	Major Shareholders of Corporate Shareholders (Shareholding %)
Hontai Life Insurance Co., Ltd.	Lin, Chang-Lung (19.35%) Wang, Wan-Ling (11.70%) Hong Chang Enterprise Co., Ltd. (4.89%) Quanyi Construction Corporation (4.85%) Rui Jin Enterprise Co., Ltd. (4.80%) Min Huei Enterprise Co., Ltd. (4.58%) Hong Long Enterprise Co., Ltd. (4.40%) Yin Feng Enterprise Co., Ltd. (4.34%) Fu Tai Construction Corporation (3.92%) Wang Hsing Enterprise Co., Ltd. (3.90%)
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%)

Corporate Shareholder Name	Major Shareholders of Corporate Shareholders (Shareholding %)
Bao Zuo Investment Co., Ltd.	Chao Lung Investment Co., Ltd. (21.83%) Chen Huei Enterprise Co., Ltd. (18.43%) 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. (11.93%) Bao Sheng Investment Co., Ltd (0.83%) 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%) Quanyi Construction Corporation (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%) Fornet Tech 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%)

Corporate Shareholder Name	Major Shareholders of Corporate Shareholders (Shareholding %)
	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%) Quanyi Construction Corporation (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 Corporation (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%) Fu Tai Construction Corporation (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 Lain 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%) 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%) Fu Tai Construction Corporation (2.77%) Han Bao Enterprise Co., Ltd. (2.07%) Bao Qing Investment Co., Ltd. (1.52%) Tai Ye 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 (89.86%) Yin Feng Enterprise Co., Ltd. (5.09%) Yu Bao Enterprise Co., Ltd. (2.98%) Tai Ye Enterprise Co., Ltd. (0.51%) Hong Chia Investment Co., Ltd. (0.49%)

Corporate Shareholder Name	Major Shareholders of Corporate Shareholders (Shareholding %)
	Bao Qing Investment Co., Ltd. (0.49%) Tai Chien 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%) Fornet Enterprise Co., Ltd. (15.14%) Fornet Tech Co., Ltd. (12.50%)
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%)

(II) Disclosure of professional qualification of the directors and supervisors and independence of directors:

Qualification Name	Professional qualification and experience	Compliance of independence	Number of positions as an Independent Director in other public listed companies
Capital Securities Corp. Representative: Lee, Wen-Chu	<ul style="list-style-type: none"> <li>With at least five years of work experience or have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>Former President of the Company and currently the CEO of the Company.</li> <li>Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ul>	(Not Applicable)	0
Capital Securities Corp. Representative: Wang, Jiunn-Chih	<ul style="list-style-type: none"> <li>With at least five years of work experience or have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>Former president of the Central Trust of China, the president and vice chairman of EnTie Commercial Bank, and currently the Chairman of Capital Securities Corp.</li> <li>Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ul>	(Not Applicable)	0
Capital Securities Corp. Representative: Liu, Ching-Tsun	<ul style="list-style-type: none"> <li>With at least five years of work experience or have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>Former Chairman of Capital Securities Corp., currently Director of Capital Securities Corp.</li> <li>Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ul>	(Not Applicable)	0
Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui	<ul style="list-style-type: none"> <li>With at least five years of work experience or have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>Former Chairman of Kai Ta Enterprise Co., Ltd. and , Director of Bao Sheng Investment Co., Ltd., currently Director of Hontai Life Insurance Co., Ltd.</li> <li>Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ul>	(Not Applicable)	0
Chen, Kuo-Tay	<ul style="list-style-type: none"> <li>With at least five years of work experience or have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>Former Professor, Department of Accounting, National Taiwan University.</li> <li>Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>Not employed by The Company or any of its affiliated companies.</li> <li>Not a director, supervisor of the company or any its affiliated companies.</li> <li>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.</li> </ol>	0
Hsiao, Nai-Ching	<ul style="list-style-type: none"> <li>With at least five years of work experience or have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>Former judge of Supreme Court, currently lawyer at Hsiao Nai Ching Law Firm.</li> <li>Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ul>	<ol style="list-style-type: none"> <li>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.</li> <li>Not the spouse, the kindred to the second tier under the Civil Code or the direct kin within</li> </ol>	0

<p>Wu, Yung-Sheng</p>	<ul style="list-style-type: none"> <li>• With at least five years of work experience or have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>• Former Dean and School Consultant of Ming Chuan University School of Law and Adjunct Professor of the Department of Finance. Currently the Independent Director, Audit and Remuneration Committee of Rubytech Corp. and Dexin Corp.</li> <li>• Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ul>	<p>the third tier under the Civil Code of the managerial officers stated in Subparagraph 1 or other roles stated aforementioned Subparagraph.</p> <p>(5) Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the company according to Paragraph 1 or 2, Article 27 of The Company Act.</p> <p>(6) Not a director, supervisor or employee of the company controlling over one half of the company director seats or voting shares under one person.</p> <p>(7) Not a director, supervisor or employee of the Company whose chairperson and president or equivalent role is same person or its spouse.</p> <p>(8) A director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</p> <p>(9) Not a professional or owner, partner, director, supervisor, managerial officer or the spouse of these roles of a sole proprietorship, partnership of the company or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees over the last two years for the company or its affiliates.</p> <p>(10) Have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.</p> <p>(11) Does not have the government, legal person or its representative elected as stipulated in Article 27 of the Company Act</p>	<p>2</p>
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Diversity and Independence of board of directors:

1. The overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:
  - (1) Basic requirements and values: Gender, age, nationality, and culture.
  - (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.
2. Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows: ability to make judgments about operations, accounting and financial analysis ability, business management ability, crisis management ability, knowledge of the industry, an international market perspective, leadership ability, decision making ability.
3. More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.
4. The Board of Directors of the Company shall give guidance the Company's strategy, supervision to the management level, and be responsible to the Company and shareholders. The operations and arrangements of its corporate governance system shall ensure that the Board of Directors exercises its functions and powers in accordance with laws and regulations, Articles of Association or the resolutions of the General Meeting of shareholders. To meet the needs of the Company's business development, the Board of Directors should be composed of experts and scholars in industry, accounting, management, etc.; members of the board should have business experience, legal or accounting qualifications. In addition, the Company gives focus to gender equality in the composition of the Board of Directors, with at least one female director.
5. The current Board of Directors consists of 7 directors, including 3 independent directors and 4 institutional representative, including 2 female directors. At present, according to their academic experience, 4 directors have business experience, 2 have accounting expertise, and 2 have legal expertise. None of the directors are spouses or related within the second degree of kinship.

6. Implementation of board diversity:

Name of the Director	Gender	The ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Crisis management ability	Knowledge of the industry	An international market perspective	Leadership ability	Decision making ability
Chairman Lee, Wen-Chu	Male	√		√	√	√	√	√	√
Director Wang, Jiunn-Chih	Male	√		√	√	√	√	√	√
Director Liu, Ching-Tsun	Male	√		√	√	√	√	√	√
Director Lee, Yi-Hui	Female	√	√	√	√		√	√	√
Independent Director Chen, Kuo-Tay	Male	√	√	√	√		√	√	√
Independent Director Hsiao, Nai-Ching	Female	√		√	√		√	√	√
Independent Director Wu, Yung-Sheng	Male	√		√	√	√	√	√	√

(III) Background information of President, Executive Vice Presidents, Vice Presidents, and the heads of various departments and branches

March 31, 2022

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
CEO	Republic of China	Lee, Wen-Chu	Male	2015.10.01	208,690	0.10%	0	0	0	0	Business Administration Executive Program, National Chengchi University President of Capital Futures Corp.	Director of CSC 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. Director of Taiwan Futures Exchange	-	-	-	Note
President	Republic of China	Mao, Jen-Hua	Male	2005.09.06	108,394	0.05%	0	0	0	0	Business Administration Executive Program, National Chengchi University Senior Executive Vice President of 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.	-	-	-	-

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Senior Executive Vice President	Republic of China	Chen, Wen-Tsai	Male	2006.11.01	0	0	0	0	0	0	Master of Business Administration, Florida State University Executive Vice President, Capital Securities Corp.	Director of Capital International Technology Corp. Supervisor of True Partner Capital Technology (Chengdu) Co., Ltd. Supervisor 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 Executive Vice President, Masterlink Futures Corp.	None	-	-	-	-
Executive Vice President	Republic of China	Huang, Wei-Ben	Male	2014.04.01	0	0	0	0	0	0	Master of Financial, Operating National Kaohsiung First University of Science Sales Assistant Vice President,, SinoPac Futures Corp.	None	-	-	-	-
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 Assistant Vice President, Polaris Futures Corp.	Supervisor of Capital International Technology Corp.	-	-	-	-

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Executive Vice President	Republic of China	Kuo, Shu-Zhen	Female	2013.01.01	0	0	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 Manager, Yuanta Financial Holdings Lawyer, Y.R. Lee & Partners	Director of Capital Futures Technology (Shanghai) Co., Ltd.	-	-	-	-
Executive 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 Manager Sinopac Futures Corp.	None	-	-	-	-
Senior Executive Officer	Republic of China	Yang, Yao-Yu	Male	2017.04.06	0	0	0	0	0	0	Master of Finance, National Taiwan University Advisor of Editorial Department, Business Weekly Corp.	None	-	-	-	-
Senior Executive Officer	Republic of China	Yi, Chien-Hsiung	Male	2021.09.01	0	0	0	0	0	0	Master in Computer Science, National Tsing Hua University Executive Vice President of CSC Futures (HK) Ltd.	None	-	-	-	-

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Senior Vice President	Republic of China	Hsu, Ji-Ching	Male	2005.01.01	58,830	0.03%	0	0	0	0	Department of International Trade, Tamkang University Manager, Masterlink Futures Corp.	None	-	-	-	-
Senior Vice President	Republic of China	Lin, Xiao-Chian	Male	2010.06.10	63,402	0.03%	0	0	0	0	Master of Business Administration, University of La Verne Manager., J.P. Morgan Chase & Corp.	None	-	-	-	-
Senior Vice President	Republic of China	Peng, Chien-Cheng	Male	2012.07.02	1,300	0.00%	0	0	0	0	Master of Finance, National Chung Hsing University Vice President, 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 New York Sales Vice President, KGI Securities Corp.	None	-	-	-	-
Senior Vice President	Republic of China	Fan, Jhen-Hong	Male	2015.10.01	0	0	0	0	0	0	EMBA in Finance, The City University of New York Sales Vice President, President Securities Corp.	None	-	-	-	-
Senior Vice President	Republic of China	Ho, Cho-I	Male	2016.08.01	0	0	0	0	0	0	Master in Information Management, Texas State University Vice President, Barclays Securities	None	-	-	-	-

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Senior Vice President	Republic of China	Chen, Chih-Chung	Male	2020.12.01	0	0	0	0	0	0	Department of Chinese Literature, National Chengchi University Senior Vice President, Capital Securities Corp.	None	-	-	-	-
Senior Vice President	Republic of China	Lai, Han-Sen	Male	2022.03.14	0	0	0	0	0	0	Master of Information Management, Da-Yeh University Executive Vice President, Proprietary Trading Department, Concord Futures	None	-	-	-	-
Vice President	Republic of China	Lian, Jing-Lian	Female	2003.05.02	49,975	0.02%	0	0	0	0	Department of Statistics, Tamkang University Manager, Yuanta Futures Co., Ltd.	None	-	-	-	-
Vice President	Republic of China	Chen, Tsung-Yu	Male	2018.04.01	0	0	0	0	0	0	Department of Financial Engineering and Actuarial Mathematics, Soochow University Assistant Vice President of Capital Futures Corp.	None	-	-	-	-
Vice President	Republic of China	Chung, Cheng-Huang	Male	2018.04.02	8,000	0.00%	0	0	0	0	Ph.D. of Finance Department, National Taiwan University Assistant Vice President of Risk Management Dept., Waterland Securities	None	-	-	-	-

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Vice President	Republic of China	Huang, Pei-Luen	Male	2019.02.11	0	0	0	0	0	0	Master of Business Administration, Long Island University Assistant Vice President, Fubon Securities	None	-	-	-	-
Assistant Vice President	Republic of China	Chien, Cheng-Chung	Male	2021.09.08	0	0	0	0	0	0	Dep. of Information Management, Ming Chuan University Manager of Direct Sales Department, Capital Futures	None	-	-	-	-
Assistant Vice President	Republic of China	Yu, Po-Liang	Male	2019.09.16	0	0	0	0	0	0	Department of Law, National Chengchi University Lawyer, Chen & Lin Attorneys-at-law	None	-	-	-	-
Senior Manager	Republic of China	Chang, Ya-Ju	Female	2020.09.01	7,000	0.00%	0	0	0	0	Business Administration of National Taipei University Senior Manager of Finance Department, Capital Futures	None	-	-	-	-
Assistant Manager	Republic of China	Cheng, Chao-Ting	Male	2021.11.12	0	0	0	0	0	0	Master in Banking and Finance, Tamkang University Specialist, Capital Futures Corp.	None	-	-	-	-
Senior Specialist	Republic of China	Chang, Li-Chiao	Female	2015.10.01	10,774	0.01%	0	0	0	0	EMBA, National Taiwan Normal University Assistant Vice President, Concord Securities Co., Ltd.	None	-	-	-	-

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Senior Specialist	Republic of China	Liu, Pao-Hua	Male	2015.04.01	37,400	0.02%	0	0	0	0	Department of Finance, National Taiwan University Assistant Vice President of Taiwan International Futures Corp.	None	-	-	-	-
Senior Specialist	Republic of China	Cho, Cheng-Kang	Male	2016.04.01	0	0	0	0	0	0	Department of Finance, National Taichung University of Science and Technology Sales Assistant Vice President, Capital Securities (HK.) Ltd.	None	-	-	-	-
Senior Specialist	Republic of China	Lin, Hsiu-Chu	Female	2017.04.01	13,083	0.01%	0	0	0	0	Department of Insurance, Shih Chien University Assistant Vice President of Capital Futures Corp.	None	-	-	-	-
Senior Specialist	Republic of China	Chang, Mu-Min	Male	2018.04.01	4,800	0.00%	0	0	0	0	Department of Transportation and Communication Management Science & Institute of Telecommunications Management, National Cheng Kung University Sales Vice President, Capital Futures Corp.	None	-	-	-	-

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Senior Specialist	Republic of China	Chen, Yung-Lin	Male	2020.04.01	0	0	0	0	0	0	MBA, Western Washington University Assistant Vice President, 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 Assistant Vice President, MasterLink Futures Corp.	None	-	-	-	-
Senior Specialist	Republic of China	Chang, Su-Fang	Female	2020.04.01	500	0.00%	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 Assistant Vice President of Managed Futures Department, Cathay Futures	None	-	-	-	-
Senior Specialist	Republic of China	Wu, Chung-Hsien	Male	2020.04.01	6,000	0.00%	0	0	0	0	Business Administration Department, University of California, Riverside Assistant Vice President, Morgan Stanley Securities	None	-	-	-	-

Title	Nationality	Name	Gender	Job Commencement Date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Academic Background & Experience	Current positions in other companies	Spouse or relatives of second degree or closer acting as managerial officer			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Senior Specialist	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 Specialist	Republic of China	Huang, Cheng-Che	Male	2020.08.31	0	0	0	0	0	0	Master of Columbia Journalism School, Columbia University Specialist, Sunny Bank	None	-	-	-	-
Senior Specialist	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, JihSun Futures Co., Ltd.	None	-	-	-	-
Senior Specialist	Republic of China	Wang, Han-Yao	Male	2022.03.14	0	0	0	0	0	0	Department of Quantitative Finance, National Tsing Hua University Salesperson, Concord Futures	None	-	-	-	-

Note: Where the chairperson of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of a 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 (such as increase the number of independent directors and no more than half of the directors are employees or managers).

Director Lee, Wen-Chu is appointed as the CEO to meet the long-term development demand of the Company, who will implement the decisions made by the Board of Directors, and improve business performance and management efficiency.

(IV) Remuneration of general directors and independent directors (disclosure of individual names and remuneration methods)

2021 (Unit: Thousands NT\$)

Title	Name	Remuneration to Directors								Remuneration as an employee								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit	Remuneration received from the invested companies other than the subsidiaries and the parent company			
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		Fees for services rendered (D)		The sum of A, B, C and D as a percentage of after-tax profit		Salaries, bonuses, special allowances etc. (E)		Pension (F)		Remuneration to employees (G)						
		The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report			Cash amount	Stock amount	Cash amount
Director	Capital Securities Corp.	0	0	0	0	3,925	3,925	240	240	4,165 0.85%	4,165 0.85%	0	0	0	0	0	0	0	0	4,165 0.85%	4,165 0.85%	0
Chairman	Capital Securities Corp. Representative: Tim Sun (Note 2)	8,922	8,922	4,772 (Note 3)	4,772 (Note 3)	0	0	25	3,275	13,719 2.80%	16,969 3.46%	900	900	0	0	0	0	0	0	14,619 2.98%	17,869 3.65%	0
Chairman	Capital Securities Corp. Representative: Lee, Wen-Chu (Note 2)	2,794	2,794	29	29	0	0	15	15	2,838 0.58%	2,838 0.58%	391	391	0	0	92	0	92	0	3,321 0.68%	3,321 0.68%	0
Director	Capital Securities Corp. Representative: Wang, Jiunn-Chih	0	0	0	0	0	0	40	40	40 0.01%	40 0.01%	0	0	0	0	0	0	0	0	40 0.01%	40 0.01%	54,302
Director	Capital Securities Corp. Representative: Liu, Ching-Tsun	0	0	0	0	0	0	160	160	160 0.03%	160 0.03%	0	0	0	0	0	0	0	0	160 0.03%	160 0.03%	7,696
Director	Hung Yeh Investment Co., Ltd	0	0	0	0	1,308	1,308	160	160	1,468 0.30%	1,468 0.30%	0	0	0	0	0	0	0	0	1,468 0.30%	1,468 0.30%	0
Director	Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui	0	0	0	0	0	0	0	0	0 0%	0 0%	0	0	0	0	0	0	0	0	0 0%	0 0%	0
Independent Director	Chen, Kuo-Tay	480	480	0	0	654	654	110	110	1,244 0.25%	1,244 0.25%	0	0	0	0	0	0	0	0	1,244 0.25%	1,244 0.25%	0
Independent Director	Hsiao, Nai-Ching	480	480	0	0	654	654	90	90	1,224 0.25%	1,224 0.25%	0	0	0	0	0	0	0	0	1,224 0.25%	1,224 0.25%	0
Independent Director	Chuang, Chih-Chen (Note 2)	185	185	0	0	249	249	50	50	484 0.10%	484 0.10%	0	0	0	0	0	0	0	0	484 0.10%	484 0.10%	0
Independent Director	Wu, Yung-Sheng (Note 2)	295	295	0	0	405	405	45	45	745 0.15%	745 0.15%	0	0	0	0	0	0	0	0	0	0	0

1. Please describe the remuneration policy, system, standard and structure of independent directors, and describe the linkage to the remuneration amount according to the responsibilities, risks, time, and other factors:

In addition to the responsibilities of the Board of Directors, all independent directors of the Company also serve as the audit committee and remuneration committee. The remuneration of the independent directors of the Company are determined in accordance with the Company Act and Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, considering factors such as directors' participation in the

Company's operations, contribution, and operational performance. It is stipulated in the Company's Articles of Association where the extent of its participation in the Company's operations and the value of its contributions are determined compared to the industry level where a reasonable remuneration different from directors will also be determined.

2. Other than those disposed in the Table above, remuneration received by directors in the recent year for services provided (e.g. serving as a consultant to all non-employees of the parent company/companies in the financial report/reinvested enterprises, etc.): 0.

Note 1: The driver's compensation is NT\$1,081 thousand dollars.

Note 2: Tim Sun was discharged on August 26, 2021, Chuang, Chih-Chen was discharged on May 20, 2021, and Wu, Yung-Sheng was elected (in office) on May 20, 2021.

Note 3: The amount of retirement pension contribution was NT\$ 4,772 thousand dollars.

## Table of salaries scale

Remunerations to individual directors in respective brackets along the salaries scale	Name of director			
	Total of the aforementioned 4 items (A+B+C+D)		Total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company	All companies shown in the financial report (H)	The Company	All companies shown in the financial report (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; Chuang, Chih-Cheng; Wu, Yung-Sheng	Capital Securities Corp. Representative: Liu, Ching-Tsun Capital Securities Corp. Representative: Wang, Jiunn-Chih Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui; Chuang, Chih-Cheng; Wu, Yung-Sheng	Capital Securities Corp. Representative: Liu, Ching-Tsun Capital Securities Corp. Representative: Wang, Jiunn-Chih Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui; Chuang, Chih-Cheng; Wu, Yung-Sheng	Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui; Chuang, Chih-Cheng; Wu, Yung-Sheng
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	Hung Yeh Investment Co., Ltd, Chen, Kuo-Tay; Hsiao, Nai-Ching	Hung Yeh Investment Co., Ltd, Chen, Kuo-Tay; Hsiao, Nai-Ching	Hung Yeh Investment Co., Ltd, Chen, Kuo-Tay; Hsiao, Nai-Ching	Hung Yeh Investment Co., Ltd, Chen, Kuo-Tay; Hsiao, Nai-Ching
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	Capital Securities Corp. Representative: Lee, Wen-Chu	Capital Securities Corp. Representative: Lee, Wen-Chu	Capital Securities Corp. Representative: Lee, Wen-Chu	Capital Securities Corp. Representative: Lee, Wen-Chu
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	Capital Securities Corp.	Capital Securities Corp.	Capital Securities Corp.	Capital Securities Corp.
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)				Capital Securities Corp.

				Representative: Liu, Ching-Tsun
NT\$10,000,000 ~ NT\$15,000,000 (exclusive)	Capital Securities Corp. Representative: Tim Sun		Capital Securities Corp. Representative: Tim Sun	
NT\$15,000,000 ~ NT\$30,000,000 (exclusive)		Capital Securities Corp. Representative: Tim Sun		Capital Securities Corp. Representative: Tim Sun
NT\$30,000,000 ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 ~ NT\$100,000,000 (exclusive)				Capital Securities Corp. Representative: Wang, Jiunn-Chih
> NTD100,000,000				
Total	7	7	7	7

(V) Since May 20, 2015, the Company has set up an Audit Committee to replace the supervisor, so there is no supervisor's salary and related information.

(VI) Remuneration of President and Executive Vice President (with the name(s) indicated for each remuneration range)

2021 (Unit: Thousands NT\$)

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances etc. (C)		Remuneration to employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration from invested businesses other than the subsidiaries or the parent company
		The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company	All companies shown in the financial report	The Company		All companies shown in the financial report		The Company	All companies shown in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
CEO	Tim Sun (Note)	18,225	18,225	927	927	18,954	18,954	1,015	0	1,015	0	39,121 7.98%	39,121 7.98%	None
CEO	Lee, Wen-Chu (Note)													
President	Lee, Wen-Chu (Note)													
President	Mao, Jen-Hua (Note)													
Senior Executive Vice President	Mao, Jen-Hua (Note)													
Senior Executive Officer	Yang, Yao-Yu													
Senior Executive Officer	Yi, Chien-Hsiung (Note)													
Senior Executive Vice President	Chen, Wen-Tsai													
Executive Vice President	Lin, Li-Juan													
Executive Vice President	Kuo, Shu-Zhen													
Executive Vice President	Huang, Wei-Ben													
Executive Vice President	Chen, Wei-Ting (Note)													
Executive Vice President	Yang, Rui-Ling													
Executive Vice President	Chen, Chi-Hao													

Note: CEO Tim Sun was discharged on August 27, 2021, CEO Lee, Wen-Chu was appointed on September 8, 2021, President Lee, Wen-Chu was discharged on 2021/9/8, President Mao, Jen-Hua was took office on September 8, 2021, Senior Executive Vice President Mao, Jen-Hua was discharged on September 8, 2021, Senior Executive Officer Yi, Chien-Hsiung took office on September 1, 2021, and Executive Vice President Chen, Wei-Ting took office on April 1, 2021.

### Table of salaries scale

The brackets of remunerations to all Presidents and Executive Vice Presidents of the Company	Names of the Presidents and the Executive Vice Presidents	
	The Company	All companies shown in the financial report
<NT\$1,000,000	Tim Sun; Yi, Chien-Hsiung	Tim Sun; Yi, Chien-Hsiung
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	Chen, Wei-Ting	Chen, Wei-Ting
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	Yang, Yao-Yu; Lin, Li-Juan; Kuo, Shu-Zhen	Yang, Yao-Yu; Lin, Li-Juan; Kuo, Shu-Zhen
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	Chen, Wen-Tsai; Huang, Wei-Ben; Yang, Rui-Ling; Chen, Chi-Hao	Chen, Wen-Tsai; Huang, Wei-Ben; Yang, Rui-Ling; Chen, Chi-Hao
NTD5,000,000 ~ NTD10,000,000 (exclusive)	Lee, Wen-Chu; Mao, Jen-Hua	Lee, Wen-Chu; Mao, Jen-Hua
NTD10,000,000 ~ NTD15,000,000 (exclusive)		
NTD15,000,000 ~ NTD30,000,000 (exclusive)		
NTD30,000,000 ~ NTD50,000,000 (exclusive)		
NTD50,000,000 ~ NTD100,000,000 (exclusive)		
> NTD100,000,000		
Total	12	12

(VII) Name of the managers received remuneration and the distribution of remuneration

2021 (Unit: Thousands NT\$)

	Title	Name	Stock amount	Cash amount	Total	As a percentage of net profit after tax (%)
Managerial officer	CEO	Lee, Wen-Chu	0	3,598	3,598	0.73%
	President	Mao, Jen-Hua				
	Senior Executive Vice President	Chen, Wen-Tsai				
	Executive Vice President	Lin, Li-Juan				
	Executive Vice President	Kuo, Shu-Zhen				
	Executive Vice President	Huang, Wei-Ben				
	Executive Vice President	Chen, Wei-Ting				
	Executive Vice President	Yang, Rui-Ling				
	Executive Vice President	Chen, Chi-Hao				
	Assistant Vice President	Chien, Cheng-Chung				
	Senior Vice President	Peng, Chien-Cheng				
	Senior Vice President	Chen, Chih-Chung				
	Senior Vice President	Hsu, Ji-Ching				
	Senior Vice President	Lee, Chung-Wei				
	Senior Vice President	Lai, Han-Sen				
	Senior Vice President	Lin, Xiao-Chian				
	Senior Vice President	Fan, Jhen-Hong				
	Senior Vice President	Ho, Cho-I				
	Vice President	Lian, Jing-Lian				
	Vice President	Chung, Cheng-Huang				
	Vice President	Chen, Tsung-Yu				
	Vice President	Huang, Pei-Luen				
Assistant Vice President	Yu, Po-Liang					
Senior Manager	Chang, Ya-Ju					
Assistant Manager	Cheng, Chao-Ting					

Senior Executive Officer	Yang, Yao-Yu				
Senior Executive Officer	Yi, Chien-Hsiung				
Senior Specialist	Chang, Li-Chiao				
Senior Specialist	Lin, Hsiu-Chu				
Senior Specialist	Liu, Pao-Hua				
Senior Specialist	Chang, Ching-Nan				
Senior Specialist	Wang, Han-Yao				
Senior Specialist	Cho, Cheng-Kang				
Senior Specialist	Chang, Mu-Min				
Senior Specialist	Chang, Su-Fang				
Senior Specialist	Chu, Chun-Chang				
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				

(VIII) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or consolidated financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents and the executive vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Remuneration payment information to The Company Directors supervisor, the President, and Executive Vice President for the past 2 years

Unit: NT\$ Thousand; %

Item		2021		2020	
		The Company	All companies shown in the consolidated report	The Company	All companies shown in the consolidated report
Remuneration for Directors (including independent directors)	Remuneration amount	27,470	30,720	20,247	24,760
	As a percentage of net profit after tax %	5.61%	6.27%	3.25%	3.98%

President's and Executive Vice Presidents' remuneration	Remuneration amount	39,121	39,121	42,398	42,398
	As a percentage of net profit after tax %	7.98%	7.98%	6.81%	6.81%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

(1) The remuneration of the directors of the Company is based on the market and the remuneration level of the same industry, and is paid in accordance with the general standard of the industry with consideration to the individual performance, degree of participation and contribution to the Company's operations, responsibilities, achievement of the Company's operating goals and financial status, evaluation of the rationality of its linkage between the individual and the Company's overall operational performance and future risks, and pay attendance fees based on the actual attendance at the Board of Directors. The remuneration of directors is reviewed by the remuneration committee and the Board of Directors. The remuneration committee regularly evaluates the remuneration of directors and reviews the remuneration system in a timely manner according to the operation and relevant laws and regulations to pursue a balance between the Company's sustainable operation and risk control.

(2) The remuneration of the managerial officers includes salary and bonus, among which the salary refers to the standard of the same industry and their title, rank, academic (experience), professional ability and responsibilities. The Company conducts performance evaluation every year to evaluate the performance of the president and managerial officers within the year.

The bonus is based on the performance evaluation for managerial officers, which includes financial indicators (such as earnings achievement rate, earnings growth rate, market share of sales volume, achievement rate of sales volume, cumulative profit achievement rate, operating expense control rate) and non-financial indicators (such as business planning, leadership, efficiency, professional knowledge, morality and work attitude, compliance with laws and regulations, and risk control). The performance evaluation of presidents and managers, and the corresponding performance bonuses are submitted to the remuneration committee for review.

### III. Corporate governance

#### (I) Governance of the Board of Directors

In the most recent year (2021), the Board of Directors convened 8 meetings (A).

The participation of the directors is enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A)	Remark
Chairman	CAPITAL SECURITIES CORP. Representative: Lee, Wen-Chu	3	0	100%	2021.08.26 Reappointed and in office
Director	CAPITAL SECURITIES CORP. Representative: Wang, Jiunn-Chih	8	0	100%	
Director	CAPITAL SECURITIES CORP. Representative: Liu, Ching-Tsun	8	0	100%	
Director	Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui	8	0	100%	
Independent Director	Chen, Kuo-Tay	8	0	100%	
Independent Director	Hsiao, Nai-Ching	8	0	100%	
Independent Director	Wu, Yung-Sheng	5	0	100%	
Independent Director	Chuang, Chih-Chen	3	0	100%	2021.05.20 Discharged upon expiration of the term of office
Chairman	CAPITAL SECURITIES CORP. Representative: Tim Sun	5	0	100%	2021.08.26 Reappointed and discharged

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:
  - (I) Issues required under Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee.
  - (II) Other than the aforementioned issues, the issue objected by an independent director or where an independent director maintains a qualified opinion with record or documented declaration in a decision resolved by the Board of Directors: 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	Proposal content/reasons for recusal due to conflicts of interest/resolution status
21st meeting of the 8th Board of Directors 2021.01.25	Proposal for ratification: The Board of Directors nominated a candidate for the 9th Board of Directors. <ul style="list-style-type: none"> <li>• Director Lee, Yi-Hui recused herself and did not participate in the discussion and voting of the proposal. The remaining directors present agreed that the proposal was approved as it was.</li> </ul>

	<p>Proposal for ratification: the appointment of the chairman, directors, and supervisors of the subsidiary Capital True Partner Technology. Co., Ltd. and the appointment of the president.</p> <ul style="list-style-type: none"> <li>Chairman Tim Sun and relevant non-voting supervisors recused themselves and did not participate in the discussion and voting of this proposal.</li> <li>Director Wang, Jiunn-Chih, acting chairman, after consulting the opinions of all the other attending directors, agreed that the proposal was approved as it was.</li> </ul> <p>Proposal for ratification: proposal for the 2020 managerial level (inclusive) or above managers performance evaluation result.</p> <ul style="list-style-type: none"> <li>Chairman Tim Sun and relevant non-voting supervisors recused themselves and did not participate in the discussion and voting of this proposal.</li> <li>Director Wang, Jiunn-Chih, acting chairman, after consulting the opinions of all the other attending directors, agreed that the proposal was approved as it was.</li> </ul> <p>Proposal for ratification: proposal for 2020 year-end bonus distribution for supervisors at managerial level (inclusive) and above.</p> <ul style="list-style-type: none"> <li>Chairman Tim Sun and relevant non-voting supervisors recused themselves and did not participate in the discussion and voting of this proposal.</li> <li>Director Wang, Jiunn-Chih, acting chairman, after consulting the opinions of all the other attending directors, agreed that the proposal was approved as it was.</li> </ul>
<p>22nd meeting of the 8th Board of Directors 2021.03.25</p>	<p>Proposal for ratification: proposal for reviewing the 2021 Annual General Meeting of Shareholders' candidates for directors and independent directors.</p> <ul style="list-style-type: none"> <li>The list of nominees was reviewed one by one where Chairman Tim Sun, Director Wang, Jiunn-Chih, Director Liu, Ching-Tsun, Director Lee, Yi-Hui, Independent Director Chen, Kuo-Tay and Independent Director Hsiao, Nai-Ching recused and did not participate in the discussion and voting of this proposal due to conflict of interests. During Chairman Tim Sun's recusal, Director Wang, Jiunn-Chih acted as Chairman. All the remaining directors present agreed that the proposal was approved as it was.</li> </ul> <p>Proposal for ratification: proposal to terminate the non-competition restriction on directors and their representatives of the company.</p> <ul style="list-style-type: none"> <li>The list of candidates was discussed one by one. Chairman Tim Sun, Director Wang, Jiunn-Chih, Director Liu, Ching-Tsun and Director Lee, Yi-Hui recused in the discussion and voting of this proposal due to conflicts of interests. During Chairman Tim Sun's recusal, Director Wang, Jiunn-Chih acted as Chairman. All the remaining directors present agreed that the proposal was approved as it was.</li> </ul>
<p>23rd meeting of the 8th Board of Directors 2021.05.21</p>	<p>Proposal for ratification: proposal for the Company's 2020 remuneration distribution for supervisors at managerial level (inclusive) and above.</p> <ul style="list-style-type: none"> <li>Chairman Tim Sun and relevant non-voting supervisors recused themselves and did not participate in the discussion and voting of this proposal.</li> <li>Director Wang, Jiunn-Chih, acting chairman, after consulting the opinions of all the other attending directors, agreed that the proposal was approved as it was.</li> </ul> <p>Proposal for ratification: The proposal for the Company's 2020 director's remuneration distribution.</p> <ul style="list-style-type: none"> <li>All directors and independent directors have recused due to conflicts of interests, and did not participate in the discussion and voting of this proposal.</li> <li>During Chairman Tim Sun's recusal, Director Wang, Jiunn-Chih acted as Chairman. All the remaining directors present agreed that the proposal was approved as it was.</li> </ul>
<p>2nd meeting of 9th Board of Directors 2021.06.24</p>	<p>Proposal for ratification: Appointment proposal of the 5th Remuneration Committee member.</p> <ul style="list-style-type: none"> <li>Independent directors Chen, Kuo-Tay and Hsiao, Nai-Ching recused due conflicts of interests and did not participate in the discussion and voting of this</li> </ul>

	proposal. All the remaining directors present agreed that the proposal was approved as it was.
3rd meeting of 9th Board of Directors 2021.08.26	<p>Proposal for ratification: The proposal for the Company's 2021 1st half festival bonus and the Securities Proprietary Trading Dept. bonus distribution for supervisors at managerial level (inclusive) and above.</p> <ul style="list-style-type: none"> <li>• President Lee, Wen-Chu and the supervisor in attendance recused and did not participate in the discussion and voting of this proposal.</li> <li>• All the directors present agreed that the proposal was approved as it was, and the festival bonus of CEO Tim Sun was paid according to the amount listed in the table.</li> </ul> <p>Proposal for ratification: Proposal for the Company's Board of Directors' travel expenses, attendance fees and functional committee attendance fees.</p> <ul style="list-style-type: none"> <li>• After the independent directors recused, all the attending directors agreed to approve the independent director's travel expenses, attendance fee and functional committee attendance fee.</li> <li>• After the non-independent director recused, Chen, Kuo-Tay, the independent director acting as chairman, and all the independent directors present agreed to approve the non-independent director's travel expenses and attendance fees.</li> </ul>
4th meeting of 9th Board of Directors 2021.09.08	<p>Proposal for ratification: proposal for the chairman concurrently acting as CEO of the Company, and its salary schedule.</p> <ul style="list-style-type: none"> <li>• Chairman Lee, Wen-Chu recused and did not participate in the discussion and voting of this proposal.</li> <li>• Director Wang, Jiunn-Chih acted as the chairman, and the remaining directors agreed that the proposal was approved as it was.</li> </ul> <p>Proposal for ratification: Change of directors of a subsidiary company.</p> <ul style="list-style-type: none"> <li>• Chairman Lee, Wen-Chu and relevant non-voting supervisors recused and did not participate in the discussion and voting of this proposal.</li> <li>• Director Wang, Jiunn-Chih acted as the chairman, and the remaining directors agreed that the proposal was approved as it was.</li> </ul> <p>Proposal for ratification: proposal for reassigning the representative of the director of Taiwan Futures Exchange.</p> <ul style="list-style-type: none"> <li>• Chairman Lee, Wen-Chu recused and did not participate in the discussion and voting of this proposal.</li> <li>• Director Wang, Jiunn-Chih acted as the chairman, and the remaining directors agreed that the proposal was approved as it was.</li> </ul>

III. Exchange-Listed and OTC-Listed Companies shall disclose the evaluation cycle and period, evaluation scope, method and evaluation content of the Board of Directors' self (or peers) evaluation, and fill in the attached table 2 (2) The Implementation of The Board of Directors Evaluation:

## The implementation of the Board of Directors evaluation

Evaluation Cycle	Evaluation performed once a year																							
Evaluation Period	January 1, 2021 ~ December 31, 2021																							
Evaluation Scope	Whole board of directors, each director and functional committees																							
Evaluation Method	Board of directors' internal self-evaluation, directors' self-evaluation and members of functional committees' self-evaluation																							
Evaluation Content	(I) Board of directors' evaluation																							
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(V)	Ethical Management Committee Performance Evaluation		
	Evaluation Index	Evaluation Item	Evaluation Result
	A. Level of participation in the Company's operations	4	5.00
	B. Awareness of Duties of Ethical Management Committee	3	4.78
	C. Improvement on the quality of Ethical Management Committee's decision	7	5.00
	D. Ethical Management Committee's composition and structure	3	5.00
	2021 the Company's evaluation:		
	(I) The average score of the board's evaluation was 4.93, which was "excellent"		
	(II) The average score of each directors' evaluation was 4.94, which was "excellent"		
	(III) The average score of Remuneration Committee's evaluation was 4.96, which was "excellent"		
	(IV) The average score of Audit Committee's evaluation was 4.93, which was "excellent"		
	(V) The average score of Audit Committee's evaluation was 4.95, which was "excellent"		

IV. The objective of the current year and the most recent year to strengthen the board's functions (such as the establishment of an audit committee, improve information transparency, etc.) and implementation evaluation.

- (I) To strengthen the functions of the Board of Directors, the Company has set up functional committees such as the Remuneration Committee, Audit Committee and Ethical Management Committee under the Board of Directors to strengthen corporate governance and incorporate the professional and independent functions of the Board of Directors.
- (II) Establish a Fair Customer Treatment Committee, which is composed of the president, the administration department, the internal auditing department, the legal compliance supervisor, the corporate governance supervisor, and senior management personnel of various business units. It is responsible for the planning and implementation of the Treating Customer Fairly Principle (At least once a year) and report to the Board of Directors to ensure the implementation Treating Customer Fairly Principle.
- (III) To implement corporate governance and enhance the functions of the Board of Directors and functional committees, the Company has formulated the "Performance Evaluation Criteria for the Board of Directors and Functional Committees" and conducts performance evaluations of the Board of Directors and functional committees every year.
- (IV) There are special personnel in charge of the matters that the competent authority stipulates to be announced and the major information in Chinese and English will be disclosed on the MOPS website.

(II) The state of operations of the Audit Committee or the state of participation in board meetings by the supervisors: Number of meetings; rate of attendance (or of attendance as a non-voting participant) of each independent director or supervisor; and any other matters that require reporting:

The Audit Committee of the Company is composed of three independent directors, and the qualifications of the three members are all in compliance with the regulations of the competent authorities. The operation and objective of the audit committee are based on the fair representation of the Company's financial statements, the selection (dismissal), independence and performance of certified accountants, the effective implementation of the Company's internal control, compliance with relevant laws and regulations, and the management and control of the Company's existing or potential risks.

The official power of the audit committee: formulate or amend the internal control system, assess the effectiveness of the internal control system, formulate or amend company regulations such as the acquisition or disposal of assets, a matter bearing on the personal interest of a director, critical asset or derivative product trading, critical capital lending, endorsement, or guarantee, offering, issuance or private placement of equity securities, appointment, dismissal or remuneration of certified accountants, appointment and dismissal of a chief financial officer, chief accounting officer or chief internal auditor, annual and interim financial reports, and other major matters stipulated by the Company or the competent authority.

#### Operation Status of the Audit Committee

In the most recent year (2021), the Company's Audit Committee convened a total of five meetings (A) where the facts of participation by the independent directors are enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A)	Remark
Independent Director	Chen, Kuo-Tay	5	0	100%	Convener
Independent Director	Hsiao, Nai-Ching	5	0	100%	
Independent Director	Wu, Yung-Sheng	3	0	100%	Elected (took office) on May 20, 2021
Independent Director	Chuang, Chih-Chen	2	0	100%	Discharged upon expiration of the term of office on May 20, 2021

Other remarks:

I. Where any one among those enumerated below exists as the performance by the Audit Committee, the convention date, term, contents of agenda, outcome of the decision resolved in the Audit Committee as well as the Company's opinions toward the Audit Committee's opinions should be expressly remarked.

(I) Issues required under Article 14-5 of the Securities and Exchange Act.

Date and time of the Board of Directors meeting	Discussion	Resolution of the Audit Committee	The Company's response to the opinions of Audit Committee
22nd meeting of the 8th Board of Directors 2021.03.25	<ul style="list-style-type: none"> <li>The Company 2020 business report and consolidated and individual financial statements.</li> <li>Proposal for the Company's distribution of capital reserve by cash.</li> <li>Since the first quarter of 2021, the certified accountants of the financial report have been replaced by accountants Li, Feng-Hui and Chung, Tan-Tan to accountants Wu, Cheng-Yen and Chung, Tan-Tan.</li> <li>Offset the delinquent creditor's rights of the Company.</li> <li>Proposal for 2020 statement on the effective implementation of internal control system for anti-money laundering and counter-terrorism financing.</li> <li>Proposal for 2020 statement on the effective design and implementation of internal control system.</li> </ul>	14th meeting of the 2nd Board of Directors 2021.03.15 <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by all the members, and submitted to the Board of Directors for resolution.</li> </ul>	Resolution of Board of Directors: The proposal was approved by all present directors.
	<ul style="list-style-type: none"> <li>The 2020 distribution of earnings of the Company.</li> <li>2020 Annual Overall Information Security Implementation Statement.</li> </ul>	<ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved after amendment to the appendix with all the members, and submitted to the Board of Directors for review.</li> </ul>	
3rd meeting of 9th Board of Directors 2021.08.26	<ul style="list-style-type: none"> <li>The Company's 2021 certified accountant independence assessment.</li> <li>Individual and Consolidated Financial Report for the 1st Half of 2021 (January 1 to June 30)</li> <li>Amendment to the Company's Internal Control System.</li> </ul>	2nd meeting of the 3rd Board of Directors 2020.08.13 <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by all the members, and submitted to the Board of Directors for resolution.</li> </ul>	Resolution of Board of Directors The proposal was approved by all present directors.
5th meeting of 9th Board of Directors 2021.11.11	Discussion Matters <ul style="list-style-type: none"> <li>2022 Annual Quotation of Accountants' Auditing Fees</li> <li>2022 Audit Plan.</li> <li>Disposal and repurchase of long-term investment stocks.</li> </ul>	3rd meeting of the 3rd Board of Directors 2021.11.01 <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by all the members, and submitted to the Board of Directors for review.</li> </ul>	Resolution of Board of Directors The proposal was approved by all present directors.

(II) Except the aforementioned issue, other issue not yet resolved in the Audit Committee but has been duly resolved by two-thirds majority of the total number of director seats: 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. Facts of communications by and between independent directors and Internal Audit Head as well as Certified Public Accountant(s) (should include issues regarding the Company's finance, financial conditions, facts in business operation and such key issues, the method of communications and the outcome thereof):

(I) Communication methods between independent directors and the internal audit head:

1. After the internal audit report and follow-up report of the Company are presented, a written summary of the review of the previous month shall be sent to the independent directors for review.
2. The Company's internal audit head regularly attends the Board of Directors to report internal audit findings, violations and improvements, and report to independent directors the results of the audit report and the implementation of the follow-up report.
3. If the independent directors have questions or suggestions on the internal audit report or other audit matters, they will directly contact the internal audit head, and communicate or exchange opinions in person at the audit committee and board meetings.

4. Dates and communication for this fiscal year:

Date	Meeting	Agenda	Opinions of independent directors/implementation
2021.03.15	Audit Committee	<ul style="list-style-type: none"> <li>• 2020 Annual Overall Information Security Implementation Statement</li> <li>• 2020 Anti-Money Laundering and Counter-Terrorism Financing Internal Control System Declaration</li> </ul>	<ul style="list-style-type: none"> <li>• The proposal was approved by all the members and submitted to the Board of Directors</li> </ul>
2021.03.25	Board of Directors	<ul style="list-style-type: none"> <li>• Proposal for 2020 Design and Implementation Declaration of Internal Control System</li> </ul>	<ul style="list-style-type: none"> <li>• The proposal was approved by all the members</li> </ul>
2021.05.11	Board of Directors	<ul style="list-style-type: none"> <li>• Internal audit report</li> </ul>	<ul style="list-style-type: none"> <li>• The items that were adjudicated or corrected by the FSC are listed in the audit report.</li> </ul>
2021.08.13	Audit Committee	<ul style="list-style-type: none"> <li>• Internal audit report</li> <li>• Amendment to the Company's Internal Control System</li> </ul>	<ul style="list-style-type: none"> <li>• The proposal was approved by all the members and submitted to the Board of Directors</li> </ul>
2021.08.26	Board of Directors		<ul style="list-style-type: none"> <li>• The proposal was approved by all the members</li> </ul>
2021.11.01	Audit Committee	<ul style="list-style-type: none"> <li>• Internal audit report</li> <li>• 2022 Audit Plan</li> </ul>	<ul style="list-style-type: none"> <li>• The proposal was approved by all the members and submitted to the Board of Directors</li> </ul>
2021.11.11	Board of Directors		<ul style="list-style-type: none"> <li>• The proposal was approved by all the members</li> </ul>
2021.11.11	Forum	<ul style="list-style-type: none"> <li>• Audit plan for each business</li> <li>• Reporting mechanism for defects and irregularities</li> </ul>	<ul style="list-style-type: none"> <li>• Audit supervisor and independent directors discussion and communication</li> </ul>

(II) Communication method between the independent directors and CPAs:

1. The certified accountants of the Company regularly describe the process and scope of auditing the Company's financial statements to the audit committee every six months, and fully discuss with the independent directors. Each year, the CPA hosts a forum with the independent directors to communicate the auditing plan and key audit matters.

2. If the independent directors have any questions about the contents of the financial report or other financial matters and make suggestions, they can discuss or exchange opinions in person at the meeting.

3. Dates and communication for this fiscal year:

Date	Meeting	Participating Finance Officer and Accountants	Agenda	Opinions of independent directors/implementation
2021.03.15	Audit Committee	Head of accounting Lin, Li-Juan KPMG CPA Li, Feng-Hui CPA Wu, Cheng-Yen	<ul style="list-style-type: none"> <li>The Company's 2020 business report and consolidated and individual financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Accountant's statement: an unqualified opinion will be issued after the review</li> <li>The proposal was approved by all the members and submitted to the Board of Directors</li> </ul>
2021.03.25	Board of Directors			<ul style="list-style-type: none"> <li>The proposal was approved by all the members</li> </ul>
2021.08.13	Audit Committee	Head of accounting Lin, Li-Juan KPMG CPA Wu, Cheng-Yen	<ul style="list-style-type: none"> <li>Individual and Consolidated Financial Report for the 1st Half of 2021 (January 1 to June 30)</li> </ul>	<ul style="list-style-type: none"> <li>The accountant description: no significant discrepancy were found during the audit, and there was no independent issue that caused the audit to be biased</li> <li>The proposal was approved by all the members and submitted to the Board of Directors</li> </ul>
2021.08.26	Board of Directors			<ul style="list-style-type: none"> <li>The proposal was approved by all the members</li> </ul>
2021.11.11	Forum	KPMG CPA Wu, Cheng-Yen	<ul style="list-style-type: none"> <li>Accountant audit work planning and communication of key audit matters</li> <li>Accountant audit to ensure independence</li> </ul>	<ul style="list-style-type: none"> <li>The accountant will describe in detail one by one to ensure the professionalism, fairness and independence of the audit operation</li> </ul>

(III) If the Company has established a Remuneration Committee, its composition and operation shall be disclosed:

The Company has set up a Remuneration Committee whose composition, responsibilities and operations are as follows:

The Company's Remuneration Committee has three members, all of whom meet the requirements of the competent authority.

Remuneration committee member shall exercise the care of a good administrator in faithfully participants the conclusion the official powers listed below, and shall submit its recommendations for deliberation by the Board of Directors:

1. Prescribe and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

The Committee shall perform the above mentioned duties based on the following principles:

1. With respect to the performance assessment and remuneration of directors and managerial officers 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.
2. No suggestions are made to guide directors and managerial officers to engage in acts that may exceed the Company's risk appetite to pursue own salary and remuneration.
3. The specificity of the industry and the nature of the Company's business shall be considered when determining the proportion of profit sharing for short-term performance and the changes in the payment time of part of the salary and remuneration of directors and executives.

Information on the operation of the Remuneration Committee:

(1) Information on the members of the Remuneration Committee

Identity		Qualification	Professional qualification and experience	Compliance of independence	March 31, 2022 Number of other public companies where the members are also the members of the remuneration committee of these companies.
Convener of Independent Director	Chen, Kuo-Tay		Please refer to page 18 for the disclosure of professional qualification of the directors and independence of directors		0
Independent Director	Hsiao, Nai-Ching				0

Committee	Li, Shen-Yi	<ul style="list-style-type: none"> <li>• With at least five years of work experience or have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</li> <li>• Former second and third supervisory committee members and an independent director of EnTie Commercial Bank. Currently an independent director of Win Semiconductors, a director of PharmaEssentia Corporation, and Nan Ya Plastics Corporation.</li> <li>• Does not meet any descriptions stated in Article 30 of The Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>• Not employed by the company or any of its affiliated companies.</li> <li>• Not a director, supervisor of the company or any its affiliated companies.</li> <li>• 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.</li> <li>• Not the spouse, the kindred to the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managerial officers stated in Subparagraph 1 or other roles stated aforementioned Subparagraph.</li> <li>• Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the company according to Paragraph 1 or 2, Article 27 of Company Act.</li> <li>• Not a director, supervisor or employee of a company controlling over one half of the company director seats or voting shares under one person.</li> <li>• Not a director, supervisor or employee of a company or institution whose chairperson and president or equivalent role is same person or its spouse.</li> <li>• A director, supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</li> <li>• Not a professional or owner, partner, director, supervisor, managerial officer or the spouse of these roles of a sole proprietorship, partnership, company or institution that audits</li> </ul>	2
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			or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 over the last two years for the company or its affiliates; except for members of the remuneration committee, public tender offer review committee or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations.	
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(2) Information on the operation of the Remuneration Committee

1. The Company's Remuneration Committee has three Committee members in total.
2. Tenure of Committee members in the current session: June 24, 2021 ~ May 19, 2024

In 2021, the Remuneration Committee convened 7 meetings (A). The qualifications and participation facts of the Committee members are enumerated below:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remark
Independent Director	Chen, Kuo-Tay	7	0	100%	Convener
Independent Director	Hsiao, Nai-Ching	3	0	100%	Took office on June 24, 2021
Committee	Li, Shen-Yi	7	0	100%	
Independent Director	Chuang, Chih-Chen	4	0	100%	Discharged upon expiration of the term of office on 2021.05.20

Important matters of the Remuneration Committee in the most recent year are as follows:

Remuneration Committee	Discussion/Resolution/Implementation:	Attended Committee Member
18th meeting of the 4th Remuneration Committee 2021.01.12	<p>Proposal for ratification: The salary case of the change of the head of the Managed Futures department</p> <ul style="list-style-type: none"> <li>The proposal is approved after the chairman consults and discusses with all members, and it shall be submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: Amendment of "Guideline for festival bonuses distribution"</p> <ul style="list-style-type: none"> <li>The proposal will refer to the suggestions of the committee members after the chairman consults and discusses with all members, and it shall be submitted to the Board of Directors for review.</li> <li>The Finance Department is requested to discuss and review the guideline whether the descriptions of each clause conform to the original intended calculation and accounting principles.</li> </ul>	Chuang, Chih-Chen Li, Shen-Yi Chen, Kuo-Tay

	<p>Proposal for ratification: Proposal for 2020 year-end bonus based on two-month basic salary</p> <ul style="list-style-type: none"> <li>The proposal is approved after the chairman consults and discusses with all members, and it shall be submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: 2020 annual performance evaluation result for supervisors at managerial-level (inclusive) and above</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members, and submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: The proposal for 2020 year-end bonus distribution for supervisors at managerial-level (inclusive) and above</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved with amendments on the appendix by the chairman after consultation with all the members, and submitted to the Board of Directors for review.</li> </ul>	
19th meeting of the 4th Remuneration Committee 2021.01.25	<p>Proposal for ratification: The proposal for second half of 2020 festival bonus distribution for supervisors at managerial-level (inclusive) and above</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation and amendment with all the members, and submitted to the Board of Directors for review.</li> </ul>	Chuang, Chih-Chen Li, Shen-Yi Chen, Kuo-Tay
20th meeting of the 4th Remuneration Committee 2021.03.15	<p>Proposal for ratification: Amendment of the Company's "Guideline for festival bonuses distribution"</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation and amendment to Note 3, and Subparagraph 1 and 2, Paragraph 1, Article 3.</li> </ul> <p>Proposal for ratification: Amendment of the Company's "Guideline for Securities IB Direct Sales Bonus"</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members, and submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for the change in deputy heads of the Company's Internal Auditing Department, Compliance &amp; Legal Department</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation and amendment. Please submit it to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for the change in remuneration to the managerial officer of Taichung Branch</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation and amendment. Please submit it to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for the change in remuneration to the deputy head of Direct Sales Department</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members, and submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for the 2021 promotion of supervisors at managerial level (inclusive) and above</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members, and submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for the Company's 2020 remuneration distribution for employees and directors</p> <ul style="list-style-type: none"> <li>This proposal was approved by the chairman after consultation with all</li> </ul>	Chuang, Chih-Chen Li, Shen-Yi Chen, Kuo-Tay

	<p>the members after Executive Vice President Lin, Li-Juan and the senior executive vice president Chen, Wen-Tsai describe the calculation method of the annual remuneration ratio of directors and employees in detail. Please submit it to the Board of Directors for review and report to the General Meeting of shareholders.</p>	
<p>21st meeting of the 4th Remuneration Committee 2021.04.22</p>	<p>Proposal for ratification: proposal for the Company's 2021 salary adjustment for supervisors at managerial-level (inclusive) and above</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members. Please submit this proposal to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for the Company's 2020 employee compensation (cash)</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members. Please submit this proposal to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for the Company's 2020 director's remuneration distribution.</p> <ol style="list-style-type: none"> <li>The attendee left after proposal description</li> <li>Except for the remuneration amount of independent director Chen and independent director Chuang, the remuneration of other directors was approved by Chairman Chuang, Chih-Cheng after consulting all the members.</li> <li>The section of this proposal concerning the amount of remuneration of independent director Chen, was approved by the chairman after consulting the committee members present after his recusal from the meeting.</li> <li>The section of the proposal concerning the remuneration of independent director Chuang, was approved by the acting chairman Li, Shen-Yi after consulting the members present after his recusal from the meeting.</li> </ol>	<p>Chuang, Chih-Chen Li, Shen-Yi Chen, Kuo-Tay</p>
<p>1st meeting of the 5th Remuneration Committee 2021.08.13</p>	<p>Proposals for ratification: proposal for the election of the convener and chairman of the 5th Remuneration Committee of the Company</p> <ul style="list-style-type: none"> <li>The convener and chairman of the 5th Remuneration Committee was elected by all the committee members unanimously and Chen, Kuo-Tay was elected as the chairman.</li> </ul> <p>Proposals for ratification: proposal for the Company's Board of Directors' travel expenses, attendance fees and other functional committee attendance fees</p> <ol style="list-style-type: none"> <li>Regarding the travel expenses, attendance fees and the attendance fees of the functional committees for independent directors, independent directors Chen, Kuo-Tay and Hsiao, Nai-Ching recused from participating in the discussion and voting due to conflicts of interests. Li, Shen-Yi, the acting chairman of the meeting, agreed to approve the proposal and submit it to the Board of Directors for resolution.</li> <li>Regarding the travel expenses and attendance fees of other directors of the Board of Directors, all the committee members agreed to approve and submit the resolution to the Board of Directors as set out in the description.</li> <li>Regarding the attendance fee of non-director members of the functional committee, member Li, Shen-Yi recused from participating in the discussion and voting due to conflicts of interests. The remaining members present agreed to pass the resolutions as set out in the instructions and submit them to the Board of Directors for resolutions.</li> </ol> <p>Proposals for ratification: Remuneration case for the employment of special committee member Yi, Chien-Hsiung of the president's office</p>	<p>Chen, Kuo-Tay Hsiao, Nai-Ching Li, Shen-Yi</p>

	<ul style="list-style-type: none"> <li>After the attendees have completed the review, the chairman consults all members for discussion, and the proposal will be approved after amendment and submitted to the Board of Directors for review.</li> </ul> <p>Proposals for ratification: remuneration proposal for CSC Futures (HK) newly appointed acting managing director</p> <ul style="list-style-type: none"> <li>After this proposal has been reviewed by the attendees, the chairman consults all members for discussion, and please refer to the amendments made by member Li on this proposal. This proposal will be approved after amendment and submitted to the Board of Directors for review.</li> </ul> <p>Proposals for ratification: Amendment to the performance evaluation guideline of the Company’s Board of Directors and functional committees</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved after the chairman consults all members for discussion and amendment. Please refer to the amendments made by members Li and Hsiao and submit the proposal to the Board of Directors for review.</li> </ul> <p>Proposals for ratification: Review of the effectiveness of the pilot project of sales and referral bonus for leveraged trading business and amendment to the criteria for sales and referral bonus for leveraged trading business</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved after the chairman consults all members for discussion and amendment. Please submit the proposal to the Board of Directors for review.</li> </ul> <p>Proposals for ratification: to formulate the curriculum and commodity bonus criteria for Futures Advisory Department</p> <ul style="list-style-type: none"> <li>The chairman of this proposal consults all members for discussion. The content of the discussion on this proposal is amended and approved with reference to the opinions of committee member Hsiao, and submitted to the Board of Directors for review.</li> </ul> <p>Proposals for ratification: proposal for the Company’s 1st half of 2021 manager-level and above festival bonus and Securities Proprietary Trading Dept. bonus distribution</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation and amendment with all the members, and submitted to the Board of Directors for review.</li> </ul>	
<p>2nd meeting of the 5th Remuneration Committee 2021.09.08</p>	<p>Proposal for ratification: proposal for the chairman concurrently acting as CEO of the Company, and its salary schedule.</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members, and submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: HR proposal for the Company’s new President</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members, and submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for remuneration for the promotion and change of supervisors at managerial level and above</p> <ul style="list-style-type: none"> <li>The attendee left after proposal description, and the proposal was approved by the chairman after consultation with all the members, and submitted to the Board of Directors for review.</li> </ul>	<p>Chen, Kuo-Tay Hsiao, Nai-Ching Li, Shen-Yi</p>
<p>3rd meeting of the 5th Remuneration Committee 2021.11.01</p>	<p>Proposal for ratification: Amendment of the Company’s “Guideline for festival bonuses distribution”</p> <ul style="list-style-type: none"> <li>The proposal is approved after the chairman consults and discusses with all members, and it shall be submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: proposal for the remuneration change for the head of Futures Advisory Department</p> <ul style="list-style-type: none"> <li>The proposal was approved after the chairman consulted with all members</li> </ul>	<p>Chen, Kuo-Tay Hsiao, Nai-Ching Li, Shen-Yi</p>

	<p>for discussion and amendment of the description 1 text. It is submitted to the Board of Directors for review.</p> <p>Proposal for ratification: proposal for a special bonus to be awarded to the former Chairman Tim Sun</p> <ul style="list-style-type: none"> <li>• The proposal is approved after the chairman consults and discusses with all members, and it shall be submitted to the Board of Directors for review.</li> </ul> <p>Proposal for ratification: Proposal for 2021 year-end bonus based on two-month basic salary</p> <ul style="list-style-type: none"> <li>• The proposal is approved after the chairman consults and discusses with all members, and it shall be submitted to the Board of Directors for review.</li> </ul>	
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Other remarks:

- I. Where the board of directors does not adopt or amend the proposal(s) posed by the Remuneration Committee: The Company shall expressly elaborate on the date, term while the board of directors meeting was convened, contents of the issues, outcome of decisions resolved in the board of directors and the Company's response to the opinions posed by the Remuneration Committee (For instance, if the salary pay resolved by the board of directors is higher than that proposed by the Remuneration Committee, the Company should elaborate on the fact of differential gap and the cause thereof): None.
- II. Where a decision resolved in the Remuneration Committee is found in contravention of rules or in qualified opinion as verified with records or documented declaration, the Company shall expressly elaborate on the date, terms of the meeting convened by the Remuneration Committee, contents of agenda, opinions of all members and acts taken in response to such opinions: None.

(IV) Performance in corporate governance and the differential gap between corporate governance and Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and the cause thereof:

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
I. Will the Company based on the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” set up and disclose the Company’s corporate governance best-practice principles?	V		The Company has formulated the Corporate Governance Best-Practice Principle and disclosed it on the Company’s website and MOPS in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and “Corporate Governance Best-Practice Principles for Futures Commission Merchants”.	No major discrepancy
II. Shareholding structure and shareholders’ equity			(I) The Company’s “Corporate Governance Best-Practice Principles” stipulates that a designated person is responsible for the collection and disclosure of corporate information, and a spokesperson system and a procedure guideline for managing shareholders’ suggestions, doubts, disputes and litigation matters has been established to ensure proper implementation. In addition to the “Investor Relations Contact” section on the company’s website where a shareholder services agent is mandated to manage the shareholders’ questions and suggestions.	No major discrepancy
(I) Will the Company have the internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	V			
(II) Will the Company possess the list of the Company’s major shareholders and the list of the ultimate controllers of the major shareholders?	V		(II) The Company governs the shareholding and the list of shareholders according to the shareholder register and the monthly shareholding declaration and disclosed in the annual report in accordance with the regulations.	No major discrepancy

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
(III) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	V		(III) The Company has formulated the “Operational Specifications for Financial Business between Affiliated Companies and Group” to achieve risk control where a firewall mechanism is established and implemented for its affiliated companies. The rest shall be handled in accordance with the regulations of the competent authority.	No major discrepancy
(IV) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		(IV) The Company has established “Administrative Measures for Opening Futures Trading Account for Insiders” and “Measures for Insider Account Opening and Securities Trading Management and Credit Trading Account Opening and Trading” to regulate insiders and other transactions. Prohibit insiders from utilizing the undisclosed information to trade securities and formulate “Procedures for Handling Material Inside Information”.	No major discrepancy
III. The constitution and obligations of the Board of Directors (I) Does the board of directors formulate and implement diversity policies, specific management objectives?	V		(I) In accordance with the reference example of the “XXX Co., Ltd. Procedures for Election of Directors” of TWSE, the Company shall consider the overall configuration of the Board of Directors for the selection and appointment of directors of the Company. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company’s business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards: Basic requirements and values: Gender, age, nationality, and culture. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience. With the Company’s consideration of its own operation, operation type and	No major discrepancy

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			<p>development needs, each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows: ability to make judgments about operations, accounting and financial analysis ability, business management ability, crisis management ability, knowledge of the industry, an international market perspective, leadership ability, decision-making ability.</p> <p>More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.</p> <p>The Board of Directors of the Company consists of 7 directors, 3 of which are independent directors. The Board of Directors of the Company shall give guidance the Company's strategy, supervision to the management level, and be responsible to the Company and shareholders. The operations and arrangements of its corporate governance system shall ensure that the Board of Directors exercises its functions and powers in accordance with laws and regulations, Articles of Association or the resolutions of the General Meeting of shareholders. To meet the needs of the Company's business development, the Board of Directors should be composed of experts and scholars in industry, accounting, management, etc.; members of the board should have business experience, legal or accounting qualifications. In addition, the Company gives focus to gender equality in the composition of the Board of Directors, with at least one female director. There are currently 5 male directors and 2 female directors. Chairman Lee, Wen-Chu, Wang, Jiunn-Chih, Liu, Ching-Tsun and Lee, Yi-Hui all have experience in operation management, financial accounting, law,</p>	

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
(II) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	V		<p>international market and leadership decision-making in the futures, securities, and financial industries. Independent director Chen, Kuo-Tay is a retired professor of the Accounting Department of National Taiwan University, independent director Hsiao, Nai-Ching is a retired judge of the Supreme Court, and independent director Wu, Yung-Sheng was serving as the school consultant of Ming Chuan University and an adjunct professor of the Department of Finance. Please refer to page 11 of this annual report for detailed information on board members.</p> <p>(II) The Company has established audit and remuneration committees in accordance with the law and set up a voluntary ethical management committee to promote the formulation and supervision of the Company's ethical corporate management policies and prevention plans. There are three members, all composed of independent directors who are responsible for reviewing the ethical corporate management policy and prevention plan, supervising the implementation of each department, and regularly reporting to the Board of (at least once a year). Responsibilities include:</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Analyzing and assessing the risks of unethical conduct within the business scope on a regular basis and accordingly adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</li> </ol> <p>The current (2nd) committee is composed of three independent directors,</p>	No major discrepancy

Evaluation Item	Actual governance		Summary description	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies									
	Yes	No											
			<p>Chen, Kuo-Tay, Hsiao, Nai-Ching and Wu, Yung-Sheng. Please refer to page 18 of this annual report for the relevant professional capabilities. The operation status is as follows:</p> <table border="1"> <thead> <tr> <th>Ethical Management Committee</th> <th>Discussion/Resolution</th> <th>Attended Committee Member</th> </tr> </thead> <tbody> <tr> <td>1st meeting of the 2nd Board of Directors 2021.11.1</td> <td> <p>Reporting Matters</p> <ul style="list-style-type: none"> <li>The implementation of ethical corporate management (including the self-assessment form of unethical misconduct risk) from January to September 2021.</li> <li>The handling of customer complaints from January to September 2021.</li> <li>The customer fair treatment KPI implementation from January to September 2021.</li> </ul> <p>Discussion Matters</p> <ul style="list-style-type: none"> <li>Amendment to the “Corporate Governance Best-Practice Principles”</li> <li>Set the Company’s customer fair treatment KPI from October 2021 to September 2022</li> </ul> </td> <td>Chen, Kuo-Tay Hsiao, Nai-Ching Wu, Yung-Sheng</td> </tr> <tr> <td>2nd meeting of the 2nd Board of Directors 2022.03.11</td> <td> <p>Reporting Matters</p> <ul style="list-style-type: none"> <li>Follow up of the unsettled customer complaints before September 2021 and handling of customer complaints from October to December 2021.</li> </ul> <p>Discussion Matters</p> <ul style="list-style-type: none"> <li>The Company’s 2022 “Treating Customer Fairly Principle” Evaluation Form</li> </ul> </td> <td>Chen, Kuo-Tay Hsiao, Nai-Ching Wu, Yung-Sheng</td> </tr> </tbody> </table>	Ethical Management Committee	Discussion/Resolution	Attended Committee Member	1st meeting of the 2nd Board of Directors 2021.11.1	<p>Reporting Matters</p> <ul style="list-style-type: none"> <li>The implementation of ethical corporate management (including the self-assessment form of unethical misconduct risk) from January to September 2021.</li> <li>The handling of customer complaints from January to September 2021.</li> <li>The customer fair treatment KPI implementation from January to September 2021.</li> </ul> <p>Discussion Matters</p> <ul style="list-style-type: none"> <li>Amendment to the “Corporate Governance Best-Practice Principles”</li> <li>Set the Company’s customer fair treatment KPI from October 2021 to September 2022</li> </ul>	Chen, Kuo-Tay Hsiao, Nai-Ching Wu, Yung-Sheng	2nd meeting of the 2nd Board of Directors 2022.03.11	<p>Reporting Matters</p> <ul style="list-style-type: none"> <li>Follow up of the unsettled customer complaints before September 2021 and handling of customer complaints from October to December 2021.</li> </ul> <p>Discussion Matters</p> <ul style="list-style-type: none"> <li>The Company’s 2022 “Treating Customer Fairly Principle” Evaluation Form</li> </ul>	Chen, Kuo-Tay Hsiao, Nai-Ching Wu, Yung-Sheng	
Ethical Management Committee	Discussion/Resolution	Attended Committee Member											
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Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
(III) Does the company establish a method to evaluate board performance and evaluate board performance every year? Are the performance evaluation results reported to the board and used as a reference for the remuneration and nomination for re-election of individual directors?	V		(III) To improve the supervision function and strengthen the management function in the future, it is necessary to consider the size of the Board of Directors and the number of independent directors, risk management establishment, nomination, or other functional committees. The Board of Directors of the Company has established the “Performance Evaluation Guideline for the Board of Directors and Functional Committees”. The scope of evaluation includes the whole Board of Directors, each director and functional committees. The evaluation methods include internal self-evaluation of the Board of Directors and functional committees, self-evaluation by directors or other appropriate methods of performance evaluation. The Company has completed the performance evaluation of the Board of Directors in 2021, and submitted the consolidated evaluation results to the 7th meeting of the 9th Board of Directors on March 11, 2022. All members of the Board of Directors have the professional knowledge required for their positions where the Board of Directors conducts annual performance evaluations based on directors’ attendance and participation in corporate governance education and training.	No major discrepancy
(IV) Will the Company have the independence of the public accountant evaluated regularly?	V		(IV) The Company is audited by professional, responsible and independent certified accountants. The assessment of the independence and competency of the accountants is conducted at least once a year, regarding the size and reputation of the accounting firm, the rotation of accountants, the annual certification services fee for continuous appointments, or matters that are related to penalties or impairing their independence, auditing and taxation service quality and the time limitation. It is approved at the 2nd meeting of the 3rd	No major discrepancy

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			Audit Committee on August 13, 2021, and the 3rd meeting of the 9th Board of Directors on August 26, 2021. CPA Wu, Cheng-Yen and Chung, Tan-Tan of KPMG met the independent evaluation criteria and were qualified to serve as the Company's financial and tax certified accountants. An independent statement letter issued by an accounting firm is disclosed on the Company's website.	
IV. Does a public company equip an appropriate number of eligible governance personnel and assign the governance officer to take charge of company's governance affairs (including, without limitation, providing directors and supervisors with the data required for business operations, assistance for the legal compliance of directors and supervisors, handling affairs related to holding a board meeting or a general meeting of shareholders and producing minutes for board meetings and general meetings of shareholders)?	V		<p>The Executive Vice President of the Company, Chen, Chi-Hao, serving as the "Corporate Governance Officer", has the qualification to practice as a lawyer and has been engaged in legal compliance and legal affairs in financial related institutions and public companies as a supervisor for more than three years. The professional qualifications include the management of the Board of Directors in accordance with the law, matters related to general meeting of shareholders and functional committees, making minutes of the Board of Directors, general meeting of shareholders and functional committees, assisting directors in their appointment and continuing education, providing directors with information needed to execute their business, assisting directors in complying with laws and regulations, matters stipulated in the Articles of Association or contracts of the Company.</p> <p>2021 key points of corporate governance business execution are as follows: Please refer to pages 39-43 of this annual report for the operation of the Board of Directors. Please refer to pages 44-47 of this annual report for the operation of the Audit Committee. Please refer to pages 48-54 of this annual report for the composition, responsibilities and operation of the Remuneration Committee. Please refer to pages 75-81 of this annual report for the Company's implementation of Ethical Corporate Management and the measures taken.</p>	No major discrepancy

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
V. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	V		<p>The Company has a spokesperson, investor relations and customer service center, and their contact information is disclosed on the Company's website for stakeholders to provide various opinions. The Company also has a "Shareholders Information" page on the website, committed to creating the most profit for stakeholders, maintaining good and smooth and diverse communication channels, and identifying problems and corresponding countermeasures.</p> <ul style="list-style-type: none"> <li>• Spokesperson: President Mao, Jen-Hua Tel: (02)2700-2888 e-mail: edward.mao@futures.capital.com.tw</li> <li>• Deputy Spokesperson: Executive Vice President Lin, Li-Juan Tel: (02)2700-2888 e-mail: lily.ll@futures.capital.com.tw</li> <li>• Capital Customer Service Center Tel: 412-8878 (please dial 02 in front for mobile phones)</li> <li>• Capital Service Department Tel: (02)2702-3999</li> </ul>	No major discrepancy
VI. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		The Company has commissioned the Registrar Agency Department of Capital Securities Corp. to handle shareholders affairs.	No major discrepancy
VII. Disclosure of information (I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		(I) The Company's website discloses relevant financial business and corporate governance information and is regularly updated for investors to view.	No major discrepancy
(II) Has the Company adopted other information disclosure methods (such as, establishing an English	V		(II) The Company discloses relevant information to the MOPS of the competent authority in accordance with regulations. 1. The Company has set up an English website.	No major discrepancy

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
<p>website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?</p> <p>(III) Does the company announce and report its financial statements within two months after the end of a fiscal year, and publish and declare in advance the financial statements of Q1, Q2 and Q3 as well as status of monthly operations?</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>2. Operations such as company information collection and disclosure are all performed by relevant departments.</p> <p>3. There are spokespersons and investor relations, and its contact information are disclosed on the company's website to provide investors a convenient communication channel.</p> <p>4. The information and video of the Company's juristic person seminar program are disclosed on the Company's website or MOPS.</p> <p>(III) For the audit and review of the financial report of the Company, before appointing an accountant to issue an audit opinion to the merged company, it is necessary to obtain sufficient and appropriate audit proof for all the entities of the merged company (including all domestic and foreign subsidiaries); however, obtaining sufficient and appropriate audit evidence requires time and it is difficult for the Company to announce and report the annual financial report within two months after the end of the fiscal year. The Company is still discussing the audit schedule with the accountant to comply with corporate governance.</p>	No major discrepancy
VIII. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk	V		<p>(I) Employee rights and interests: The Company has established various personnel management regulations, as well as "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" and "Guidelines of Using Employee Opinion Boxes". All workers can put forward opinions on business content, operating procedures, administrative measures, rules and regulations, and opinions regarding to helping business operations, or infringing or affecting personal rights and interests.</p> <p>(II) Employee care: The Company provides various statutory leave and provides</p>	No major discrepancy

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?			<p>employees with labor insurance and national health insurance, as well as various types of insurance (such as accident insurance, life insurance, medical insurance, endowment insurance) at various preferential rates for employees. It also provides employees with subsidies such as weddings and funerals, emergency assistance, and holds a series of employee activities to enhance synergy and recognition with the Company.</p> <p>(III) Investor relations and rights of stakeholders: The Company has a spokesperson, investor relations and customer service center, and its contact information is disclosed on the Company's website for stakeholders to provide various opinions. The Company also has a "Shareholders Information" page on the website, committed to creating the most profit for stakeholders, maintaining good and smooth and diverse communication channels, and identifying problems and corresponding countermeasures.</p> <p>(IV) Supplier relation: In addition to 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, suppliers must fill in the "Supplier Corporate Social Responsibility Self-Assessment Form" when entering a new cooperation contract, conduct self-assessment on several ESG requirements, and sign the Company's letter of undertaking in the "Supplier Management Policy". The Company regularly conducts a comprehensive evaluation of suppliers in the fourth quarter of each year, and the unit contractor fills in the "Supplier Evaluation Form" to screen out the suppliers to be improved and conduct follow-up review and improvement. It also educates and trains suppliers via online training, promotes the Company's ESG policies and concepts, and implements supplier management.</p>	

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			<p>(V) Most of the directors and supervisors of the Company have professional knowledge in securities, and the relevant training courses are handled in accordance with the training plan and disclosed on MOPS. In 2021, all 7 directors (including independent directors) have finished 6 hours education courses where the new directors also finished 12 hours of education courses. There were 68.5 hours in total. The courses covers finance, risk management, business, commerce, legal, accounting, sustainable development, corporate ethics, internal control system and financial statements and are shown in page 93 of this annual report.</p> <p>(VI) Implementation of risk management policies and risk measurement standards: The Company has established a “risk management system” which has been approved by the Board of Directors as the highest guiding principle for risk management which are participated and implemented by the Board of Directors, managers, and employees at all levels. Through a series of actions such as identification, measurement, monitoring, response and reporting of potential risks, the risk management is quantified in a qualitative and rigorous measurement, the Company can achieve a rational allocation of risky assets and maximize shareholder returns within the assumed scope of risk. There are risk management policies and risk measurement standards for each business operation, and each operation is handled in accordance with the internal control system of the competent authority.</p> <p>The Risk Management Department reports to the Board of Directors every six months, to timely reflect the implementation of risk management to the Board of Directors and make necessary improvement suggestions. The 2021 interim report was reported to the Board of Directors in March and August.</p>	

Evaluation Item	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary description	
			<p>(VII) Implementation of customer policy: The Company has established a “Treating Customer Fairly Guideline”, which includes ethical contract, fiduciary duty, authenticity of solicitation, suitability of goods or services, notification and disclosure, complex and high-risk commodity sales, equitable consideration to commission and performance, reporting protection and the professionalism of business personnel and other principles. Established a Treating Customer Fairly Committee, which is responsible for the planning and implementation of the Treating Customer Fairly Principle, and reports to the Board of Directors regularly (at least once a year) to ensure the implementation of the Treating Customer Fairly Principle.</p> <p>(VIII) The Company conducts education and training courses for senior executives every year to cultivate decision-making, judgment, and management capabilities. Every year, employees are evaluated to identify their potential. Each department submits a list of employee promotion suggestions based on performance evaluation and job succession planning. The Board of Directors then approves the promotion list of managers above the manager level.</p> <p>(IX) Capital Financial Group purchases liability insurance for directors and supervisors every year.</p>	
<p>IX. Please describe the improvement performed according to the corporate governance evaluation results published by the Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures and Corporate:</p> <p>In the 2020 Corporate Governance Evaluation, a total of more than 1,600 listed companies were evaluated, and the company’s evaluation result was ranked 21% to 35% of the evaluated listed companies. The Company is committed to improving the protection of shareholders’ rights and interests and fair treatment of shareholders, strengthening the structure and operation of the Board of Directors, improving information transparency, and promoting sustainable development.</p>				

(V) Implementation of the promotion of sustainable development and the deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

Promotion items	Implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Does the Company have a dedicated (concurrent) unit set up to promote the sustainable development governance framework, and the Board of Directors authorizing the management to handle matters and report the supervision results to the Board of Directors?	V		The Company’s Board of Directors has approved the “Sustainable Development Best Practice Principles” and “Sustainable Development Policy”. While engaging in various operational activities, the Company will uphold the concept of ethical corporate management, steady growth and sustainable development, and devote to the practice of sustainable development. The president is responsible for formulating and promoting relevant matters in sustainable development. The Administration Department of the Company is a dedicated (concurrent) unit that promotes sustainable development. It is responsible for the operation of sustainable development and its main duties are to formulate and review various regulations related to sustainable development. It is responsible for the preparation of sustainable development reports and sustainable development activity plans every year. All policies of the Company are formulated in accordance with the principles of corporate governance, customer service, employee care, social service, and environmentally sustainable development, to promote and implement sustainable development. The plan and implementation results of sustainable development activities are reported to the Board of Directors annually (March 25, 2021, March 11, 2022)	No major discrepancy
II. Does the company assess the risk of environmental, social, and governance (ESG) issues in relation to corporate operations based on the materiality principles and establish policies	V		The Company has established an “Environmental, Social and Corporate Governance Risk Assessment Procedure” to examine sustainable issues such as environmental, social and corporate governance related to the Company’s operations, and to perform analysis on major issues. An assessment process of the importance and relevance of the Company, stakeholders and their interactions will be performed for specific issues such as environment, society, and corporate	No major discrepancy

Promotion items	Implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
or strategies in relation to risk management?			governance (such as energy conservation and carbon reduction, climate change, political events, innovation, digitalization). When performing analysis on a major issue, each assessment aspect should consider the impact on stakeholder evaluations and decisions and the economy, environment, and society.	
III. Environmental issues				
(I) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	V		(I) The Company is in financial futures industry, which is a low-carbon business. It does not manufacture products for sale, nor does it require recycling of the packaging materials of the sold products. It generates little environmental pollution where ISO14001 is not applicable. The Company requires all employees to promote energy conservation and carbon reduction and implement the Company's sustainable management policy.	No major discrepancy
(II) Is the company committed to enhancing the power efficiency and using renewable materials that are with low impact on the environmental impacts?	V		(II) The Company is committed to improving the efficiency of various energy use, such as continuing to promote electronic bills to reduce paper usage; use of digital bulletin boards for announcement to reduce the amount of photocopying; promoting paperless with the use of electronic signatures for both official and internal documents; photocopies are used on both sides as much as possible, and a resource recycling rack is set up next to the photocopier to recycle paper; envelopes and kraft paper bags are reused and used as internal transfer bags; handing used toner cartridges to the original factory for recycling to avoid pollution and waste of resources caused by discarding toner cartridges, and use environmentally friendly toner. The Company regularly conducts quality inspections of the working environment.	No major discrepancy
(III) Does the Company assess the present and future potential risks and opportunities of climate change on the Company and	V		(III) Global climate change causes frequent occurrence of abnormal climate phenomena. The Company reviews the impact and risks of climate change-related issues on its operations and develops response operation strategies.	No major discrepancy

Promotion items	Implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>take related actions?</p> <p>(IV) Did the Company produce statistics on the GHG emissions, water consumption, and total waste in the last two years? Has the company established policies for GHG reduction, water conservation, and waste management?</p>	V		<p>(IV) The Company is in the financial futures industry and does not have carbon emissions that fall under Scope 1. Energy-consuming equipment has been gradually replaced according to the energy-saving environmental protection policies which include using various energy-saving facilities, self-inspection, and policy promotion, advocacy on energy saving, water saving and energy saving, and implementing garbage classification management and recycling to improve the efficiency of various energy sources to reduce the impact of Company operations on the environment.</p>	No major discrepancy
<p>IV. Social issues</p> <p>(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?</p>	V		<p>(I) The labor conditions set by the Company and its employees, such as wages, vacation, leave, retirement, occupational accident compensation, are in line with the provisions of the “Labor Standards Act” to protect the rights and interests of employees, implement employee management, and promote harmonious Employee-employer relationship. The Company complies with the “Act of Gender Equality in Employment” and clearly defines the “Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace”. The Company clearly stipulates in the “Work Rules” that all employees shall participate in labor insurance and national health insurance, and their insurance premiums will be subsidized by the Company according to laws and regulations.</p> <p>Employers shall not discriminate against applicants because of their gender, sexual orientation, age, race, and religion in policies including recruitment, screening test, hiring, or distribution, placement, performance appraisal, promotion, education and training, and salary payment.</p>	No major discrepancy
<p>(II) Has the company established and implemented reasonable</p>	V		<p>(II) The formulation of the Company’s rules and regulations is based on and abides by related labor laws and regulations and requires all employees to</p>	No major discrepancy

Promotion items	Implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
employee welfare measures (including remuneration, vacation, and other benefits) and appropriately reflected business performance and achievements in the remuneration for employees?			abide by it to protect the rights and interests of all employees. The Company has established a reasonable reward system and has set up a remuneration committee to evaluate the fairness and reasonableness of employee rewards. The Company's current operation status, price index, and employee performance are linked to serve as the basis for annual salary adjustments and festival and year-end bonuses. The Company implements the "Guideline for Festival Bonuses Distribution" every half year. The earnings before tax is used as the basis for calculating the distribution of festival bonuses. In addition, according to the Company's Articles of Association, 0.6% to 2% of the current year's profit is distributed to employees. The above measures can effectively motivate employees, but also reflect the Company's operating performance in employee compensation, allowing employees to share the Company's operating results.	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		(III) The Company provides employees with a clean environment, safety protection equipment for employees' safety and health, regular workplace inspection, regular employee health checks, and hires appointed doctors and professional medical staff to visit the Company regularly to provide health consultation to employees where one-to-one consultation is adopted to respect the personal privacy of employees. Please see page 130 of this annual report	No major discrepancy
(IV) Does the Company have an effective career capacity development training program established for the employees?	V		(IV) 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. Including: new personnel training, professional training	No major discrepancy

Promotion items	Implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(V) Does the company comply with the related laws and regulations and international standards regarding the customer health and safety, customer privacy, marking communication, and labeling of its products and services and establish policies to protect the rights and interests of customers and procedures for grievances?	V		<p>and inviting experts and scholars to the Company to hold finance seminars. Established the Capital Finance University to cultivate talents within the Company. Through the video conference and broadcast connection in Taiwan, intensive training of sales personnel is carried out to improve the professional quality and skills of sales force. To strengthen the learning effect, several e-learning training courses are produced where employees can learn and grow anytime, anywhere via various e-learning systems. To encourage employees to obtain relevant financial licenses, relevant measures have been formulated for various professional examination incentives and registration fee subsidies for license examinations.</p> <p>(V) The Company regularly declares fire safety inspections every year in accordance with the regulations to ensure fire protection equipment complies with the regulations. Public liability insurance is also acquired in the business premises to ensure the safety of customers. The Company has passed the BSI verification and obtained international standard certifications such as BS10012 PIMS (Personal Information Management System). It has established and improved management control mechanisms and measures for personal data protection, which is strictly followed, and the Company requires employees to implement them in accordance with the established management mechanism to ensure customer privacy.</p> <p>According to the regulations of the Company's "Administrative Measures for the Production and Distribution of Publicity Materials for Advertisements, Solicitation or Promotional Activities", employees engaged in advertisements, solicitation and promotional activities should submit relevant publicity materials and advertisements before using them</p>	No major discrepancy

Promotion items	Implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(VI) Has the company established policies for management to request suppliers to comply with the relevant laws and regulations	V		<p>externally. The content, after being reviewed by the supervisor for any inappropriate, misrepresented, misleading investors, or matters violating relevant laws and regulations, can be used after approval. The Company has established a complete management control mechanism and measures for personal data protection, and strictly requires employees to follow the management mechanism and implement it to ensure customer privacy. The Company has established “Guidelines for Consumer Dispute Resolution”, “Treating Customer Fairly Guideline” and “Implementation Guidelines for the Whistle-blowing System”, and business units have established various procedures or methods such as customer evaluation, customer rights protection, and business personnel standard operations. The Company has established a Treating Customer Fairly Committee, which is responsible for the planning and implementation of the Treating Customer Fairly Principle, and reports to the Board of Directors regularly (at least once a year) to ensure the implementation of the Treating Customer Fairly Principle.</p> <p>To protect the rights and interests of customers, the Company provides effective communication and complaint hotlines for customers. Customer service phone number: 412-8878 (please dial 02 in front for mobile phones) Email: cs@capital.com.tw</p> <p>In person acceptance: All business unit of the Company</p> <p>(VI) Supplier management: In addition to 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, suppliers must fill in the “Supplier Corporate</p>	No major discrepancy

Promotion items	Implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
of environmental protection, occupational safety and health, and labor human rights? Does the company keep track on the implementation of such policies?			Social Responsibility Self-Assessment Form” when entering a new cooperation contract, conduct self-assessment on several ESG requirements, and sign the Company’s letter of undertaking in the “Supplier Management Policy”. The Company regularly conducts a comprehensive evaluation of suppliers in the fourth quarter of each year, and the unit contractor fills in the “Supplier Evaluation Form” to screen out the suppliers to be improved and conduct follow-up review and improvement. It also educates and trains suppliers via online training, promotes the Company’s ESG policies and concepts, and implements supplier management. <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>	
V. Did the company, following internationally recognized guidelines, prepare and publish reports such as its sustainable environment report to disclose non-financial information of the company? Did the company apply for assurance or guarantee of such reports to a third-party certification body?	V		The Company compiles with the TWSE “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” and refers to the internationally accepted report preparation standards or guidelines to prepare the Corporate Sustainability Report. It is planned to complete the 2021 Corporate Sustainability Report in September 2022 and obtain the accountant's opinion.	No major discrepancy
VI. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company strictly follows the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and “Corporate Governance Best-Practice Principles for Futures Commission Merchants”, formulates the “Sustainable Development Policy” and “Sustainable Development Best Practice Principles”, and actively practices sustainable development. There is no major deviation in operation.				

Promotion items	Implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>VII. Other important information for the implementation of sustainable development:  The Company has published the 2020 Corporate Social Responsibility Report in June 2021. The Company also discloses relevant and reliable Corporate Social Responsibility Report and related information on the Company's website for stakeholders' reference; stakeholders can communicate their opinion and matters by telephone, company website or email, and the Company will handle with dedicated personnel.</p>				

(VI) Performance in ethical corporate management inconsistency with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”:

Evaluation Item	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
I. Business Integrity Policy and action plans				
(I) Has the Company established policies for ethical corporate management approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies?	V		(I) On March 27, 2017, the Board of Directors of the Company approved the “Ethical Corporate Management Best Practice Principles” (revised on August 29, 2019) and the “Procedures for Ethical Management and Guidelines for Conduct”. The Company discloses Ethical Corporate Management policies to make sure suppliers, customers and other relevant corporates and persons understand its faith and rules of ethical management.	No major discrepancy
(II) Has the Company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing	V		(II) The Company has established a risk assessment mechanism for unethical conduct, and has formulated a “Self-Assessment Form for Unethical Conduct” for regular analysis and evaluation. In addition, business activities with a high risk of unethical conduct within the business scope are specified in various rules and regulations.  The Company also implements an employee ethic guarantee insurance system, which is insured at different levels according to the type of business handled by employees. Its covers the financial loss of the Company caused by employee robbery, theft, fraud, misappropriation or other illegal acts.	No major discrepancy

Evaluation Item	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
<p>at least the preventive measures stated in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies?”</p> <p>(III) Has the Company established in the preventive programs the operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, and implemented and periodically review them?</p>	V		<p>(III) The Company’s “Procedures for Ethical Management and Guidelines for Conduct” stipulates norms and handling procedures for various unethical conduct. It also incorporates ethical corporate management into employee performance evaluation and human resources policies, and establishes clear and effective reward, punishment and report systems. Under serious violation of ethical corporate manage, the person will be dismissed or terminated in accordance with relevant laws and regulations or the Company’s HR regulations.</p> <p>The Company regularly evaluates the effectiveness of the preventive measures established for the implementation of ethical corporate management, and evaluates the compliance with relevant business processes. The relevant guidelines are also reviewed and revised in line with changes in internal and external regulations.</p>	No major discrepancy
<p>II. Proper enforcement of business integrity</p> <p>(I) Does the Company have the integrity of the trade counterparty assessed and with</p>	V		<p>(I) The Company evaluates the ethical records of the counterparties, and specifies the relevant ethical conduct clauses such as information security, privacy protection policy statement and confidentiality agreement, and specifies the relevant ethical conduct clauses in the business contract. If the activity involves dishonest behavior, the other party may unconditionally</p>	No major discrepancy

Evaluation Item	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
<p>the code of integrity expressed in the contract signed?</p> <p>(II) Has the Company established a dedicated (concurrent) unit to implement ethical corporate management under BOD and report regularly(at least once a year) to BOD the status of implementation and supervision of ethical management policy and preventive programs of unethical behavior?</p> <p>(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?</p>	V		<p>terminate or cancel the contract at any time.</p> <p>(II) The Board of Directors and management actively implement the commitment of the ethical corporate management policy and implement it in internal management and business activities. The Company has set up the Ethical Management Committee under the Board of Directors to act as a dedicated unit to promote Ethical Corporate Management. It is responsible for formulating and supervising the implementation of Ethical Management policies and preventive measures, and reporting to the Board of Directors on a regular basis (at least once a year).</p> <p>(III) The Company has established “Procedures for Ethical Management and Guidelines for Conduct” and “Management Measures for Responsible Persons and Associated Persons Holding Concurrent Positions”; If any director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. The director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and the matter shall be recorded in the meeting minutes. When an employee conducts business and finds that it is possible to obtain illegitimate benefits with himself or with the stakeholders, in addition to reporting the relevant matter to the department supervisor and the Company’s special unit, department supervisor shall provide appropriate</p>	<p>No major discrepancy</p> <p>No major discrepancy</p>

Evaluation Item	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons												
	Yes	No	Summary description													
(IV) Has the Company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical behavior or hire a CPA to perform the audit?	V		<p>guidance.</p> <p>(IV) The Company has designed and established the “Accounting System” and “Internal Control System” in accordance with the “Regulations Governing the Preparation of Financial Reports” and "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” and the requirements of the standard internal control systems of various industries and business needs and the systems are regularly reviewed by the auditing unit.</p> <p>The Company’s 2021 internal audit plan was reviewed and approved at the 20th meeting of the 8th Board of Directors on November 11, 2020, and was implemented by the audit unit.</p> <p>For the 2021 unethical conduct risk assessment results, the audit unit will check the compliance of the prevention plan, and the audit results will be disclosed in the audit report.</p>	No major discrepancy												
(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		<p>(V) The Company’s 2021 education and training courses and promotion are as follows:</p> <table border="1"> <thead> <tr> <th>Course Topics</th> <th>Attendance</th> <th>Course Duration</th> </tr> </thead> <tbody> <tr> <td>2021 1st quarter Financial Consumer Protection Act &amp; treating customer fairly &amp; Personal Data Protection Act compliance education training and test</td> <td>302</td> <td>3 hours</td> </tr> <tr> <td>2021 Orientation training on ethical management</td> <td>240</td> <td>1 hour</td> </tr> <tr> <td>2021 salesperson advertisements, online marketing, and prohibited behaviors advocacy and tests</td> <td>197</td> <td>1 hour</td> </tr> </tbody> </table>	Course Topics	Attendance	Course Duration	2021 1st quarter Financial Consumer Protection Act & treating customer fairly & Personal Data Protection Act compliance education training and test	302	3 hours	2021 Orientation training on ethical management	240	1 hour	2021 salesperson advertisements, online marketing, and prohibited behaviors advocacy and tests	197	1 hour	No major discrepancy
Course Topics	Attendance	Course Duration														
2021 1st quarter Financial Consumer Protection Act & treating customer fairly & Personal Data Protection Act compliance education training and test	302	3 hours														
2021 Orientation training on ethical management	240	1 hour														
2021 salesperson advertisements, online marketing, and prohibited behaviors advocacy and tests	197	1 hour														

Evaluation Item	Actual governance					Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description			
			2021 2nd quarter prohibition and whistleblowing system compliance education and training for futures salespersons	281	3 hours	
			2021 3rd quarter anti-money laundering and counter-terrorism financing compliance education training and test	283	3 hours	
			2021 4th quarter Capital Futures preventive insider/short-term trading and promotion of sustainable development and legal compliance education, training and testing	179	3 hours	
<p>III. The operations of the Company's Report System</p> <p>(I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p>	V		<p>(I) On March 17, 2008, Capital Financial Group stipulated the "Key Points for the Use of Employee Opinion Mailbox", which was revised on September 2, 2015 which included the Internal Auditing Department as the special unit for the employee opinion mailbox and its implementation process.</p> <p>※The Company has no employee complaints in 2021.</p> <p>To establish an ethical and transparent corporate culture, promote sound management, and encourage reporting of illegal conducts, the 5th meeting of the 8th Board of Directors approved the "Implementation Guidelines for the Whistle-blowing System" on November 12, 2018, and the Internal Auditing Department was responsible for the acceptance and the investigation of the reported cases. The whistleblower can report through the following channels:</p> <p>Hotline and E-mail: The hotline and e-mail for whistleblowing disclosed on the Company's website.</p> <p>Written letter to address: the Company's address.</p> <p>Recipient of the written letter: the whistleblowing system acceptance unit.</p> <p>※The company has no reported cases in 2021.</p>			No major discrepancy

Evaluation Item	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
(II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?	V		(II) The Company's "Implementation Guidelines for the Whistle-blowing System" stipulates that anyone shall report any crime, fraud or violation of laws and regulations within the Company upon discovery. Types of cases accepted: criminal acts, fraudulent acts and violations of law or regulation. The acceptance unit and the investigation unit of the reported case are the Internal Auditing Department. The Company shall provide the following protection to the whistleblower: (1) The identity information of the whistleblower shall be kept confidential, and information sufficient to identify the identity shall not be disclosed. (2) If there is a violation of the confidentiality, it should be sent to the Human Resources Arbitration Committee for review and handled in accordance with the Company's relevant work rules. If the report's accuracy is verified, the Company may base on its contribution to the corporate governance, grant proper award to the reporter in accordance with the Company's personnel regulations.	No major discrepancy
(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		(III) The Company shall not terminate, dismiss, downgrade/relocate, give a reduction in pay, impair to any entitlement under the law, contract or customs, or other unfavorable disposition due to the reported case.	No major discrepancy
IV. Enhanced information disclosure			The Company has disclosed related ethical corporate management rules: Ethical Management Rules Governing Ethical Management and the Procedures for Ethical Management and Guidelines for Conduct. And upload relevant Ethical Corporate Management courses and tests in the "Capital Financial Academy -	No major discrepancy
(I) Does the Company have the contents of corporate	V			

Evaluation Item	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
management and its implementation disclosed on the website and MOPS?			Cloud Learning System”. <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>	
<p>V. Where a Company has worked Ethical Corporate Management Guiding Principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please expressly elaborate on the differential gap between the substantial performance and the Practice Principle: The “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct” operated and formulated by the Company all follow the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.</p>				
<p>VI. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity). The Company regularly or irregularly reviews and amends the relevant regulations on Ethical Management, and investors and employees can learn about the Company’s Ethical Management policies and the revisions through the Company’s internal website.</p>				

(VII) If the company has adopted corporate governance best-practice principles or related bylaws, it shall disclose how these are to be searched:

The Company has formulated the corporate governance code and related regulations, and the relevant information is disclosed in the “Corporate Governance” of the Company’s website.

[https://www.capitalfutures.com.tw/Capitalgroup/organization\\_1.asp?xy=15&xt=0](https://www.capitalfutures.com.tw/Capitalgroup/organization_1.asp?xy=15&xt=0)

(VIII) Any other material information that would afford a better understanding of the status of the company's implementation of corporate governance: None.

(IX) Hands-on performance in the internal control system:

1. Internal Control Statement, please refer to pages 83-84 of this annual report.
2. When commissioned Certified Public Accountant(s) in the review of the internal control system, the review report shall be disclosed: None.

(X) In the latest year until the date as of Annual Report issuance: The Company and inside personnel having been penalized for violation of the requirements in the internal control system, the major defects and corrective action completed: for more details, please refer to the internal control statement attached at page 85 of the annual report.

**CAPITAL FUTURES CORPORATION**  
**Statement of Internal Control System**

Date: March 11, 2022

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

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

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

CAPITAL FUTURES CORPORATION

The Chairman: Lee, Wen-Chu

The President: Mao, Jen-Hua

The Audit Director: Lian, Jing-Lian

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

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

## CAPITAL FUTURES CORPORATION

## Internal control system should be strengthened and improvement plan

(Base date: December 31, 2021)

Things that should be strengthened	Improvements	Estimated time to complete improvement
<p>The Company failed to assess the risk exposure of customers based on their financial strength and creditworthiness in order to approve the transaction limits; the risk notification form in the online account opening document was only confirmed by the customer with a single summary of all the contents; the Company failed to establish a verification logic and system configuration for internal staff transaction control operations; customer statements were sent to the salesperson's email address; and the Company failed to alert the customer when the customer's equity was below the unhedged amount according to the risk control system. The FSC imposed a fine of NT\$600,000 for failing to notify the customer of a high-risk account when the customer's equity was lower than the amount of unhedged margin. (February 3, 2021, FSC Fine No. 1090376092)</p>	<p>1. The Company's new account openings and applications for trading quota adjustments have been processed in accordance with the Company's revised trading quota classification and evaluation plan. In addition, the subsequent approval of trading quotas for new accounts and existing clients will be handled in accordance with the relevant operations of the Futures Industry Association of the ROC and the contents of the letter No. 1100001616 dated April 21, 110 from the Interim Trade Commission, and the implementation date will be one year from the date of the letter.</p>	<p>Improved. The system adjustment is expected to be completed by April 20, 2022 in accordance with the new system and operational details established by the Futures Association.</p>
	<p>2. Increase the time for customers to stay and read the seven risk notices in the account opening documents before they click on the Confirm Consent button.</p>	Improved.
	<p>3. The Company has established a system and check logic for internal personnel transaction control operations, through which unit managers can obtain details of employee transactions and whether suspected conflicts of interest are involved.</p>	Improved.
	<p>4. The same list of customers and internal email addresses can be checked through the system, and disposal measures have been taken.</p>	Improved.
	<p>5. At present, there is a daily audit report, and those who do not keep their cell phone and email address are required to make corrections by the deadline; and those who do not keep their cell phone number for one year have been targeted to complete the corrections or suspend transactions.</p>	Improved.

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

(XI) In the latest year until the date as of Annual Report issuance, and board the shareholders' meeting had resolved significant decisions:

2021 Annual General Meeting of Shareholders

1. Date and Time: 10:30 am Thursday, May 20th, 2021
2. Address: B2, No.97, Sec. 2, Dunhua S. Rd., Taipei City, R.O.C.
3. Implementations and resolutions of recognition matters

Subject	Resolution	Implementation
Proposal for 2020 business report and consolidated and individual financial report	<ul style="list-style-type: none"> <li>• Voting results: there were 136,097,371 voting rights in favor (including 130,301,411 voting rights exercised electronically) accounted for 99.02% of the voting rights of shareholders present; there were 178,079 voting rights not in favor (including 178,079 voting rights exercised electronically); there were 1,167,026 forfeited voting rights (including 1,142,911 voting rights exercised electronically); and there was 0 invalid voting rights.</li> <li>• Resolution: After the voting result reaches the statutory approval amount, the resolution of this proposal is approved as it was.</li> </ul>	It shall be handled and announced in accordance with the resolutions of the general meeting of shareholders.
Proposal for distribution of 2020 earnings	<ul style="list-style-type: none"> <li>• Voting results: there were 136,055,032 voting rights in favor (including 130,259,072 voting rights exercised electronically) accounted for 98.99% of the voting rights of shareholders present; there were 289,373 voting rights not in favor (including 289,373 voting rights exercised electronically); there were 1,098,071 forfeited voting rights (including 1,073,956 voting rights exercised electronically); and there was 0 invalid voting rights.</li> <li>• Resolution: After the voting result reaches the statutory approval amount, the resolution of this proposal is approved as it was.</li> </ul>	The distribution was completed according to the resolution of the general meeting of shareholders, and the cash dividend was NT\$ 1.87. Ex-dividend date: June 13, 2021 Payment date: July 5, 2021

4. Resolutions and implementation of matters discussed

Subject	Resolution	Implementation
Proposal for the distribution of capital reserve by cash	<ul style="list-style-type: none"> <li>• Voting results: there were 136,071,979 voting rights in favor (including 130,276,019 voting rights exercised electronically) accounted for 99.00% of the voting rights of shareholders present; there were 289,426 voting rights not in favor (including 289,426 voting rights exercised electronically); there were 1,081,071 forfeited voting rights (including 1,056,956 voting rights exercised electronically); and there was 0 invalid voting rights.</li> <li>• Resolution: After the voting result reaches the statutory approval amount, the resolution of this proposal is approved as it was.</li> </ul>	The distribution is completed according to the resolution of the general meeting of shareholders, and the capital reserve will be distributed at NT\$ 1 per share. Ex-dividend date: June 13, 2021 Payment date: July 5, 2021

Amendment to the Rules of Procedure for Shareholders Meetings	<ul style="list-style-type: none"> <li>Voting results: there were 136,066,233 voting rights in favor (including 130,270,273 voting rights exercised electronically) accounted for 98.99% of the voting rights of shareholders present; there were 293,038 voting rights not in favor (including 293,038 voting rights exercised electronically); there were 1,083,205 forfeited voting rights (including 1,059,090 voting rights exercised electronically); and there was 0 invalid voting rights.</li> <li>Resolution: After the voting result reaches the statutory approval amount, the resolution of this proposal is approved as it was.</li> </ul>	It has been announced on the Company's website and handled in accordance with the revised "Shareholders' meeting procedure rules".
Proposal to the amendment of "Director Election Rules"	<ul style="list-style-type: none"> <li>Voting results: there were 136,054,057 voting rights in favor (including 130,258,097 voting rights exercised electronically) accounted for 98.98% of the voting rights of shareholders present; there were 295,209 voting rights not in favor (including 295,209 voting rights exercised electronically); there were 1,093,210 forfeited voting rights (including 1,069,095 voting rights exercised electronically); and there was 0 invalid voting rights.</li> <li>Resolution: After the voting result reaches the statutory approval amount, the resolution of this proposal is approved as it was.</li> </ul>	It has been announced on the Company's website and handled in accordance with the revised "Director Election Rules".

### 5. Resolutions and implementation of election matters

Subject	Resolution	Implementation																								
The election of the 9th Board of Directors Election of Directors	<ul style="list-style-type: none"> <li>Voting Results:</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>Candidate</th> <th>Elected votes</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>Capital Securities Corp. Representative: Tim Sun</td> <td>139,341,315 votes</td> </tr> <tr> <td>Director</td> <td>Capital Securities Corp. Representative: Wang, Jiunn-Chih</td> <td>128,937,741 votes</td> </tr> <tr> <td>Director</td> <td>Capital Securities Corp. Representative: Liu, Ching-Tsun</td> <td>128,543,884 votes</td> </tr> <tr> <td>Director</td> <td>Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui</td> <td>127,907,882 votes</td> </tr> <tr> <td>Independent Director</td> <td>Chen, Kuo-Tay</td> <td>127,447,159 votes</td> </tr> <tr> <td>Independent Director</td> <td>Hsiao, Nai-Ching</td> <td>126,917,721 votes</td> </tr> <tr> <td>Independent Director</td> <td>Wu, Yung-Sheng</td> <td>126,408,025 votes</td> </tr> </tbody> </table>		Candidate	Elected votes	Director	Capital Securities Corp. Representative: Tim Sun	139,341,315 votes	Director	Capital Securities Corp. Representative: Wang, Jiunn-Chih	128,937,741 votes	Director	Capital Securities Corp. Representative: Liu, Ching-Tsun	128,543,884 votes	Director	Hung Yeh Investment Co., Ltd Representative: Lee, Yi-Hui	127,907,882 votes	Independent Director	Chen, Kuo-Tay	127,447,159 votes	Independent Director	Hsiao, Nai-Ching	126,917,721 votes	Independent Director	Wu, Yung-Sheng	126,408,025 votes	MOEA approved the amendment registration on May 27, 2021.
		Candidate	Elected votes																							
	Director	Capital Securities Corp. Representative: Tim Sun	139,341,315 votes																							
	Director	Capital Securities Corp. Representative: Wang, Jiunn-Chih	128,937,741 votes																							
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Independent Director	Wu, Yung-Sheng	126,408,025 votes																								

In the latest year until the issuance date of Annual Report, the board had resolved significant decisions:

Date	Summary of Important Agenda	Director
21st meeting of the 8th Board of Directors 2021.01.25	<ul style="list-style-type: none"> <li>• Proposal for 2021 Annual Operating Plan and Budget</li> <li>• Amendment to the “Business Approval Authority Table”</li> <li>• Amendment to the “Shareholders’ meeting procedure rules”</li> <li>• Amendment to the “Director Election Rules”</li> <li>• Amendment to the “Rules of Procedure of the Board of Directors Meetings”</li> <li>• Amendment to the “Standard Operating Procedures for Handling Directors’ Requests”</li> <li>• Amendment to the Organization Regulations of the Ethical Management Committee</li> <li>• Amendment to the Treating Customer Fairly Guideline</li> <li>• Formulate an improvement plan for the Company’s Treating Customer Fairly Principle</li> <li>• Amendment to the “Guideline for Festival Bonuses Distribution”</li> <li>• The election of the 9th Board of Directors</li> <li>• Proposal for a candidate nominated by the Board of Directors for the 9th Board of Directors</li> <li>• Determine the date, venue and agenda of the 2021 Annual General Meeting of Shareholders, accepting proposals from shareholders holding more than 1% of the shares and nominating candidates for directors (including independent directors)</li> <li>• Proposal for the appointment of Chairman, Director, Supervisor and President of True Partner Capital Technology (Chengdu) Co., Ltd.</li> <li>• Proposal for concurrent services for Ho, Cho-I, Senior Vice President of the Network Information Division of the Administration Department</li> <li>• Proposal for the manager change in Managed Futures Department</li> <li>• Proposal for 2020 year-end bonus based on two-month basic salary</li> <li>• Proposal for 2020 performance evaluation results for supervisors at managerial level (inclusive) and above</li> <li>• Proposal for 2020 year-end bonus distribution for supervisors at managerial level (inclusive) and above</li> </ul>	<p>Directors: Tim Sun; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui</p> <p>Independent Directors: Chuang, Chih-Cheng; Chen, Kuo-Tay; Hsiao, Nai-Ching</p>
22nd meeting of the 8th Board of Directors 2021.03.25	<ul style="list-style-type: none"> <li>• Proposal for the 2020 remuneration to employees and directors</li> <li>• The Company’s 2020 business report and consolidated and individual financial statements.</li> <li>• Proposal for the 2020 distribution of earnings</li> <li>• Proposal for the distribution of capital reserve by cash</li> </ul>	<p>Directors: Tim Sun; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui</p> <p>Independent Directors: Chuang, Chih-Cheng; Chen, Kuo-Tay; Hsiao, Nai-Ching</p>

Date	Summary of Important Agenda	Director
	<ul style="list-style-type: none"> <li>• Since the first quarter of 2021, the certified accountants of the financial report have been replaced by accountants Li, Feng-Hui and Chung, Tan-Tan to accountants Wu, Cheng-Yen and Chung, Tan-Tan</li> <li>• Offset the delinquent creditor's rights of the Company</li> <li>• 2020 Annual Overall Information Security Implementation Statement</li> <li>• 2020 Anti-Money Laundering and Counter-Terrorism Financing Internal Control System Declaration</li> <li>• Proposal for 2020 Design and Implementation Declaration of Internal Control System</li> <li>• Proposal for The plan for activities of corporate social responsibility</li> <li>• Amendment to the Shareholders' meeting procedure rules</li> <li>• Proposal for the 2021 Annual General Meeting of Shareholders' candidates for directors and independent directors</li> <li>• Proposed to terminate non-competition restrictions on directors and the representatives of the Company</li> <li>• Amendment to the "Guideline for Festival Bonuses Distribution"</li> <li>• Amendment to the "Guideline for Securities IB Direct Sales Bonus"</li> <li>• Proposal for managers changes in Internal Auditing Department, Compliance &amp; Legal Department</li> <li>• Proposal for managerial officer change of the Company's Taichung Branch</li> <li>• Proposal for change of the deputy supervisor of the Direct Sales Department</li> <li>• Proposal for the Company's 2021 promotion for supervisors at managerial level and above</li> <li>• The Leverage Transaction Department of the Company intends to apply for the operation of silver and stock price index CFD trading</li> </ul>	
23rd meeting of the 8th Board of Directors 2021.05.11	<ul style="list-style-type: none"> <li>• Amendment to the Guidelines for Account Opening and Futures Trading by Insiders of Futures Commission Merchants</li> <li>• Proposal for the Company's 2021 salary adjustment for supervisors at managerial level (inclusive) and above</li> <li>• Proposal for the Company's 2020 remuneration payment for supervisors at managerial level (inclusive) and above</li> <li>• Proposal for the Company's 2020 director's remuneration payment</li> </ul>	<p>Directors: Tim Sun; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui</p> <p>Independent Directors: Chuang, Chih-Cheng; Chen, Kuo-Tay; Hsiao, Nai-Ching</p>

Date	Summary of Important Agenda	Director
1st meeting of the 9th Board of Directors 2021.05.20	<ul style="list-style-type: none"> <li>• Proposal for electing the Company's Chairman</li> </ul>	Directors: Tim Sun; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui Independent Directors: Chen, Kuo-Tay; Hsiao, Nai-Ching; Wu, Yung-Sheng
2nd meeting of 9th Board of Directors 2021.06.24	<ul style="list-style-type: none"> <li>• The Leverage Transaction Department of the Company intends to apply for the operation of overseas stock CFD trading</li> <li>• Proposal for concurrently serving as the head of the network information division of Administration Department</li> <li>• Proposal for appointing the directors for the subsidiaries of CSC Futures (HK) Ltd.</li> <li>• Proposal for appointing members of the 5th Remuneration Committee</li> </ul>	Directors: Tim Sun; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui Independent Directors: Chen, Kuo-Tay; Hsiao, Nai-Ching; Wu, Yung-Sheng
3rd meeting of 9th Board of Directors 2021.08.26	<ul style="list-style-type: none"> <li>• The Company's 2021 certified accountant independence assessment</li> <li>• Individual and Consolidated Financial Report for the 1st half of 2021 (January 1 to June 30)</li> <li>• Amendment to the Company's Internal Control System</li> <li>• Amendment to the Company's "Work Rules"</li> <li>• Amendment to the Company's "Guidelines for Performance Evaluation for the Board of Directors and Functional Committees"</li> <li>• Proposal for amend the "Guidelines for Sales and Referral Bonus for Leveraged Trading Business" and review of the effectiveness of the pilot project on sales and referral bonus for leveraged trading business</li> <li>• Established "Guidelines for Futures Advisory Department Bonus"</li> <li>• Proposal for appointing special committee member Yi, Chien-Hsiung of the President's office</li> <li>• Proposal for the appointment of the acting managing director of the subsidiary CSC Futures (HK) Ltd.</li> <li>• Proposal for festival bonus and Securities Proprietary Trading Dept. bonus distribution for the 1st half of 2021 for supervisors at managerial level (inclusive) and above</li> <li>• Proposal for the Company's Board of Directors travel fee, attendance fee and functional committee attendance fee</li> </ul>	Directors: Lee, Wen-Chu; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui Independent Directors: Chen, Kuo-Tay; Hsiao, Nai-Ching; Wu, Yung-Sheng

Date	Summary of Important Agenda	Director
4th meeting of 9th Board of Directors 2021.09.08	<ul style="list-style-type: none"> <li>• Proposal for the chairman concurrently acting as CEO of the Company, and its salary schedule.</li> <li>• Proposal for the Company's new President</li> <li>• Proposal for changes in the Company's Spokesperson and Deputy Spokesperson</li> <li>• Proposal for the promotion for supervisors at managerial level and above</li> <li>• Proposal for changes in the Company's Futures Brokerage Managerial Officer</li> <li>• Proposal for change in the subsidiary director</li> <li>• Proposal for ratification: proposal for reassigning the representative of the director of Taiwan Futures Exchange.</li> </ul>	Directors: Lee, Wen-Chu; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui Independent Directors: Chen, Kuo-Tay; Hsiao, Nai-Ching; Wu, Yung-Sheng
5th meeting of 9th Board of Directors 2021.11.11	<ul style="list-style-type: none"> <li>• 2022 Annual Quotation of Accountants' Auditing Fees</li> <li>• 2022 Audit Plan</li> <li>• Disposal and repurchase of long-term investment stocks.</li> <li>• Set the Company's customer fair treatment KPI from October 2021 to September 2022</li> <li>• Amendment to the "Corporate Governance Best-Practice Principles"</li> <li>• Amendment to the Company's "Work Rules"</li> <li>• Amendment to the Company's "Business Approval Authority Form"</li> <li>• Amendment to the Company's "Guideline for Festival Bonuses Distribution"</li> <li>• Proposal for the change of the head of Direct Sales Department, the head of Leverage Transaction Department and the head of the subordinate unit of the both departments</li> <li>• Proposal for the promotion of the head of Leverage Clearing Department and the head of Leverage Transaction Department</li> <li>• Proposal for the manager change in Managed Futures Department</li> <li>• Proposal for change in the managerial officer for leverage transaction merchants, managed futures business and securities introducing broker</li> <li>• Proposal for change in the head of Futures Advisory Department</li> <li>• Proposal for changes in the managerial officer of Futures Advisory Department</li> <li>• Proposal for 2021 year-end bonus based on two-month basic salary</li> <li>• Proposal for a special bonus to be awarded to the former Chairman Tim Sun</li> </ul>	Directors: Lee, Wen-Chu; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui Independent Directors: Chen, Kuo-Tay; Hsiao, Nai-Ching; Wu, Yung-Sheng

Date	Summary of Important Agenda	Director
6th meeting of 9th Board of Directors 2022.01.24	<ul style="list-style-type: none"> <li>• Proposal for 2022 Annual Operating Plan and Budget</li> <li>• Amendment to the Company's "Work Rules"</li> <li>• Proposal for appointing the directors for the subsidiaries of CSC Futures (HK) Ltd.</li> <li>• Introducing Broker Sales Department Chang, Mu-Min's age 65 extension proposal</li> <li>• The proposal of the change in deputy director of the internal auditing department</li> <li>• The 2021 annual managerial level (inclusive) manager performance evaluation results</li> <li>• The 2021 year-end bonus payment proposal for managers at the managerial level (inclusive) or above</li> <li>• The second half of 2021 festival bonuses, Proprietary Trading Department, and Securities Proprietary Trading Department bonuses payment proposal for managers at the managerial level (inclusive) or above</li> </ul>	<p>Directors: Lee, Wen-Chu; Wang, Jiunn-Chih; Liu, Ching-Tsun</p> <p>Independent Directors: Chen, Kuo-Tay; Hsiao, Nai-Ching; Wu, Yung-Sheng</p> <p>Director Lee, Yi-Hui entrusts Director Lee, Wen-Chu as representative</p>
7th meeting of 9th Board of Directors 2022.03.11	<ul style="list-style-type: none"> <li>• Proposal for 2021 Employee and Director Remuneration Distribution</li> <li>• Proposal for 2021 Annual Business Report and Consolidation and Individual Financial Report</li> <li>• Proposal for 2021 Profit Distribution</li> <li>• 2021 Anti-Money Laundering and Counter-Terrorism Financing Internal Control System Declaration</li> <li>• Proposal for 2021 Design and Implementation Declaration of Internal Control System</li> <li>• Amendment to the Company's Internal Control System</li> <li>• Amendment to the Company's "Sustainable Development Best Practice Principles" and "Sustainable Development Policy"</li> <li>• Determine the date, venue and agenda of the 2022 Annual General Meeting of Shareholders and accepting proposals from shareholders holding more than 1% of the shares</li> <li>• Amendment of the Company's "Organization Regulations"</li> <li>• Proposal to establish the "Digital Growth Department" and change of the supervisor above managerial level</li> <li>• Proposal for the appointment of Chief Security Officer</li> <li>• Proposal for transferring personnel of Management Department to the Compliance &amp; Legal Department and their promotions.</li> <li>• Proposal for the changes in the management department</li> <li>• Proposal for 2022 annual promotion of supervisor above managerial level</li> <li>• Proposal for promotion of deputy head of Dealing &amp; Settlement Department</li> <li>• Proposal for promotion of the head of the Business Division II of the Direct Sales Department</li> <li>• Proposal for recruitment of the head of the Transaction Division I of the Proprietary Trading Department</li> </ul>	<p>Directors: Lee, Wen-Chu; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui</p> <p>Independent Directors: Chen, Kuo-Tay; Hsiao, Nai-Ching; Wu, Yung-Sheng</p>

Date	Summary of Important Agenda	Director
	<ul style="list-style-type: none"> <li>Proposal for exempting deputy head of Taichung Office from concurrent service</li> </ul>	
8th meeting of 9th Board of Directors 2022.03.30	<ul style="list-style-type: none"> <li>The Company's 2022 "Treating Customer Fairly Principle" Evaluation Form</li> <li>Amendment of the Company's "Guideline for Employee Performance Evaluation"</li> <li>Formulate the Company's "Guideline for Managed Futures Department Bonus"</li> <li>Amendment to the Company's "Guideline for Festival Bonuses Distribution"</li> <li>Proposal for changes of directors and supervisors of subsidiaries</li> </ul>	Directors: Lee, Wen-Chu; Wang, Jiunn-Chih; Liu, Ching-Tsun; Lee, Yi-Hui Independent Directors: Chen, Kuo-Tay; Hsiao, Nai-Ching; Wu, Yung-Sheng

(XII) The main content of the record or written statement of different opinions raised by directors or supervisors on the important resolutions approved by the Board of Directors in the most recent year to the issuance date of the annual report: None.

(XIII) Summary of the resignation and dismissal of the Company's chairman, president, chief of accounting, chief of finance, internal audit head and chief of R&D in the most recent year to the issuance date of the annual report:

On August 26, 2021, the legal person shareholder Capital Securities Corp. reassigned Lee, Wen-Chu to replace Chairman Tim Sun as the director of the Company.

On September 8, 2021, Lee, Wen-Chu, the president of the Company, resigned, and Mao, Jen-Hua, the Senior Executive Vice President of the Direct Sales Department, took the president position.

On September 8, 2021, the board of directors elected director Lee, Wen-Chu as chairman and CEO.

On September 8, 2021, the Board of Directors approved Mao, Jen-Hua as the president of the Company, and it is approved by FSC for recordation on October 20, 2021.

(XIV) The most recent annual education and training for managers, directors, and supervisors to participate in corporate governance:

Name	Organizer	Continuous education	Training date	Hours
Chairman Lee, Wen-Chu	Taiwan Corporate governance association	Interpret and prepare for ESG disclosure requirements of Corporate Governance 3.0	2021.09.17	3
	Taiwan Securities Association	Corporate Governance 3.0 - Sustainable Development Roadmap	2021.11.17	3
	Taiwan Corporate governance association	Net Zero by 2030/2050 - Sustainability Challenges and Opportunities for Global Businesses	2021.11.26	3

Name	Organizer	Continuous education	Training date	Hours
	Taiwan Securities Association	The latest trend of ESG - taking the sustainable development strategy of the securities (finance) industry as an example	2021.12.08	3
Director Wang, Jiunn-Chih	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	2021.09.01	6
	Taiwan Securities Association	Financial Market Development Policy and Vision in Taiwan	2021.09.02	3
	Taiwan Digital Governance Association	M&A financial practice and listing planning	2021.10.22	3
	Digital Governance Association	Enterprise holding management and strategy	2021.11.03	3
	Digital Governance Association	International M&A Management Practice	2021.11.04	3
	Taiwan Listed Companies Association	International trends and digital strategies on ESG	2021.11.15	2
	Taiwan Academy of Banking and Finance	Key amendment and risk patterns to the anti-money laundering and counter-terrorism financing regulation	2021.12.17	3.5
Director Liu, Ching-Tsun	Securities & Futures Institute of R.O.C.	Discussion on the practice of anti-money laundering and counter-terrorism financing	2021.11.19	3
	Securities & Futures Institute of R.O.C.	Discussion on Securities Investor and Futures Trader Protection Act and the responsibilities of directors and supervisors	2021.11.29	3
Director Lee, Yi-Hui	Taiwan Corporate governance association	The governance structure of family business and case study	2021.09.03	3
	Taiwan Corporate governance association	5G Evolution: Industrial Upgrades, Future Business Applications and the New Normal in The Post-Epidemic Era	2021.09.14	3
Independent Director Chen, Kuo-Tay	Taiwan Securities Association	Corporate Governance 3.0 - Sustainable Development Roadmap	2021.11.17	3
	Taiwan Securities Association	The latest trend of ESG - taking the sustainable development strategy of the securities (finance) industry as an example	2021.12.08	3
Independent Director Hsiao, Nai-Ching	Taiwan Securities Association	Analysis and decision-making of corporate financial information	2021.09.07	3
	Taiwan Securities Association	Wealth inheritance model - case study of stock and real estate transfer	2021.09.07	3
Independent Director Wu, Yung-Sheng	Securities & Futures Institute of R.O.C.	Corporate Governance 3.0 for Law Enforcement	2021.09.07	3
	Taiwan Corporate governance	The Board's response and application to Corporate Governance Evaluation	2021.11.05	3

Name	Organizer	Continuous education	Training date	Hours
	association			
	Taiwan Corporate governance association	5G Evolution: Industrial Upgrades, Future Business Applications and the New Normal in The Post-Epidemic Era	2021.12.17	3

Title/Name	Organizer	Course name	Date	Hours
President Mao, Jen-Hua	Securities & Futures Institute of R.O.C.	On-the-job training for anti-money laundering and counter-terrorism financing	2021.08.12 2021.08.13	12
Head of Corporate Governance Executive Vice President Chen, Chi-Hao	Taiwan Corporate governance association	Matters needing attention at the 2021 Board of Directors and General Meeting of shareholders	2021.03.23	3
	Taiwan Investor Relations Institute	Analysis of the New Corporate Governance and Board Performance Evaluation	2021.07.29	3
	Taiwan Corporate governance association	Corporate Governance and Information Disclosure System—Important Responsibilities of Insiders	2021.08.19	3
	Taiwan Corporate governance association	Value Realization of Enterprise M&A - Discussion on Integration after Enterprise M&A and Establishment of Management Mechanism	2021.09.10	3
	Chinese National Futures Association	Explanatory meetings on “Analysis of Financial Consumer Protection Act and the Latest Trends – with Treating Customer Fairly Principle”	2021.10.19	3
	Securities & Futures Institute of R.O.C.	2021 Prevention of Insider Trading Advocacy Conference	2021.11.05	3
Executive Vice President Lin, Li-Juan	Accounting Research and Development Foundation	Annual Continuous Education	2021.10.21 2021.10.22	12
Executive Vice President Huang, Wei-Ben	Taiwan Securities Association	On-the-job training for anti-money laundering and counter-terrorism financing	2021.10.12 2021.12.21	18
Executive Vice President Yang, Rui-Ling	Securities & Futures Institute of R.O.C.	2021 Insider Equity Transaction Legal Compliance Advocacy Conference	2021.10.28	3.5
Executive Vice President Chen, Wei-Ting	Institution of Financial Law and Crime Prevention	Training course for the qualification of supervisors of anti-money laundering business units	2021.11.25 2021.11.26	12
Senior Vice President Lee, Chung-Wei	Taiwan Securities Association	On-the-job training for anti-money laundering and counter-terrorism financing	2021.08.16 2021.08.31	12
Senior Vice President Ho, Cho-I	Taiwan Securities Association	On-job training course for securities and futures information security personnel	2021.10.27 2021.10.29	15
Senior Vice President Chen, Chih-Chung	Securities & Futures Institute of R.O.C.	Training course for the qualification of supervisors of anti-money laundering business units	2021.05.13 2021.05.14	12

Senior Vice President Peng, Chien-Cheng	Taiwan Securities Association	On-the-job training for anti-money laundering and counter-terrorism financing	2021.11.11 2021.11.12	6
	Taiwan Securities Association	Training course for the qualification of supervisors of anti-money laundering business units	2021.11.25 2021.11.26	6
Vice President Lian, Jing-Lian	Accounting Research and Development Foundation	Futures industry internal audit workshop - The latest corporate governance policy analysis and establishment	2021.11.10	6
	Taiwan Securities Association	On-the-job training for anti-money laundering and counter-terrorism financing	2021.12.16 2021.12.28	12
Vice President Chung, Cheng-Huang	Taiwan Securities Association	Corporate crisis management strategy and case study	2021.04.27	3
	Taiwan Securities Association	Innovative Application and Risk Management of Bank 3.0	2021.12.03	3
	Taiwan Securities Association	Sharing of expected loss parameter assessment of financial products	2021.11.29	3
	Taiwan Securities Association	Securities and futures option trading and risk control	2021.02.01	3
Vice President Chen, Tsung-Yu	Taiwan Securities Association	Introduction and case study of Financial Consumer Protection Act	2021.09.03	3
Assistant Vice President Chien, Cheng-Chung	Securities & Futures Institute of R.O.C.	Training course for the qualification of supervisors of anti-money laundering business units	2021.04.14 2021.04.15	12
Assistant Vice President Yu, Po-Liang	Securities & Futures Institute of R.O.C.	Securities Foundation GoProS Training. Program-Innovative Fintech Practice Module	2021.04.08 2021.06.10	66
	Taiwan Securities Association	On-the-job training for anti-money laundering and counter-terrorism financing	2021.09.06 2021.09.17	12
	Taiwan Stock Exchange Corporation	Continuous Professional Training Program for Compliance Personnel (including managers) of Securities and Futures Businesses	2021.11.20	3
Senior Specialist Chu, Chun-Chang	Taiwan Securities Association	On-the-job training for anti-money laundering and counter-terrorism financing	2021.08.23 2021.09.07	12
Senior Specialist Chang, Su-Fang	Securities & Futures Institute of R.O.C.	Securities Foundation GoProS Training. Program-Innovative Fintech Practice Module	2021.04.08 2021.06.18	66
	Institution of Financial Law and Crime Prevention	Training course for the qualification of supervisors of anti-money laundering business units	2021.11.25 2021.11.26	12

#### IV. Information in public fees of the Certified Public Accountant Association

Unit: Expressed in Thousands of NT Dollars

Auditor's firm	Name of CPA	CPA auditing period	Audit remuneration	Non-audit remuneration	Total	Remark
KPMG	Wu, Cheng-Yen	January 1, 2021 to December 31, 2021	2,050	193	2,243	
	Chung, Tan-Tan					

Non-audit fees services include: Tax Compliance Audit, printing and courier fees, etc.

- (I) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.
- (II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: None.

#### V. Information on replacement of certified public accountant: If the company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period:

(I) Former CPA

Date of replacement	March 25, 2021		
Reason and description for replacement	KPMG in compliance with Article 68 of the Standards on Auditing No. 46 "Quality control system of the CPA firm". Since the first quarter of 2021, the CPA to certify the financial statements have been replaced with CPA Wu, Cheng-Yen and Chung, Tan-Tan from Li, Feng-Hui and Chung, Tan-Tan.		
Description on Appointer or CPA Terminated or discontinued the engagement	Main parties to the dispute/status of the dispute	CPA	Mandating party
	Voluntarily ended the engagement	V	
	Declined further engagement		
An audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	None		
Disagreement between the company and the certified public accountant	Yes		Accounting principles or practices
			Financial report disclosure
			Auditing scope or procedure
			Other
	None	V	
Note			

Additional Disclosures (Those should be disclosed under Item 1-4 to Item 1-7, Paragraph 6, Article 10 of this Guideline)	None
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(II) Regarding the successor certified public accountant

Auditor's firm	KPMG
Name of CPA	Wu, Cheng-Yen & Chung, Tan-Tan
Date of engagement	March 25, 2021
Pre-engagement regarding the accounting treatment of or application of accounting principles to a specified transaction and the type of audit opinion that might be rendered on the company's financial report and the subjects discussed during those consultations and the consultation results	None
Written opinions of the successor accountants on matters with which the predecessor accountants disagreed	None

(III) The reply letters on Item 1 and 2-3, Subparagraph 6, Article 10 of Regulations Governing the Preparation of Financial Reports from the previous CPA: None.

**VI. Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:** None.

**VII. The status of changes that directors, supervisors and shareholders holding more than 10 percent of outstanding shares had transferred and pledged their shares:**

- (I) The status of changes that directors, supervisors and shareholders had transferred and pledged their shares

Unit: Shares

Title	Name	2021		2022 (until March 31)	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Institutional Director and Major Shareholders	Capital Securities Corp.	-111,000	0	0	0
Chairman, Director Representative and CEO	Lee, Wen-Chu	-18,000	0	0	0
Director Representative	Liu, Ching-Tsun	0	0	0	0
Director Representative	Wang, Jiunn-Chih	0	0	0	0
Institutional Director	Hung Yeh Investment Co., Ltd	0	0	0	0
Director Representative	Lee, Yi-Hui	0	0	0	0
Independent Director	Chen, Kuo-Tay	0	0	0	0
Independent Director	Hsiao, Nai-Ching	0	0	0	0
Independent Director	Wu, Yung-Sheng (Took office on May 20, 2021)	0	0	0	0
President	Mao, Jen-Hua	-10,000	0	13,000	0
Senior Executive Vice President	Chen, Wen-Tsai	-131,206	0	0	0
Executive Vice President	Yang, Rui-Ling	0	0	0	0
Executive Vice President	Huang, Wei-Ben	-10,000	0	-10,292	0
Executive Vice President	Lin, Li-Juan	0	0	0	0
Executive Vice President	Kuo, Shu-Zhen	-65,000	0	0	0
Executive Vice President	Chen, Chi-Hao	0	0	0	0

Title	Name	2021		2022 (until March 31)	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Executive Vice President	Chen, Wei-Ting	0	0	0	0
Senior Executive Officer	Yang, Yao-Yu	0	0	0	0
Senior Executive Officer	Yi, Chien-Hsiung (Took office on September 20, 2021)	0	0	0	0
Senior Vice President	Hsu, Ji-Ching	16,000	0	5,000	0
Senior Vice President	Lin, Xiao-Chian	-7,000	0	0	0
Senior Vice President	Peng, Chien-Cheng	0	0	0	0
Senior Vice President	Lee, Chung-Wei	0	0	0	0
Senior Vice President	Fan, Jhen-Hong	0	0	0	0
Senior Vice President	Cho, Cheng-Kang	0	0	0	0
Senior Vice President	Ho, Cho-I	-59,000	0	0	0
Senior Vice President	Chang, Ching-Nan	0	0	0	0
Senior Vice President	Chen, Chih-Chung	0	0	0	0
Senior Vice President	Lai, Han-Sen (Took office on March 14, 2022)	-	-	0	0
Vice President	Lian, Jing-Lian	0	0	0	0
Vice President	Chen, Tsung-Yu	-35,000	0	0	0
Vice President	Chung, Cheng-Huang	0	0	0	0
Vice President	Huang, Pei-Luen	0	0	0	0
Vice President	Chu, Chun-Chang	0	0	0	0
Assistant Vice President	Chien, Cheng-Chung (Took office on September 8, 2021)	0	0	0	0
Senior Manager	Chang, Ya-Ju	0	0	0	0
Assistant Manager	Cheng, Chao-Ting (Took office on November 12, 2021)	0	0	0	0

Title	Name	2021		2022 (until March 31)	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Senior Specialist	Chang, Li-Chiao	-5,000	0	0	0
Senior Specialist	Liu, Pao-Hua	0	0	0	0
Senior Specialist	Lin, Hsiu-Chu	-10,000	0	0	0
Senior Specialist	Chang, Mu-Min	0	0	0	0
Senior Specialist	Yu, Po-Liang	0	0	0	0
Senior Specialist	Chen, Yung-Lin	0	0	0	0
Senior Specialist	Lu, Wei-Liang	0	0	0	0
Senior Specialist	Chang, Su-Fang	0	0	0	0
Senior Specialist	Liu, Neng-Chieh	0	0	0	0
Senior Specialist	Wu, Chung-Hsien	-20,000	0	-4,000	0
Senior Specialist	Huang, Cheng-Che	0	0	0	0
Senior Specialist	Wang, Han-Yao (Took office on March 14, 2022)	-	-	0	0

(II) Counterparty in any such transfer or pledge of equity interests is a related party: None.

## VIII. Information Disclosing the Relationship between any of the Company's Top Ten Shareholders.

The interrelationship among the key  
shareholders holding over 10% in shareholding

Book closure date as of April 23, 2022

Unit: Shares

Name	Shares held in own name		Shareholdings of spouse and underage children		Shares held in the names of others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2nd tier under the civil code, and the name and affiliation, if applicable		Remark
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Name	Relation	
Capital Securities Corp. Representative: Wang, Jiunn-Chihh	119,066,014	56.58%	0	0	0	0	None	None	-
Hontai Life Insurance Co., Ltd. Representative: Lu, Huan-Yi	4,836,434	2.30%	0	0	0	0	None	None	-
Zengmao Investment Co., Ltd. Representative: Tung, Ta-Nien	3,793,311	1.80%	0	0	0	0	None	None	-
Fengyang Investment Co., Ltd. Representative: Wang, Hui-Chin	2,000,618	0.95%	0	0	0	0	None	None	-
GAINS Investment Corporation Representative: Huang, Pai-Chien	1,726,000	0.82%	0	0	0	0	None	None	-
The First Insurance Co., Ltd. Representative: Li, Cheng-Han	1,475,000	0.7%	0	0	0	0	None	None	-

Name	Shares held in own name		Shareholdings of spouse and underage children		Shares held in the names of others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2nd tier under the civil code, and the name and affiliation, if applicable		Remark
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Name	Relation	
Standard Chartered International Commercial Bank Business Department managed Westendtree Emerging Market Small Capital Dividend Fund Investment Account of Westendtree Trust	932,000	0.44%	0	0	0	0	None	None	-
Yingqun Investment Co., Ltd. Representative: Chang, Yen-Chih	648,314	0.31%	0	0	0	0	None	None	-
Tianshan Investment Co., Ltd. Representative: Chang, Tien-Li	584,300	0.28%	0	0	0	0	None	None	-
Chase managed JP Morgan Securities Co., Ltd. Investment Account	566,011	0.27%	0	0	0	0	None	None	-

**IX. Shares Held by the Company, Directors, Managers and Companies Directly or Indirectly Control the Company, and the Comprehensive Shareholding Ratio Based on Combined Calculation:**

**Comprehensive Shareholding Ratio**

March 31, 2022; Unit: Thousands of shares; %

Reinvestment business	Invested by the Company		Investment held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding
Capital Futures (HK) Ltd.	220,000	100%	-	-	220,000	100%
Capital International Technology Corp.	5,000	100%	-	-	5,000	100%
Capital True Partner Technology (Chengdu) Co., Ltd.	510	51%	-	-	510	51%
Capital Futures Technology (Shanghai) Co., Ltd.	4,000	100%	-	-	4,000	100%

Note: Long term investment in equity method by the Company.

## Chapter IV Capital Overview

### I Capital and Shares

#### (I) Share category and sources of share capital

##### 1. Share category

Unit: Shares

Share category	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Common shares	210,437,584	39,562,416	250,000,000	Listed stock

##### 2. Sources of share capital

Year / month	Price of issue	Authorized capital		Paid-up capital		Remark		
		Quantity	Amount	Quantity	Amount	Sources of share capital	Paid in properties other than cash	Other
1997.02	NT\$10/share	20,000,000	200,000,000	20,000,000	200,000,000	Share capital initiation	None	-
1997.11	NT\$10/share	120,000,000	1,200,000,000	45,000,000	450,000,000	Capital increase by cash 250,000,000	None	Note 1
2003.11	NT\$10/share	120,000,000	1,200,000,000	61,500,000	615,000,000	Private Equity Offerings 165,000,000	None	Note 2
2009.03	NT\$27.5/share	120,000,000	1,200,000,000	67,650,000	676,500,000	IPO share capital increase of 61,500,000	None	Note 3
2009.07	NT\$10/share	120,000,000	1,200,000,000	75,226,800	752,268,000	Earning 75,768,000 was converted into share capital in 2008	None	Note 4
2010.06	NT\$10/share	120,000,000	1,200,000,000	84,630,150	846,301,500	Earning 94,033,500 was converted into share capital in 2009	None	Note 5
2011.07	NT\$10/share	120,000,000	1,200,000,000	92,246,863	922,468,630	Earning 76,167,130 was converted into share capital in 2010	None	Note 6

2013.08	NT\$10/share	120,000,000	1,200,000,000	100,087,847	1,000,878,470	Earning 78,409,840 was converted into share capital in 2012	None	Note 7
2014.06	NT\$23.3/share	120,000,000	1,200,000,000	119,997,847	1,199,978,470	Capital increase in 2014 199,100,000	None	Note 8
2015.07	NT\$10/share	250,000,000	2,500,000,000	122,397,804	1,223,978,040	Earning 23,999,570 was converted into share capital in 2015	None	Note 9
2017.02	NT\$31.38/share	250,000,000	2,500,000,000	160,397,804	1,603,978,040	Capital increase in 2016 380,000,000	None	Note 10
2018.08	NT\$10/share	250,000,000	2,500,000,000	176,437,584	1,764,375,840	Capital surplus 160,397,800 converted into share capital in 2017	None	Note 11
2020.03	NT\$34.4/share	250,000,000	2,500,000,000	210,437,584	2,104,375,840	Capital increase in 2019 340,000,000	None	Note 12

Note:

1. Securities and Futures Bureau Official Letter (86) Tai-Tsai-Cheng No. 84102 on November 27, 1997.
2. Securities and Futures Bureau Official Letter Tai-Tsai-Chi-Tzu No. 0920154585 on November 27, 2003.
3. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 0980012451 on March 31, 2009.
4. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 0980032927 on July 2, 2009.
5. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 0990032848 on June 25, 2010.
6. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 1000033210 on July 18, 2011.
7. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 1020028556 on July 22, 2013.
8. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 1030014783 on May 7, 2014.
9. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 1040025089 on July 3, 2015.
10. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 1050044467 on November 15, 2016.
11. Financial Supervisory Commission declaration takes effect on July 4, 2018.
12. Financial Supervisory Commission Official Letter Chin-Kuan-Cheng-Chi-Tzu No. 1090300222 came into effect on January 30, 2010.

## (II) Shareholders structure

Book closure date as of April 23, 2022

Shareholders structure Quantities	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Individuals	Total
Head count	0	4	93	57	16,022	16,176
Shares held	0	7,066,434	130,159,870	3,878,146	69,333,134	210,437,584
Ratio of Shareholding	0%	3.36%	61.85%	1.84%	32.95%	100.00%

Note: Primary exchange (or OTC) listed companies and emerging stock companies should disclose the aggregate shareholding percentage of foreign investors and Mainland Chinese investors which refer to any individual, juristic person, organization, or other institution of the Mainland Area or any company it invests in any third area permitted to invest in the Taiwan Area in accordance stipulated in Article 3 of the Measures Governing Investment Permit to the People of Mainland Area and Its Rulings.

## (III) Equity dispersion

### 1. Common stock: NT\$ 10 per share

Book closure date as of April 23, 2022

Class of Shareholding	Number of Shareholders	Number of shares held (share)	Ratio of Shareholding (%)
1 to 999	4,761	729,134	0.35
1,000 to 5,000	8,602	17,762,864	8.44
5,001 to 10,000	1,482	11,158,398	5.30
10,001 to 15,000	506	6,324,927	3.01
15,001 to 20,000	243	4,376,580	2.08
20,001 to 30,000	214	5,279,172	2.51
30,001 to 40,000	95	3,345,569	1.59
40,001 to 50,000	69	3,112,219	1.48
50,001 to 100,000	112	8,098,051	3.85
100,001 to 200,000	61	7,884,376	3.75
200,001 to 400,000	17	4,902,065	2.33
400,001 to 600,000	6	2,986,538	1.42
600,001 to 800,000	1	648,314	0.30
800,001 to 1,000,000	1	932,000	0.44
> 100,000,000	6	132,897,377	63.15
Total	16,176	210,437,584	100.00

### 2. Disclosure relating to preferred stock: None.

## (IV) List of major shareholders:

Book closure date as of April 23, 2022

Name of major shareholders:	Shares	Number of shares held (share)	Ratio of Shareholding (%)
Capital Securities Corp.		119,066,014	56.58%
Hontai Life Insurance Co., Ltd.		4,836,434	2.30%
Zengmao Investment Co., Ltd.		3,793,311	1.80%
Fengyang Investment Co., Ltd.		2,000,618	0.95%
GAINS Investment Corporation		1,726,000	0.82%
The First Insurance Co., Ltd.		1,475,000	0.7%
Standard Chartered International Commercial Bank Business Department managed Westendtree Emerging Market Small Capital Dividend Fund Investment Account of Westendtree Trust		932,000	0.44%
Yingqun Investment Co., Ltd.		648,314	0.31%
Tianshan Investment Co., Ltd.		584,300	0.28%
Chase managed JP Morgan Securities Co., Ltd. Investment Account		566,011	0.27%

## (V) Market price per share, net worth, dividend and relevant data over the past two years

Item	Year		2020	2021	From 2021 to March 31, 2022 (Note 8)
Market price per share (Note 1)	Highest		44.85	45.15	39.05
	Lowest		31.70	37.10	36.10
	Average		38.27	40.59	38.13
Net worth per share (Note 2)	Before dividend distribution		30.22	29.69	-
	After dividend distribution		27.35	28.09	-
Earnings per share	Weighted average outstanding shares		202,541,409	210,437,584	-
	Earnings per share (before adjustment) (Note 3)		3.07	2.33	-
	Earnings per share (after adjustment) (Note 3)		3.07	2.33	-
Dividends per share	Cash dividends		2.87	1.60	-
	Stock dividends	From earnings	0.00	0.00	-
		From capital reserves	0.00	0.00	-
	Cumulative undistributed dividends (Note 4)		0.00	0.00	-

Item	Year	2020	2021	From 2021 to March 31, 2022 (Note 8)
	Analysis of investment returns	P/E ratio (Note 5)	12.47	17.42
Price to dividends ratio (Note 6)		13.33	25.37	-
Cash dividend yield (Note 7)		7.50%	3.94%	-

\* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: The highest and lowest market prices per common share for each year, and each year's average market price based upon that year's transaction value and transaction volume.

Note 2: Please specify the status of distribution as decided by a resolution of the shareholders' meeting next year based on the number of shares already distributed at the end of the year.

Note 3: Where retroactive adjustment is required due to distribution of bonus shares, the EPS before and after adjustment shall be indicated.

Note 4: Where the conditions for issuance of equity securities stipulate that undistributed dividends in the current year may be accumulated to be distributed in a subsequent year with earnings, the unpaid dividends accumulated until the current year shall be disclosed.

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.

## (VI) The Company's dividend policy and fact of implementation thereof.

- 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. With regard to the Company's earnings in each fiscal year, after all taxes and dues have been paid and losses in previous years have been covered, the Company shall first set aside 10% as legal reserve, 20% as special reserve, and other reserve specified by relevant regulations. The Company should add the remaining balance to the undistributed earnings in previous years, and then distribute at least 10% of it as dividends. Earnings may be distributed in the form of cash dividend or stock dividend, but the percentage of cash dividend for the year should not be less than 10% of the total dividend for the year. Dividend may not be distributed if an annual loss occurs, and the loss should be first made up if retained earnings are used for dividend distribution.

2. Proposed dividend distribution at the 2021 Annual General Meeting of Shareholders:

The Company's net profit after tax in 2021 was NT\$490,039,229. After adding the accumulated undistributed earnings from the previous year of NT\$1,433,128, and the adjusted undistributed earnings of the current period of NT\$31,324,023, the distributable earnings are NT\$522,796,380. The Company's Articles of Association provide for the earnings distribution as follows:

- ① The amount of legal reserve is NT\$52,136,325.
- ② The amount of special reserve is NT\$104,272,650.
- ③ The amount of special reserve appropriated due to deduction of equity is NT\$28,770,198.
- ④ It was resolved for acceptance in the meeting of the board of directors that cash dividends to distribute are, rounded to the nearest integer, NT\$336,700,134 (at NT\$1.6 per share on the basis of 210,437,584 outstanding shares). The total payment of shares of odd lots shall be counted as other revenue of the Company, as for the unappropriated retained earnings in the end of term is NT\$ 917,073. The chairman is authorized to set the dividend day and related issues upon the finalization of the general meeting of shareholders.

If the number of outstanding shares is affected by the later change in the capital of the Company, simultaneously the shareholders of the dividend payout ratio needs to be revised, the chairman will be authorized by the shareholder meeting to deal with the relevant issue.

(VII) The impact of issuance of bonus shares proposed in the present shareholders' meeting upon the Company's business performance and earning per share: Not Applicable.

(VIII) Remuneration for Employee, Director and Supervisor:

1. The percentage or range of employee dividends, directors and supervisors' remuneration as stated in the Articles of Association  
According to Article 27 of the Articles of Association, employees' remuneration shall be distributed at 0.6% to 2% of the profit for the year, and directors' remuneration shall be distributed at a rate not exceeding 3% of the profit for the year where accumulated loss shall be made up first. The accounting process for discrepancies between the actual distribution and the grounds to estimate the remuneration of employees, directors and supervisors in the current period and the grounds to calculate the number of shares distributed for employee compensation.
2. The Company's profit before deducting the remuneration of directors and employees in 2021 was NT\$615,008,903. According to the Company's Articles of Association, the Board of Directors resolved to distribute

NT\$7,195,604 in employee compensation, representing 1.17% of the profit for the year and NT\$7,195,604 in directors' remuneration, representing 1.17% of the profit for the year, all paid in cash. The employee remuneration and directors' remuneration in 2021 have no difference from the amount resolved by the Board of Directors.

3. The Company's cash remuneration distribution in 2020 were NT\$ 9,070,814 to employees and NT\$ 9,070,814 to directors and supervisors, based on the remuneration distribution plan approved by the Board of Directors. The employee remuneration and directors' remuneration in 2020 have no difference from the amount resolved by the Board of Directors.
4. The remuneration policy and standard of directors shall be handled in accordance with the Articles of Association of the company. The remuneration of the chairman and directors shall be determined by the Board of Directors in accordance with the level of participation in the operation, the value of their contribution and the typical pay level of the industry. In addition, travel expenses will be paid according to the actual attendance.

Supervisors at managerial level (inclusive) or above shall, according to their functions and general salary levels, be submitted to the Board of Directors for approval, and in accordance with relevant laws and regulations, establish a Remuneration Committee to supervise the payment of salaries, bonuses and other remuneration. The results of performance evaluation and remuneration and bonuses are submitted regularly to the Remuneration Committee and the Board of Directors for review every year.

The Company has established "Guideline for Employee Performance Evaluation", "Guideline for Employee Year-End Bonus Distribution", "Guideline for Festival Bonuses Distribution" and "Guideline for Sales Bonus" for each business unit, which serve as the basis for the performance evaluation and remuneration system of company executives and employees and to encourage employees to work together to share the Company's operation results. In 2021, the Company's earnings per share was 2.33 (NT\$/share), the average employee welfare expense was 1,395 (NT\$ thousand/person), and the average employee salary was 1,212 (NT\$ thousand/person). The average salary of full-time employees who are not in supervisory positions is 1,197 (NT\$ thousand/person) where the median salary is 840 (NT\$ thousand/person).

- (IX) Repurchase of the Company's shares during the latest financial year, up to the publication date of this annual report: None.

**II Any issuance corporate bonds, preferred shares, global depository receipts, and employee stock warrants, and new restricted employee shares, and the status of implementation: None.**

**III Depository Receipts and Employee Share Subscription Warrant Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.**

**IV Financing Plans and Execution Status: None.**

# Chapter V      Operation Highlights

## I      Business Activities

### (I)    Scope of business operation

The main business scope of Capital Futures includes Taiwan futures clearing-settlement, Taiwan and foreign futures brokerage trading, security proprietary trading, option market maker trading, futures manager discretionary, securities introducing broker and futures consultancy and project planning of derivative financial product research, etc. In addition to the brokerage trading and clearing business of Taiwan futures, Capital Futures provides brokerage trading of futures in global markets such as the United States, Singapore, Hong Kong, Europe, and Japan, and leads the industry in establishing transaction system to directly link the exchanges in various countries. Capital Futures is currently the second largest futures merchant in Taiwan trading foreign futures and options.

Capital Futures, including its reinvested Hong Kong subsidiary, is currently a trading or clearing member of 12 domestic and foreign futures exchanges, and is the first in Taiwan to obtain brokerage and proprietary trading members of Singapore Exchange, and the first in Taiwan approved to become a member of CME Group with CME, CBOT, NYMEX and COMEX in the United States, and the first member of NYSE Liffe (London International Financial Exchange) in Taiwan. Capital Futures is also a member of CBOE Futures Exchange (CFE), EUREX, ICE Futures U.S., Hong Kong Futures Exchange, Hong Kong Futures Clearing Corporation and TAIFEX general clearing member. Capital Futures' customers can place orders directly to various futures exchanges in the form of DMA (Direct Market Access), which has the advantages of faster, more stable, and lower-cost transactions than its counterparts in Taiwan.

With a high degree of autonomy, Capital Futures expands various fields such as direct sales business, legal person business, risk control and construction of a comprehensive IT platform. With the collaboration of different fields, the overall business development has grown by leaps and bounds, creating extraordinary achievements.

1.    Major contents of the business operation undertaken
  - Futures Commission Merchant (Limited to those approved by the FSC)
  - Futures Advisory Business
  - Futures Managed Business
  - Securities Introducing Broker
  - Securities Investment Advisory Enterprise
  - Securities Proprietary Trading Business.
  - Leverage Transaction Merchants

2. Proportion of main business income

(Expressed in Thousands of New Taiwan Dollars)

Item \ Year	2020		2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Brokerage fee revenue	1,896,284	78	1,780,477	73
Futures commission revenue	322,130	13	327,809	13
Net gains (losses) on derivative instruments	39,830	2	201,939	9
Advisory fee revenue	12,219	1	18,404	1
Other	155,773	6	110,332	4
Total	2,426,236	100	2,438,961	100

Source: Consolidated financial statements audited and certified by CPA.

3. The current merchandise (services) items of the Company

Order acceptance

Futures of TAIFEX

Option of TAIFEX

Futures and options for US, Singapore, Japan, Hong Kong, and European stocks.

Clearing on behalf of

Acting for proprietary clients and futures merchants to clear and deliver commodities on the TAIFEX.

Proprietary Trading

Buy and sell domestic and foreign futures and options

Act as a market maker for futures and option commodities, creating market liquidity.

Futures advisory

Accept mandates to analyze and advise on futures trading related matters.

Publish books on futures.

Hold various futures seminars.

Securities introducing broker business

Soliciting securities trading business from securities investors.

Acting on a securities firm's behalf to open accounts for securities investors.

Accepting securities trading orders from securities investors and delivering the orders to a securities firm for execution.

Acting on a securities firm's behalf to notify securities investors to settle securities transactions.

Futures managed business

Accepting mandates from specified persons to conduct discretionary futures trading business.

Other related business approved by the competent authority.

#### Securities Proprietary Trading

Trading securities for its own account on the centralized securities exchange.

Trading securities for its own account on the Taipei Exchange.

#### Leverage Transaction Merchants

Leverage contract trading business

#### 4. New products (services) under development

##### (1) Invest in light-speed connection cabinets to be the fastest and lead the industry.

In response to globalization where investors have deployed their assets around the world, Capital Futures provides customers with more flexible investment commodities to participate in the international market, making its investment strategies more diversified, and is committed to lowering the trading threshold for investors to achieve inclusive finance. Capital Futures actively develops an independent IT global trading platform in financial technology, attaches great importance to the trading experience of customers, and develops the mobile APP “Happy Trader” that meets the needs of professional investors. The APP includes several practical functions and strives to create a variety of intelligent trading services, intuitive display of market data, and instant transaction with technical analysis chart combined with fast order function. The Company has also built the industry’s first customer-exclusive investment community platform “Trader168” to provide customers with diversified and real-time investment information and trading forum.

##### (2) The Company leads the leveraged trading business in the industry as the first futures broker to offer foreign stocks and indices CFDs , and the leveraged trading business has ranked first in the industry for five consecutive years since operation, with a market share of over 50%, and successfully registered the trademarks of “奈米金”, “奈米指” and “奈米油”.

##### (3) Continue to develop global futures and spot trading platforms centered in Hong Kong

CSC Futures (HK) Ltd. is now the main overseas base of the Company, and will commit to develop, deploy and expand various businesses to monetize on potential business opportunities in the future. In the fierce competition of Hong Kong's top futures brokerage companies, there are a few Taiwan-funded futures brokers whose parent companies have DMA to major global exchanges. The Company has established its own exclusive trading platform in the Greater China region, providing one-stop integrated services and customized solutions from Hong Kong. With its stable finance, excellent information system and

diverse products, the Company attracts customers to trade in the global market.

## (II) Industrial profiles

### 1. The status quo and development of the industry

#### (1) Status of Market Participants

According to the TAIFEX statistics, the participants in the domestic futures market in 2021 includes 14 futures brokerage businesses with a total of 30 business outlets; 13 concurrent futures brokerage business with a total of 100 business outlets; 43 futures introducing broker with a total of 732 business outlets. On the other hand, there are 12 futures proprietary merchants and 20 concurrent proprietary merchants; Lastly, there are 20 general clearing members, 9 individual clearing members, and 8 clearing banks. Among the market participants, the Company is specialized in futures brokerage business, futures proprietary merchants, general clearing members, concurrent futures advisory, concurrent futures management, concurrent securities introducing broker, concurrent securities proprietary, and concurrent leverage transaction merchant, etc.

#### (2) Status of industry customer structure

As the liquidity and turnover rate of the spot market are becoming more mature, the number of accounts opened in the futures market has increased year by year as traders' demand for hedging and speculation channels increases. As of the end of 2021, the number of accounts opened in the futures market had reached 2,021,841. The main domestic futures accounts were still natural persons, with 2,010,754 accounts opened, accounting for 99.45%, and 11,087 accounts by legal persons, accounting for 0.55%.

In the overall trading volume of the futures market, the proportions of male and female transaction are 78.96% and 21.04% respectively. The main trading groups are still 41 to 50 years old without much change from previous years. However, last year, the proportion of the transaction volume of the 20-30 and 31-40-year-olds increased by 1.15% in total, and the transaction participation of young people increased slightly.

### Account opening status and transaction structure of traders

Unit: Number of accounts

Year	Number of accounts opened				The proportion of market trading volume		
	The cumulative number of accounts opened by natural persons	Ratio	The cumulative number of accounts opened by legal persons	Ratio	Natural Person	Legal Person	
						Foreign investment	Total
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%
2021	2,010,754	99.45%	1,1087	0.55%	50.00%	16.13%	50.00%

Source: TAIFEX website, prepared by the Company

The total trading volume of the Taiwan futures market in 2021 was 392,202,371 lots, with an average daily volume of 1,607,387 lots. Affected by the spread of the variant virus, the global supply chain has encountered turbulence, resulting in a sharp increase in financial market hedging and transaction demands. The total transaction volume has increased by 14.88% compared with 2020, and the average daily volume has increased by 15.35% compared with the previous year. Moreover, the transaction volume has set a record for 2 consecutive years.

The proportion of trading volume of various types of traders did not change much in 2021 and the growth of trading volume mostly came from foreign capital and natural persons focusing on small Taiwan index futures and stock futures, but the trading volume of some futures proprietary merchants declined.

### Participants Structure in Taiwan's Futures and Options Trading Market

Unit: Thousand lots

Item	2017	2018	2019	2020	2021
Securities Proprietary Trading Account	2,260	2,103	1,466	1,774	2,172
Futures Proprietary Trading Account	169,972	185,645	156,096	170,195	150,547
Securities Investment Trust Account	1,325	1,233	1,104	1,446	1,166
Foreign and Mainland Chinese investors	76,566	124,830	108,141	177,744	246,784
Futures Managers and Trust Funds	227	254	145	261	488
Other institutional investors	3,006	4,466	3,874	3,336	4,589
Natural Person	278,055	297,637	250,705	328,031	378,659

Source: Taiwan Futures Exchange

2. Development of the industry

(1) Development trends of market participants

In recent years, the number of futures companies in Taiwan and the market share of each futures company's trading volume have not changed much, where the great companies stay great. As futures trading is suitable for both long and short, the futures industry generates a stable profit in the financial industry. Looking forward, the TAIFEX will continue to develop new commodities that meet market demand, research on new commodities for after-hour trading, expand the application of dynamic price stabilization measures, strengthen the market risk control mechanism, and establish a centralized clearing mechanism for domestic over-the-counter (OTC) derivatives, replace outdated trading system equipment, strengthen the system efficiency, provide traders with a variety of trading and hedging channels, promote the sound development of the futures market, and hope that the futures market will continue to prosper in 2022.

(2) Development trend of industry customer structure

In the current customer structure, about half of the domestic futures market traders are natural persons. In 2021, the number of accounts opened in the futures market exceeded 2 million for the first time where the proportion of new accounts opened by men and women was 66% and 34% respectively, with little difference from previous years. In the futures market, with the continuous development of new products, promotion on new systems, and effective marketing plans in the industry, the number of new accounts opened in the age group of 20 to 30 accounts for 27%, showing a trend of decrease in age

3. Association among the upper-, mid- and lower streams

The social function of the futures industry is to provide stability to various major commodities, including stocks, foreign exchange, interest rates, agricultural products, precious metals, and energy; when the price fluctuates, the price risk is fixed for the commodity supplier or demander to ensure their business operates in a stable environment where the price risk is transferred to the futures market. Thus, the futures market is a place to match hedging, speculators, and arbitrageurs. Through the system, the pricing mechanism can be smoothly operate, and it is an essential market for the stable development of the world's free economy. This is different from the close relations with industries upstream, downstream and at the same level of the manufacturing industry.

4. Product development trends

At present, the main trading products can be divided into domestic futures, domestic options, and products in US, European, Japanese, Singapore and Hong Kong markets. Domestic futures are concentrated in stock index futures, and domestic options are almost concentrated in Taiwan index

options; US market's main products are foreign exchange futures, stock index futures, interest rate futures, gold futures, agricultural commodity futures and energy futures; European market's main products are stock index futures and commodity futures; Japanese market's main product is stock index futures; Singapore market's main products are A50 index futures and Nikkei 225 futures; Hong Kong market's main products are Hang Seng and H-share stock index futures. In recent years, the futures trading volume in various domestic and foreign markets are as follows:

#### Transaction Volume Statistics

##### Commodities of TAIFEX

Unit: Orders

Year	Futures	Options	Total
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
2021	194,453,304	197,749,067	392,202,371

Source: TAIFEX, prepared by the Company

##### Foreign Futures Commodities

Unit: Orders

Year	US Stock	Singapore Stock	Hong Kong Stock	Japan Stock	Other Stock	Total
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
2021	22,202,111	11,780,637	1,365,762	757,528	1,160,366	37,266,404

Source: TAIFEX, Chinese National Futures Association, prepared by the Company.

#### 5. Competition status

The Company is a specialized futures merchant, and its main competitors are KGI Futures, Yuanta Futures, President Futures, SinoPac Futures, etc. The capital, net profit, and earnings per share before tax of competitors in 2021 are as follows:

Profits in 2021 compared with companies of the same industry

Item	Name of Futures Merchant	Number of shares issued (thousand shares)	Profit and loss before tax (NT\$ thousand)	Earnings per share before tax (NT\$)
1	Optiver Taiwan Futures	60,000	924,333	15.41
2	SinoPac Futures	117,525	478,015	4.07
3	KGI Futures	168,556	621,626	3.69
4	Yuanta Futures	289,976	1,048,960	3.62
5	Yuanta Securities	295,000	921,175	3.12
6	Capital Futures Corp.	210,438	600,618	2.85
7	Shin Kong International Securities	32,000	81,654	2.55
8	President Futures Corp.	66,000	145,585	2.21
9	Hua Nan Futures	43,500	72,404	1.66
10	Concord Futures	81,500	118,034	1.45

Source: TAIFEX, prepared by the Company

(III) Technology & know-how and research & development in summary:

The Company has set up a R&D Department with several researchers specializing in the financial field. Over the years, it has had many successful collaborations with domestic and foreign legal entities in product development, information provision, etc. which greatly contribute to the corporate business promotion with the quality and the amount of development. In product development, the Company leads the industry to develop products that combine stock and futures modules, revolutionize the market's stereotype of high-risk and high-reward futures, and successfully develop balanced products that are suitable for legal entities with low risk and stable returns. In addition, the Company has established a long-term cooperative relation with the domestic life insurance industry and investment trust. In addition to the products with legal entities characteristics, the use of open investor information to develop risk-reward products that are highly accepted by medium-sized investors, and successfully develop products with high winning rates and high earning odds.

To provide more valuable information and better customer experience, the Company broadcasts daily live broadcast of the program "Good Morning Capital" on Facebook, allowing customers to grasp first-hand international financial information early in the morning. The Company has developed the "Happy Trader" stock purchase APP with the first mobile phone "Super-light Speed Purchasing" function which makes the purchase on mobile phone as fast and efficient as the computer and the "Smart Purchase Function" and "Price Reminder" functions to allow customers to keep track of global market trends. In the future, the exclusive service of "Smart Broadcasting" will be launched to provide real-time, valuable information and help customers to profit in the trading market.

In leveraged transaction business, the Company uses innovative CFD services, issues nano-level commodities, and cultivates the competitiveness of the new generation of international financial markets. The Company has obtained 5 trademarks including “奈米金”, “群益奈米金”, “奈米油”, “奈米指” and “T-Sport”. The Company will continue to provide more nano products, so that more young people, first-time investors, and petty bourgeoisie in Taiwan can participate in global market more easily and conveniently.

With digital transformation, the Company has applied for patents for innovative financial services and conduct patent planning according to business needs. In 2021, the Company has obtained a new patent for “ A System of a Financial Information Collection Using Instant Messaging Software”.

#### Academic (Experience) of the R&D personnel

Unit: Person

Item \ Year	2020		2021		Until March 31, 2022	
	Head count	Percentage	Head count	Percentage	Head count	Percentage
Post-graduate	2	10.5%	1	4.2%	1	4.3%
University	17	89.5%	23	95.8%	22	95.7%
High school	0	0%	0	0%	0	0%
Total	19	100%	24	100%	23	100%
Average years of service	2.64		2.55		2.66	

#### R&D expenses invested in the latest year

(Expressed in Thousands of New Taiwan Dollars)

Item	2019	2020	2021
Research and development expenses	43,985	38,732	40,694

#### (IV) Long- and short-term business development programs

##### 1. Short-term development programs

##### (1) Domestic market:

- Use the quantitative stock selection strategy and develop a day-trading interface to attract day-trading customers to the futures market based on the upsurge of the spot market.
- Continuously optimize IT Infra to provide the best solutions for high-frequency professional customers.

##### (2) Foreign market:

- Provide global market investment information through Capital’s exclusive community platform to become the “Facebook of investment” for customers and enhance customers' global outlook and brand loyalty.
- Integrate the resources of various investment and research departments to provide 24H global real-time important information and use the intelligent push broadcast system developed by the digital team to push broadcast to the customers

in real time, making high-quality services more accessible.

- (3) Leverage Transaction Merchants:
    - Promote the foreign stock CFD, and market “Buy US stock CFD, come to Capital”.
    - Optimize semi-automatic intelligent trading, simplify customer trading process, stabilize trading volume, and improve performance.
    - Seek for the competent authorities and the CBC to approve “non-foreign exchange” CFD referral and allow futures salesmen and securities IB salesmen to refer non-foreign exchange CFD to expand the distribution channel.
  - (4) Proprietary Trading:
    - In response to possible brokerage systemic risks, the proprietary strategy is more flexible with strict risk control.
    - When market volatility rises, market-making proprietary will actively increase volatility strategy trading.
  - (5) Cultivate talent with schools (new foreign exchange workforce, campus talent recruitment), increase industry-university cooperation (winter and summer internships and work-study programs), and introduce new talents from various fields to implement the positive cycle of selecting, cultivating, retaining and utilize talents.
  - (6) Provide employees with an internal entrepreneurial environment for employees’ welfare to strengthen employees’ synergy and recognition with the Company.
  - (7) Strengthen internal audit and internal control, legal compliance and strict risk control, and fulfill the corporate responsibility of environmental, social and governance (ESG) to ensure sustainable operation of the Company.
2. Long-term development programs
- (1) Performance goals: 1st in foreign options market share, 2nd in domestic options market share, 1st in the total profit of futures and securities proprietary trading, 1st in the profit of leverage transaction merchant, and top 3 in market-making.
  - (2) Digital growth goals: (1) Integrate investment and research resources, build an intelligent broadcast platform, and focus on “digital + human” to achieve 365-day, 24-hour customer service with both efficiency and kindness. (2) The “Trader168” social media community was created by Capital to become the “Investor's Facebook”, which comprehensively collects investment information from the entire market to expand

customer traffic and enhance customer loyalty.

- (3) Seek for the competent authorities and the CBC to approve “non-foreign exchange” CFD referral and allow futures salesmen and securities IB salesmen to refer US stock CFD to expand the distribution channel.
- (4) In response to the approval of the competent authorities, the Company will evaluate the establishment of a trading company to provide one-stop services for domestic metal industry customers with “trade + finance”, including hedging planning, basis trading, physical delivery, warehouse receipt financing, etc., and create new businesses.
- (5) Conduct planning on the integration of the Group’s securities, futures, and investment trust business resources, achieve synergy and increase competitiveness.
- (6) In response to the opening of inbound & outbound in China, CSC Futures (HK) Ltd. accelerated its application for QFII inbound business, and at the same time integrated the resources of Capital Futures Technology (Shanghai) Co., Ltd. to expand the outbound and sub-brokerage business in target futures dealers.
- (7) CSC Futures (HK) Ltd. develops steadily, continues to develop business opportunities (investment collaboration, cross-border business with China, LME business services, existing customer strategic trading business), while reducing expenditure (trading system integration, personnel simplification).
- (8) Increase the return of funds and customer margin to cope with the decrease in interest income.
- (9) Expand industry-university collaboration, internships, and work-study programs to cultivate talents.
- (10) Strengthen the corporate governance, risk management mechanism and compliance with laws and regulations.
- (11) Establish an internal entrepreneurial environment, build a happy enterprise, and at the same time have environmental, social and governance (ESG) sustainable management capabilities.

## **II Overview of the market, production, and sales - an overview of the overall economic environment and trends in the industry**

### **(I) Market analyses**

1. Sales (distribution) regions of key products (services) and market share  
Capital Futures is based in Taiwan and with a world vision. Including the Hong Kong subsidiary, Capital Futures is currently trading or clearing members of 12 domestic and foreign futures exchanges. Capital Futures

leads the industry to build a trading system that directly connects with exchanges in various countries which can directly place orders to various futures exchanges in the form of DMA (Direct Market Access), with fast, stable, and real-time operation. Capital Futures has changed the ecological rules of brokerage trading of foreign futures commodities for futures merchants in Taiwan and has established Capital Futures as an industry pioneer. The market share of foreign futures commodities in 2021 is 20.3%, which is the second largest futures merchant trading overseas futures and options in Taiwan. In addition, the Company has established Hong Kong office as a global trading center, providing one-stop service of “Hong Kong account opening and global trading”. The Company’s market share in the brokerage business of TAIEX in 2021 was 7.87%, ranking third in the market.

Top 10 Futures Merchant Brokerage Business Transaction Volume- Domestic Commodities

Unit: Thousand lots

Ranking	2019			2020			2021		
	Futures Merchant	Brokerage volume	Market share %	Futures Merchant	Brokerage volume	Market share %	Futures Merchant	Brokerage volume	Market share %
1	Yuanta Futures	94,836	18.18	Yuanta Futures	140,755	20.61	Yuanta Futures	163,704	20.87%
2	KGI Futures	57,137	10.96	KGI Futures	98,652	14.45	KGI Futures	143,584	18.30%
3	<b>Capital Futures Corp.</b>	39,531	7.58	<b>Capital Futures Corp.</b>	49,840	7.30	<b>Capital Futures Corp.</b>	61,764	7.87%
4	SinoPac Futures	26,953	5.17	SinoPac Futures	36,047	5.28	SinoPac Futures	46,878	5.98%
5	President Futures Corp.	18,740	3.59	President Futures Corp.	25,889	3.79	President Futures Corp.	31,390	4.00%
6	Concord Futures	18,637	3.57	Concord Futures	22,202	3.25	Concord Futures	23,324	2.97%
7	Masterlink Futures Corp.	14,182	2.72	Masterlink Futures Corp.	18,291	2.68	Fubon Futures CO.	22,272	2.84%
8	Fubon Futures CO.	14,139	2.71	Jih Sun Futures Co., Ltd	17,977	2.63	Masterlink Futures Corp.	20,162	2.57%
9	Jih Sun Futures Co., Ltd	14,044	2.69	Fubon Futures CO.	17,750	2.60	Hua Nan Futures	18,427	2.35%
10	Hua Nan Futures	13,105	2.51	Hua Nan Futures	15,042	2.20	Jih Sun Futures Co., Ltd	18,311	2.33%

Source: TAIEX, prepared by the Company

## 2021 Foreign Futures Commodities

Unit: Lot

Ranking	Futures Merchant	CME G	SGX	HKEEx	EUREX	ICE	Japan Stock	Other	Subtotal	Market share (%)
1	Yuanta Futures	4,972,015	4,274,991	233,574	60,992	203,697	102,184	15,018	9,862,471	26.5
2	<b>Capital Futures Corp.</b>	5,243,512	1,747,136	146,012	78,192	249,984	88,723	5,456	7,559,015	20.3
3	KGI Futures	2,396,541	2,017,194	519,127	42,232	147,213	126,261	293,195	5,541,763	14.9
4	SinoPac Futures	1,701,668	1,010,806	196,278	13,613	157,569	57,760	130	3,137,824	8.4
5	Fubon Futures CO .	1,382,415	790,567	68,310	11,182	65,797	57,878	276	2,376,425	6.4
6	President Futures Corp.	1,430,331	590,710	96,342	8,660	124,745	48,405	662	2,299,855	6.2
7	Concord Futures	1,300,249	245,675	44,024	10,874	53,860	46,837	5,019	1,706,538	4.6
8	Masterlink Futures Corp.	545,939	528,881	14,561	3,039	20,258	32,604	0	1,145,282	3.1
9	Jih Sun Futures Co., Ltd	586,046	182,573	6,785	4,286	18,030	35,214	43	832,977	2.2
10	Cathay Futures Co., Ltd.	367,693	170,679	5,455	1,345	89,201	23,740	16	658,129	1.8
Total number of futures merchant in Taiwan		21,414,718	11,780,470	1,365,762	247,668	1,239,518	757,528	460,740	37,266,404	

Source: TAIFEX, Chinese National Futures Association, prepared by the Company.

Note: The foreign market number are the total number of trading lots of Taiwan futures merchants.

### 2. Future market supply and demand and growth:

In 2021, TAIFEX continued to follow the international trend of miniaturization of futures contracts in commodities, and successively launched small-scale electronic futures, financial futures, and other small contracts to provide traders with other trading options. As for the market system, the scope of application of “Stabilization Measures” will be expanded to prevent risks arising from abnormal trading day price fluctuations and strengthen the price stabilization mechanism in the futures market. With the listing of the aforementioned commodities, the improvement of the system, and the substantial increase in the volume of the securities market, the trading volume of the futures market in 2021 has reached 392.2 million lots, with an average daily volume of more than 1.6 million lots, the highest ever recorded and the 3rd time exceeding 300 million lots for in 5 years, showing that the market has a strong demand for hedging with strong trading performance.

Looking forward, the Company will maintaining close cooperation with the competent authorities and the industry leader. The Company will meet the mainstream demand of the international futures market, and the TAIFEX will continue to launch stock price index commodities that are differentiated and complementary to existing commodities; for market systems, the TAIFEX will expand the application of dynamic price stabilization measures to include electronic options, financial option, and ETF option. In addition, for the commodities listed in the after-hour trading, appropriate trading commodities will continue to be added according to the trading volume and the degree of participation. With the establishment of a centralized clearing mechanism for domestic OTC derivatives, the clearing

system will also continue to strengthen the risk management mechanism of the futures market.

3. Competitive niche, advantages and disadvantages of development and countermeasures:

Advantages: As TAIFEX continues to introduce new products and new systems to make the products types in Taiwan's futures market more complete, and the Company supplies an excellent professional advisory team and risk management capabilities, it is beneficial to the Company's diversified business development.

The Company's trading platform has complete functions, strong innovation capabilities in options, and has membership in other major exchanges around the world, showing a strong operating strength.

Disadvantages: The price-cutting competition in the market is still in trend, which affects the Company's profitability and as the financial environment continues to turn into a bear market, the profit from service fee and proprietary operations is unstable.

Countermeasures:

- (1) Strengthen the promotion of foreign futures and create diversified sources of income; the Company has a relative market advantage, it can maintain its profitability.
- (2) Improvement on service quality, including IT trading platform, customized services, market analysis and suggestions, can differentiated customers experience and services from other competitors to combat price competition.
- (3) Through continuous marketing: various marketing activities on trading platforms such as Strategy King, Wangfa, and Palm Fortune can improve investors' brand awareness of the Company, expand the market size, and effectively ease the pressure of price competition.

- (II) Manufacturing process and key purposes of our principal products: Not applicable.
- (III) Supply status of major raw materials: Not applicable.
- (IV) List of major purchase and sale customers in the last two years: Not applicable.
- (V) Production value in the last two years: Not applicable.
- (VI) Sales in the last two years: Not applicable.

**III The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels.**

Item		2020	2021	As of March 31, 2022
Number of employees employed		269	278	280
Average age		37.6	37.9	38.2
Average years of service		6.24	6.57	6.62
Education levels	Doctoral Degree	1.1%	1.1%	1.1%
	Master's Degree	20.1%	19.8%	19.6%
	Bachelor's Degree	72.5%	73.4%	73.9%
	Below high school	6.3%	5.8%	5.4%

Note: does not include work-study student

**IV Information on environmental protection expenditures:** The Company is engaged in financial services business, and there is no environmental pollution issue.

**V Labor Relations:**

Employees with synergy is the foundation of enterprise competitiveness. The Company upholds the spirit that employees are the most important asset of the Company, and adopts fair and good HR policies, optimizes the welfare system, takes care of employees, and recruits outstanding talents through multiple channels and allows Capital employees to create value at work and achieve a balance between life and work.

The formulation of the Company's rules and regulations based on and abides by related labor laws and regulations to protect rights and interests of all employees. The salary payment policy shall not be lower than the statutory minimum basic salary, and there shall be no discrimination based on gender, gender orientation, age, race and religion. The Company follows the provisions of Article 5 of the Employment Service Act in employee appointment and dismissal, transfer, salary adjustment does not discriminate regardless of race, class, language, thought, religion, political party, place of origin, place of birth, gender, gender orientation, age, marital status, appearance, facial features, disability. The Company has established a reasonable reward system and has set up a remuneration committee to evaluate the fairness of employee rewards. The Company's current operation status, price index, and employee performance are linked to serve as the basis for annual salary adjustments and festival and year-end bonuses.

In addition, employee-employer meetings are held regularly in accordance with the regulations. The discussion includes employee engagement, operation plans and business overview, employee-employer relation coordination, employee-employer cooperation promotion, labor conditions, as well as planning on employee benefit, improving work efficiency, and employee-employer suggestions. The Company has set up an Employee Opinion Mailbox for all employees to provide opinions, strengthen the work rights, improve the operation

process, improve on welfare, and discourage unethical conducts.

(I) List the Company's fringe benefits for employees for higher education, training programs, retirement system and the enforcement the condition, accords reached by and between the labor and management sides, facts regarding the efforts and measures to safeguard employees' interests:

1. The Company has formulated various bonus measures to appropriately reflect the operation performance or achievements in the remuneration policy for the recruitment, retention and encouragement of employees, improvement on the remuneration of entry level employees, promoting a win-win employee-employer situation, implementing corporate social responsibility, and achieving the goal of sustainable operation.

2. Employee benefit policies: Capital Financial Group has set up an employee benefit committee to provide employees with a number of welfare measures such as wedding and funeral subsidies, education scholarships for dependent children, community activity subsidies, and travel activities. The source of funding is based on the welfare fund and interests derived thereof, amount of paid-in capital, employee salaries, revenue, etc. allocated proportionally. The funds are still sufficient, and the benefit policies can be implemented according to the plan.

Engaging physicians and nursing personnel to the Company 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.

Various welfare measures of the Welfare Committee in 2021:

- Marriage allowance: 10 people; total amount of subsidy: NT\$30,000.
- Funeral subsidy: 5 people; total amount of subsidy: NT\$25,000.
- Hospitalization subsidy: 5 people; total amount of subsidy: NT\$40,000.
- Birth subsidy: 1 person; total amount of subsidy: NT\$3,000.
- Travel subsidy: 244 people; total amount of subsidy: NT\$1,320,837.
- Emergency relief loans: 1 person.

3. Employee continuous education and training:

To develop talents and improve business management performance, the Company provides various education and training including: new personnel training, professional training, managerial and supervisor training, and inviting experts and scholars to the Company to hold finance seminars. To cultivate the succession of various management levels to pass down the "CAPITAL" business belief, the Company has produced several e-learning courses such as legal compliance, ethical corporate management, information security management, financial consumer protection where supervisors can learn and develop anytime, anywhere. Capital Financial University has been established since 2007 to cultivate key talents and managerial supervisors for the Company. It organizes business management, financial product planning and marketing, legal compliance, money

laundering prevention and anti-terrorism courses or seminars on data analysis, financial technology application for an “on hand learning” experience such as job substitute, participation in important meeting, project promotion or work rotation, to ensure the succession training system is complete. Furthermore, “learning” is listed as an important evaluation indicator in performance evaluation, because only through lifelong learning of the management can the Company stay on the trend of future development. Thus, Capital combines the development of the Company with the career development of the management. Through the video conference and broadcast connection in Taiwan, intensive training of sales personnel is carried out to improve the professional quality and skills of sales force. To strengthen the learning effect, several e-learning training courses are produced where employees can learn, and grow anytime, anywhere via various e-learning systems.

4. The Company has formulated employee retirement guidelines for the retirement life of employees, and to establish a long-term harmonious employee-employer relation. Since the Labor Standards Act is in place in April 1996, all employees can apply for the retirement program when they meet the conditions stipulated in the retirement guidelines where a special account is deposited in Taiwan Bank in the name of the Supervisory Committee of Labor Retirement Reserve. In July 2005, to cooperate with the implementation of the Labor Pension Act, the Company respects the employees to choose those who apply for the new pension system, and pays 6% of the monthly salary to the employee’s individual labor pension account.

According to the provisions of the Company’s employee retirement guidelines for early retirement application, employees who have served for more than ten years and have reached the age of 55, or have served for more than 20 years, can apply for early retirement in accordance with the provisions of the Labor Standards Act.

5. Employee insurance: In addition to providing labor insurance and national health insurance for employees in accordance with the law, the Company purchases group insurance such as life insurance, accident insurance, accidental medical treatment and occupational insurance for employees. Moreover, the Company strives for low-rate self-payment group insurance for employees and their families, including term life insurance, accident insurance, medical insurance and cancer prevention insurance for the insurance benefits of employees and their families.
6. Employee rights protection measures: In addition to protecting the rights and interests of employees in accordance with the law, the Company has announced on the internal website for matters related to the rights and interests of all employees where it actively reminds employees to fight for rights and interests of individual employees.

(II) Losses due to employee-employer disputes in the most recent year and up

to the date of publication of the annual report: The Company's employee and employer get along harmoniously. In addition to complying with labor laws and regulations, and handling employee-employer leniently, there is no loss caused by employee-employer disputes.

(III) Work environment and protection for the physical safety of workers:

The Company attaches great importance to the physical safety and mental health of employees, and is committed to providing and maintaining a good working environment. The relevant protection measures are as follows:

Item	Content
Insurance and benefit	<ul style="list-style-type: none"> <li>• Group insurance such as labor insurance, health insurance, employee life insurance, accident insurance, accidental medical treatment and occupational insurance.</li> <li>• 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>• Set up an employee-only website, provide a discussion area for employee education and training, and provide an opinion channel for expression and interactive learning.</li> <li>• Formulate the “Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace”.</li> <li>• Hold employee health checkup every three years and provide employees with preferential health checkup plans with health checkup centers.</li> <li>• Engaging physicians and nursing personnel to the Company 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.</li> </ul>
Environment and Health	<ul style="list-style-type: none"> <li>• The Company's business premises are completely non-smoking, and the internal website provides promotional videos about the important regulations of the Tobacco Hazards Prevention Act and smoking cessation methods.</li> <li>• Hold health conferences, CPR first aid training, and regularly clean and disinfect the office environment.</li> </ul>
Safety certificate	<ul style="list-style-type: none"> <li>• Capital Financial Group has been certified by the BSI ISO 22301 Business Continuity Management. The purpose of this certification is to ensure that the Company can minimize the damage when encountering sudden emergencies, ensure personnel safety, legal compliance, customer rights, the Company's goodwill and assets are protected and make sure the Group's key businesses can resume operations within the recovery time target to maintain operations. An education and training to the employees is conducted once a year.</li> </ul>

Item	Content
Personal data authentication	<ul style="list-style-type: none"> <li>• Capital Financial Group leads the industry and is the first domestic financial institution to obtain and implement international certification for PIMS on securities, futures, and insurance agent/broker in accordance with the relevant requirements of the Personal Data Protection Act. The Company actively protects the rights of personal data, reduce the possible impact of any personal data file infringement incident, and continue to implement and improve the personal data management system.</li> </ul>
Employee safety	<ul style="list-style-type: none"> <li>• Access control management and security management monitoring system are implemented for all personnel and office.</li> <li>• Ensure communication channel is established with the police security unit for alert to maintain work safety.</li> <li>• The office environment is completely non-smoking in accordance with the Tobacco Hazards Prevention Act.</li> <li>• Perform maintenance on the Company’s lighting equipment, air-conditioning filters, and drinking water facilities every six months, and comprehensively clean and disinfect the office environment.</li> <li>• Perform maintenance and inspection of high and low voltage electrical equipment, lifts, air conditioners, drinking water facilities, fire-fighting appliances, and other equipment in accordance with the Company’s Occupational Safety and Health Work Rules.</li> <li>• Set up occupational safety and health supervisors and first aid personnel according to the “Occupational Safety and Health Act” and conduct training in accordance with Occupational Safety and Health Education and Training Rules.</li> <li>• The office environment inspection and verification report are carried out every six months.</li> </ul>
Fire Safety	<ul style="list-style-type: none"> <li>• Fire drills are held regularly every year.</li> <li>• Fire inspections are outsourced every year according to the provisions of the Fire Services Act.</li> </ul>
Insurance	<p>The Company’s business premises and branches are insured with commercial fire insurance, electronic equipment insurance, and public accident liability insurance.</p>

(IV) Employee conduct or ethic regulation:

All employees of the Company must sign the “Code of Conduct for Capital Financial Group Employees” on the first day and follow the ethical principle to execute various businesses. The key points of the code are as follows:

1. We provide high value-added goods and services and build and maintain long-term relationships with our customers to help them achieve their goals.
2. We handle customer interactions and transactions in accordance with the highest ethical standards and security standards where we strictly keep customer data and ensure that the use of data complies with the law. The customers developed during tenure are all owned by the Company and shall not be transferred to other companies regardless of whether they are employed or resigned.

3. We never allow personal interests to conflict or threaten the interests of the Company or clients.
4. We shall not disclose the information that we know in our duties or hold and engage in relevant securities trading activities in the name of individuals or others.
5. During our service at the Company or after leaving the Company, we will never: (1) Leak business secrets we handle or know (including but not limited to customer information, technology, intellectual property rights, program and systems, information system architecture, source code, execution files, trading strategies or models, risk models, operation data, personnel or organizational data, financial and accounting information, strategic planning and any other non-public and economically valuable company information) for use by oneself or others (2) conduct illegal use of non-public information (also known as “insider information”) (3) Seek illegal benefits for oneself or others through business operation.
6. We integrate risk management and regulations into our business process control system and strictly follow them.
7. We report all business status and facts in a timely and accurate manner and ensure the best interests of the Company.
8. We understand that we are handling and using the assets of our shareholders, and we should treat the Company’s property as our own with care.
9. We do not misuse the Company Internet and e-mails for non-business purposes, such as browsing, distributing, or storing pornographic literature, images, and other defamatory articles. Or misuse the Internet or e-mail for non-business purposes such as political discussion, publicity, or personal entertainment.
10. We will strictly abide by the relevant laws and regulations, and will not use e-mail, electronic billboards, or Internet systems (including but not limited to personal blogs or forums) to engage in improper business marketing practices and conduct unfair competition in handling fees or judgment on future transaction prices of individual contracts, suggestions, or suggestions on trading strategies.
11. We must maintain correct and complete information, reports, records, and materials owned, used, and managed by the Capital Financial Group, and shall not be improperly extracted or transmitted. We do not access unauthorized internal information and data of the group according to the provisions of “Personal Data Protection Act”. All documents of the Company are only provided for internal management use and shall not be reproduced or used beyond the original purpose. Anyone who violates the law shall bear all civil and criminal legal responsibilities.

12. We will not unilaterally make any external statements. Only the spokespersons appointed by the Company may give comments to the media on behalf of the Company.
13. We do not accept or allow a member of a next of kin to accept a gift, service, loan, or any special treatment from anyone (including a customer, supplier, or anyone else) in exchange for a present or future relationship with the Company.
14. Any violation of the law or the Company's work rules noticed will immediately be reported to the appropriate personnel in the immediate supervisor, human resources unit or audit unit.

## **VI ICT security management**

### **(I) ICT security management and implementation**

The Company has set up information security supervisors and personnel with an information security maintenance and operation section under the network information division of the digital growth department, which is responsible for the implementation and review of information security related work. The "highest officer responsible for information security" regularly reports the overall implementation of information security to the Board of Directors, and jointly issues an internal control system statement with the chairman, president, and auditing officer.

The Company participates in the management system of Capital Financial Group's operation continuity, information service and information security management, formulates information security policy, operation continuity, information service management policy and personal data protection policy, implements remote backup, promotes information security awareness, intrusion penetration testing, vulnerability scanning and conduct risk assessment of each information asset to analyze the possible information security risks.

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

### **(II) List the losses, possible impacts, and countermeasures from major ICT security incidents in the most recent year and up to the date of publication of the annual report. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: No significant impact**

## VII Important Contracts

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Succession contract	President Futures Co., Ltd.	1998.06.23~Now	Appointed the company to act on behalf of the other party which cannot perform its transaction-related obligations.	None
Retainer agreement of Futures Introducing Broker business	Capital Securities Corp. Land Bank of Taiwan Primasia Securities Union Bank of Taiwan	2003.10.08~Now 2007.10.12~Now 2018.09.03~Now 2022.03.21~Now	Appointed those companies to be substitutes of the Company for futures introducing broker business.	None
Re-consigned contract	ADM Investor Services, Inc Capital Futures (HK) Ltd. Nissan Securities Societe Generale International Ltd. NH Futures Ltd. Phillip Futures ED&F Man Capital Markets Ltd.	1997.04.16~Now 2004.06.15~Now 2011.05.04~Now 2014.01.22~Now 2016.12.21~Now 2019.07.01~Now 2021.05.28~Now	Re-consigned brokerage business	None
Settlement Contract for Foreign Futures Products	Societe Generale International Ltd. Phillip Future Corporation Societe Generale International Ltd. LMAX Global	2011.01.20~Now 2013.12.06~Now 2018.01.16~Now 2020.03.10~Now	Settlement service for foreign futures products and leveraged transaction	None
Securities Introducing Broker commissioned contract	Capital Securities Corp.	2010.04.30~Now	Appointed the Company for Securities Introducing Broker service	None

# Chapter VI Financial Summary

## I Five-Year Financial Summary

### (I) Condensed Balance Sheet and Consolidated Income Statement

#### Condensed Balance Sheet - IFRS (Consolidated)

(Expressed in Thousands of New Taiwan Dollars)

Year		Financial information for the latest 5 years (Note 1,2)				
Item		2017	2018	2019	2020	2021
Current assets		32,815,403	39,895,947	40,602,721	45,824,153	46,090,407
Property, plant and equipment		48,172	48,452	66,829	63,272	47,372
Intangible assets		83,939	78,032	82,235	79,546	70,581
Other assets		374,667	363,587	409,125	446,424	399,176
Total assets		33,322,181	40,386,018	41,160,910	46,413,395	46,607,536
Current liabilities	Before dividend distribution	28,642,738	35,307,278	36,092,258	39,973,101	40,294,097
	After dividend distribution	29,103,080	35,907,166	36,492,089	40,577,056	40,630,797
Non-Current liabilities		16,216	17,468	27,368	53,335	39,341
Total liabilities	Before dividend distribution	28,658,954	35,324,746	36,119,626	40,026,436	40,333,438
	After dividend distribution	29,119,296	35,924,634	36,519,457	40,630,391	40,670,138
Equity attributable to owners of parent		4,637,732	5,032,092	5,012,996	6,359,664	6,248,364
Share Capital		1,603,979	1,764,376	1,764,376	2,104,376	2,104,376
Capital surplus		1,207,735	1,047,338	1,047,338	1,873,996	1,663,621
Retained earnings	Before dividend distribution	1,872,755	2,247,246	2,246,703	2,468,329	2,596,173
	After dividend distribution	1,412,413	1,647,358	1,846,872	2,074,811	2,259,473
Other equity		(46,737)	(26,868)	(45,421)	(87,037)	(115,806)
Treasury stock		-	-	-	-	-
Non-controlling interests		25,495	29,180	28,288	27,295	25,734
Total equity	Before dividend distribution	4,663,227	5,061,272	5,041,284	6,386,959	6,274,098
	After dividend distribution	4,202,885	4,461,384	4,641,453	5,783,004	5,937,398

Note 1: If the Company has prepared individual financial reports, it should also prepare the individual condensed balance sheet and consolidated income statement for the last five years.

Note 2: The financial information of each year has been certified by CPA.

## Condensed Balance Sheet - IFRS (Individual)

(Expressed in Thousands of New Taiwan Dollars)

Year	Financial information for the latest 5 years (Note 1,2)					
Item	2017	2018	2019	2020	2021	
Current assets	30,719,057	38,113,857	38,683,882	43,978,617	43,681,868	
Property, plant and equipment	43,566	44,122	57,721	50,864	36,558	
Intangible assets	56,292	52,405	56,982	55,737	52,084	
Other assets	1,320,860	1,406,680	1,356,566	1,344,646	1,209,236	
Total assets	32,139,775	39,617,064	40,155,151	45,429,864	44,979,746	
Current liabilities	Before dividend distribution	27,485,827	34,567,504	35,119,902	39,018,015	38,702,447
	After dividend distribution	27,946,169	35,167,392	35,519,733	39,621,970	39,039,147
Non-Current liabilities	16,216	17,468	22,253	52,185	28,935	
Total liabilities	Before dividend distribution	27,502,043	34,584,972	35,142,155	39,070,200	38,731,382
	After dividend distribution	27,962,385	35,184,860	35,541,986	39,674,155	39,068,082
Equity attributable to owners of parent	4,637,732	5,032,092	5,012,996	6,359,664	6,248,364	
Share Capital	1,603,979	1,764,376	1,764,376	2,104,376	2,104,376	
Capital surplus	1,207,735	1,047,338	1,047,338	1,873,996	1,663,621	
Retained earnings	Before dividend distribution	1,872,755	2,247,246	2,246,703	2,468,329	2,596,173
	After dividend distribution	1,412,413	1,647,358	1,846,872	2,074,811	2,259,473
Other equity	(46,737)	(26,868)	(45,421)	(87,037)	(115,806)	
Treasury stock	-	-	-	-	-	
Non-controlling interests	-	-	-	-	-	
Total equity	Before dividend distribution	4,637,732	5,032,092	5,012,996	6,359,664	6,248,364
	After dividend distribution	4,177,390	4,432,204	4,613,165	5,755,709	5,911,664

Note 1: If the Company has prepared individual financial reports, it should also prepare the individual condensed balance sheet and consolidated income statement for the last five years.

Note 2: The financial information of each year has been certified by CPA.

## Condensed Consolidated Income Statement - IFRS (Consolidated)

(Expressed in Thousands of New Taiwan Dollars)

Year	Financial information for the latest 5 years (Note 1,2,3)				
Item	2017	2018	2019	2020	2021
Revenue	2,676,371	2,849,492	1,916,778	2,426,236	2,438,961
Gross profit	1,358,708	1,642,337	1,047,967	1,333,494	1,396,381
Operating income (loss)	512,085	527,531	177,662	371,097	420,195
Non-operating income and expenses	317,442	427,445	568,952	413,409	179,706
Net income before tax	829,527	954,976	746,614	784,506	599,901
Profit from continuing operations	733,431	838,110	599,676	622,344	489,323
Gain (loss) from discontinued operations	-	-	-	-	-
Current period net profit (loss)	733,431	838,110	599,676	622,344	489,323
Current period other comprehensive income (post-tax profit or loss)	(115,074)	19,382	(19,776)	(43,496)	1,709
Total comprehensive income	618,357	857,492	579,900	578,848	491,032
Net income attributable to owners of the parent company	731,015	835,205	600,009	622,166	490,039
Net income attributable to non-controlling interests	2,416	2,905	(333)	178	(716)
Total comprehensive income attributable to owners of the parent company	618,267	853,807	580,792	579,841	492,593
Total comprehensive income attributable to non-controlling interests	90	3,685	(892)	(993)	(1,561)
Earnings per share (\$)	4.25	4.73	3.4	3.07	2.33

Note 1: If the Company has prepared individual financial reports, it should also prepare the individual condensed balance sheet and consolidated income statement for the last five years.

Note 2: The financial information of each year has been certified by CPA.

Note 3: Earnings per share are calculated based on the weighted average number of shares outstanding. If there is surplus, capital surplus or capitalization of employee bonuses, they will be retrospectively adjusted according to the capital increase ratio, regardless of the issuance period of the capital increase shares.

## Condensed Consolidated Income Statement - IFRS (Individual)

(Expressed in Thousands of New Taiwan Dollars)

Year	Financial information for the latest 5 years (Note 1,2,3)				
Item	2017	2018	2019	2020	2021
Revenue	1,904,683	2,373,305	1,735,635	2,132,715	2,201,615
Gross profit	1,130,735	1,439,465	954,017	1,211,263	1,316,110
Operating income (loss)	454,307	512,276	238,920	399,831	462,733
Non-operating income and expenses	372,582	437,980	508,027	384,754	137,884
Net income before tax	826,889	950,256	746,947	784,585	600,617
Profit from continuing operations	731,015	835,205	600,009	622,166	490,039
Gain (loss) from discontinued operations	-	-	-	-	-
Current period net profit (loss)	731,015	835,205	600,009	622,166	490,039
Current period other comprehensive income (post-tax profit or loss)	(112,748)	18,602	(19,217)	(42,325)	2,554
Total comprehensive income	618,267	853,807	580,792	579,841	492,593
Earnings per share (\$)	4.25	4.73	3.4	3.07	2.33

Note 1: If the Company has prepared individual financial reports, it should also prepare the individual condensed balance sheet and consolidated income statement for the last five years.

Note 2: The financial information of each year has been certified by CPA.

Note 3: Earnings per share are calculated based on the weighted average number of shares outstanding. If there is surplus, capital surplus or capitalization of employee bonuses, they will be retrospectively adjusted according to the capital increase ratio, regardless of the issuance period of the capital increase shares.

### (II) Names of CPA in the last 5 years and their audit opinions

Year	Auditor's firm	Name of CPA	Review Opinion
2021	KPMG	Wu, Cheng-Yen & Chung, Tan-Tan	Unqualified opinion
2020	KPMG	Li, Feng-Hui & Chung, Tan-Tan	Unqualified opinion
2019	KPMG	Li, Feng-Hui & Chung, Tan-Tan	Unqualified opinion
2018	KPMG	Li, Feng-Hui & Chung, Tan-Tan	Unqualified opinion
2017	KPMG	Li, Feng-Hui & Chung, Tan-Tan	Unqualified opinion

## II Five-Year Financial Analysis

### (I) Financial Analysis - IFRS

#### 1. Financial analysis - IFRS (consolidated)

Analysis item (Note 4)		Five-Year Financial Analysis				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to assets ratio	86.01	87.47	87.75	86.24	86.54
	Ratio of long-term capital to property, plant and equipment	9,714.03	10,482.00	7,584.51	10,178.74	13,327.36
Solvency (%)	Current ratio	114.57	113.00	112.50	114.64	114.39
	Quick ratio	114.54	112.95	112.47	114.62	114.37
Profitability	Return on assets (%)	2.43	2.27	1.47	1.42	1.05
	Return on equity (%)	18.67	17.24	11.87	10.89	7.73
	Ratio of net profit before tax to the paid-in capital (%) (Note 8)	51.72	54.13	42.32	37.28	28.51
	Net profit margin (%)	27.40	29.41	31.29	25.65	20.06
	Earnings per share (\$)	4.25	4.73	3.40	3.07	2.33
Cash Flow	Cash flow ratio (%)	2.23	2.68	2.45	1.49	1.10
	Cash flow adequacy ratio (%)	105.77	131.70	132.08	134.44	135.04
	Cash re-investment ratio (%)	6.03	9.45	5.49	2.98	0.00
Special Regulation Rate	Shareholders' Equity to Adjusted Total Liabilities (%)	764	1,034	768	732	627
	Shareholders' Equity to Minimum Paid-Up Capital (%)	415.94	451.31	449.60	570.37	560.39
	Adjusted Net Capital to Guaranty Margins on Futures Traders Outstanding Position (%)	57.62	57.92	55.49	66.09	54.88

Reasons for fluctuation over 20% in the financial ratios over the last two years

1. The ratio of long-term funds to property, plant and equipment in the current period increased compared with the previous period, which was due to the decrease in the net amount of property and equipment in the current period.
2. The profitability of the current period was lower than that of the previous period, mainly due to the decrease in interest income in the current period, which resulted in a decrease in pre-tax profit and loss.
3. The cash flow ratio and cash re-investment ratio of the current period decreased compared with the previous period, which was mainly due to the decrease of net cash flow from operating activities in the current period.

\* The Company has prepared individual financial reports, so it also prepares the Company's individual financial ratio analysis.

\* The Company has adopted the IFRS for more than 5 years, so the financial information using the Taiwanese Enterprise Accounting Standard will not be prepared separately.

Note 1: The financial data of the last 5 years having been duly testified and audited by the Certified Public Accountants.

Note 2: Earnings per share are calculated based on the weighted average number of shares outstanding. Due to the capital increase from earnings and capital reserves, it is calculated retrospectively based on the capital increase ratio.

Note 3: The following matters shall be considered when calculation the earnings per share:

- (1) It is calculated based on the weighted average number of shares of common stock, not the number of shares outstanding at the end of the year.
- (2) Where there is a capital increase by cash or treasury stock trading, the weighted average number of shares shall be calculated in consideration of its circulation period.
- (3) Where there is a capital increase from conversion of earnings or capital surplus, retrospective adjustment shall be made according to the capital increase ratio when calculating the earnings per share for the previous year or half year regardless of the issuance period of the capital increase.

Note 4: The calculation of financial analysis is as follows:

1. Financial structure
  - (1) Debt to assets ratio = total liabilities / total assets
  - (2) Ratio of long-term capital to property, plant and equipment = (Total equities + non-current 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. Profitability
  - (1) Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.
  - (2) Return on equity = after tax net profit / total average equity.
  - (3) Ratio of net profit before tax to paid-in capital = net profit before tax / paid-in capital.
  - (4) Net profit ratio = net income / net sales
  - (5) Earnings per share = (profits or loss attributable to owners of the parent company - preferred stock dividend) / weighted average stock shares issued
4. 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 non-current assets + working capital)
5. Rates of special requirements
  - (1) Shareholders' Equity to Adjusted Total Liabilities = Shareholders' Equity / (total liabilities - futures traders' equity - reserve for trading losses - reserve for default losses).
  - (2) Shareholders' Equity to Minimum Paid-Up Capital = Shareholders' Equity / minimum paid-up capital.
  - (3) Adjusted Net Capital to Guaranty Margins on Futures Traders Outstanding Position = adjusted net capital / total guaranty margin on futures trader's outstanding positions.

Note 5: The calculation formula of earnings per share should by paid special attention to the following matters:

1. Based on the weighted average number of shares of common stock, not the number of issued shares at the end of the year.
2. Where there is a capital increase by cash or treasury stock trading, the weighted average number of shares shall be calculated in consideration of its circulation period.

3. Where there is a capital increase through capitalization of retained earnings or capital reserve, the calculation of the earnings per share for previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative perpetual preferred stock, the dividends for the year (whether paid or not) shall be deducted from the net profit after tax or added to the net loss after tax. If the preferred stock is non-cumulative, under a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, there is no need to adjust it.

Note 6: Special attention shall be paid for cash flow analysis with the following matters:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow for capital investment.
3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory decreases at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends on common shares and preferred shares.
5. Net value of property, plant and equipment is the total value of property, plant and equipment before accumulated depreciation.

Note 7: The issuer should classify various operating costs and operating expenses into fixed and variable costs according to their nature. If there are estimates or subjective judgments involved, special attention shall be paid to the rationality and maintain consistency.

Note 8: In the case of shares issued by a company with no par value or a par value other than NT\$10 per share, the calculation of the paid-in capital shall be replaced by the equity attributable to owners of the parent.

## 2. Financial Analysis - IFRS (Individual)

Analysis item (Note 4)		Year (Note 1)				
		Five-Year Financial Analysis				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to assets ratio	85.57	87.30	87.52	86.00	86.11
	Ratio of long-term capital to property, plant and equipment	10,682.52	11,444.54	8,723.43	12,605.87	17,170.79
Solvency (%)	Current ratio	111.76	110.26	110.15	112.71	112.87
	Quick ratio	111.74	110.23	110.14	112.71	112.86
Profitability	Return on assets (%)	2.52	2.33	1.50	1.45	1.08
	Return on equity (%)	18.73	17.27	11.95	10.94	7.77
	Ratio of net profit before tax to the paid-in capital (%) (Note 8)	51.55	53.86	42.33	37.28	28.54
	Net profit (%)	38.38	35.19	34.57	29.17	22.26
	Earnings per share (NT\$)	4.25	4.73	3.40	3.07	2.33
Cash Flow	Cash flow ratio (%)	2.18	2.50	2.05	1.77	1.86
	Cash flow adequacy ratio (%)	90.99	112.41	115.20	126.63	139.81
	Cash re-investment ratio (%)	5.21	7.88	2.37	4.46	1.83
Special Regulation Rate	Shareholders' Equity to Adjusted Total Liabilities (%)	764	1,034	768	732	627
	Shareholders' Equity to Minimum Paid-Up Capital (%)	415.94	451.31	449.60	570.37	560.39
	Adjusted Net Capital to Guaranty Margins on Futures Traders Outstanding Position (%)	57.62	57.92	55.49	66.09	54.88
Reasons for fluctuation over 20% in the financial ratios over the last two years						
<ol style="list-style-type: none"> <li>1. The ratio of long-term funds to property, plant and equipment in the current period increased compared with the previous period, which was due to the decrease in the net amount of property and equipment in the current period.</li> <li>2. The profitability of the current period was lower than that of the previous period, mainly due to the decrease in interest income in the current period, which resulted in a decrease in pre-tax profit and loss.</li> <li>3. The cash re-investment ratio in the current period decreased compared with the previous period is due to the increase of dividends distributed in the current period compared with the previous period.</li> </ol>						

Note 1: The financial data of the last 5 years having been duly testified and audited by the Certified Public Accountants.

Note 2: Earnings per share are calculated based on the weighted average number of shares outstanding. Due to the capital increase from earnings and capital reserves, it is calculated retrospectively based on the capital increase ratio.

Note 3: The following matters shall be considered when calculation the earnings per share:

- (1) It is calculated based on the weighted average number of shares of common stock, not the number of shares outstanding at the end of the year.
- (2) Where there is a capital increase by cash or treasury stock trading, the weighted average number of shares shall be calculated in consideration of its circulation period.
- (3) Where there is a capital increase from conversion of earnings or capital surplus, retrospective adjustment shall be made according to the capital increase ratio when calculating the earnings per share for the previous year or half year regardless of the issuance period of the capital increase.

Note 4: The calculation of financial analysis is as follows:

1. Financial structure
  - (1) Debt to assets ratio = total liabilities / total assets
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  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventories - prepaid expense) / current liabilities.
3. Profitability
  - (1) Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.
  - (2) Return on equity = after tax net profit / total average equity.
  - (3) Ratio of net profit before tax to paid-in capital = net profit before tax / paid-in capital.
  - (4) Net profit ratio = net income / net sales
  - (5) Earnings per share = (profits or loss attributable to owners of the parent company - preferred stock dividend) / weighted average stock shares issued
4. 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 non-current assets + working capital)
5. Rates of special requirements
  - (1) Shareholders' Equity to Adjusted Total Liabilities = Shareholders' Equity / (total liabilities - futures traders' equity - reserve for trading losses - reserve for default losses).
  - (2) Shareholders' Equity to Minimum Paid-Up Capital = Shareholders' Equity / minimum paid-up capital.
  - (3) Adjusted Net Capital to Guaranty Margins on Futures Traders Outstanding Position = adjusted net capital / total guaranty margin on futures trader's outstanding positions.

Note 5: The calculation formula of earnings per share should by paid special attention to the following matters:

1. Based on the weighted average number of shares of common stock, not the number of issued shares at the end of the year.
2. Where there is a capital increase by cash or treasury stock trading, the weighted average number of shares shall be calculated in consideration of its circulation period.
3. Where there is a capital increase through capitalization of retained earnings or capital reserve, the calculation of the earnings per share for previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.

4. If the preferred shares are non-convertible cumulative perpetual preferred stock, the dividends for the year (whether paid or not) shall be deducted from the net profit after tax or added to the net loss after tax. If the preferred stock is non-cumulative, under a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, there is no need to adjust it.

Note 6: Special attention shall be paid for cash flow analysis with the following matters:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow for capital investment.
3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory decreases at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends on common shares and preferred shares.
5. Net value of property, plant and equipment is the total value of property, plant and equipment before accumulated depreciation.

Note 7: The issuer should classify various operating costs and operating expenses into fixed and variable costs according to their nature. If there are estimates or subjective judgments involved, special attention shall be paid to the rationality and maintain consistency.

Note 8: In the case of shares issued by a company with no par value or a par value other than NT\$10 per share, the calculation of the paid-in capital shall be replaced by the equity attributable to owners of the parent.

- (II) Other significant information (e.g., impact of changes in commodity prices or exchange rates) that will provide a better understanding of the securities firm's financial position, financial performance, and cash flows or the trend of their changes: None.

**III The Audit Committee's Audit Report as shown through the financial statements in the latest year:** Please refer to page 145 of this annual report for details.

**IV The financial statements in the latest year:** Please refer to the appendix to this annual report, pages 172-246.

**V Auditor's Responsibilities for the Audit of Individual Financial Report in the latest year. Not including the statements of major accounting items:** Please refer to the appendix of this annual report, pages 247-315.

**VI If the company or an affiliated enterprise has encountered any financial difficulties in the most recent fiscal year up to the prospectus publication date:** None.

# Audit Committee's Review Report

The board of directors has prepared the 2021 fiscal year Individual and Consolidated Financial Statements (hereinafter, the "Financial Statements") of the Company, which were audited by the CPAs of KPMG Taiwan, "Wu, Cheng-Yen" and "Chung, Tan-Tan", with an unmodified opinion issued in the Independent Auditor's Report. We, as the Audit Committee of the Company, have reviewed the Financial Statements that were present fairly with the Report prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and hereby present for your recognition.

To

Capital Futures Corp.

Audit Committee

Convener: Chen, Kuo-Tay

March 11, 2022

# Chapter VII Review of Financial Conditions, Operating Results, and Risk Management

## I Analysis of Financial Status

Comparative analysis of financial status in the last two years (individual)  
(Expressed in Thousands of New Taiwan Dollars)

Item		Year	2021	2020	Difference	
		Total	Total	Total	Amount	%
Current assets			43,681,868	43,978,617	(296,749)	(0.67)
Property and equipment			36,558	50,864	(14,306)	(28.13)
Other non-current assets			1,261,320	1,400,383	(139,063)	(9.93)
Current liabilities	Before dividend distribution		38,702,447	39,018,015	(315,568)	(0.81)
	After dividend distribution		39,039,147	39,621,970	-	-
Non-Current liabilities			28,935	52,185	(23,250)	(44.55)
Share Capital			2,104,376	2,104,376	-	-
Retained earnings	Before dividend distribution		2,596,173	2,468,329	127,844	5.18
	After dividend distribution		2,259,473	2,074,811	-	-
Total assets			44,979,746	45,429,864	(450,118)	(0.99)
Total liabilities	Before dividend distribution		38,731,382	39,070,200	(338,818)	(0.87)
	After dividend distribution		39,068,082	39,674,155	-	-
Total equity	Before dividend distribution		6,248,364	6,359,664	(111,300)	(1.75)
	After dividend distribution		5,911,664	5,755,709	-	-

Analysis of the change in the increase or decrease ratio over 20%:

1. Property and equipment: Property and equipment are reduced by periodical amortization.
2. Non-Current liabilities: The lease liabilities decreased due to the installment or expiration of the lease contract in the current period.

## II Analysis of Operation Results

Comparative analysis of financial performance in the last two years (individual)  
(Expressed in Thousands of New Taiwan Dollars)

Item	Year	2021	2020	Change amount	Change percentage
	Total	Total	(%)		
Income		2,201,615	2,132,715	68,900	3.23
Operating expenses		1,738,882	1,732,884	5,998	0.35
Net operating income		462,733	399,831	62,902	15.73
Non-operating income and expenses		137,884	384,754	(246,870)	(64.16)
Net income before tax		600,617	784,585	(183,968)	(23.45)
Income tax		110,578	162,419	(51,841)	(31.92)
Net income		490,039	622,166	(132,127)	(21.24)

Analysis of the change in the increase or decrease ratio over 20%:

1. Non-operating income and expenses, net profit before tax and net profit for the current period: the decrease in the current period compared with the previous period was due to the decrease in interest income.

## III Cash Flow

### (I) Liquidity analyses for the past 2 years

Item	Year	2021	2020	Increase (decrease) ratio
Cash flow ratio (%)		1.86	1.77	5.08
Cash flow adequacy ratio (%)		139.81	126.63	10.41
Cash re-investment ratio (%)		1.83	4.46	(58.97)

Analysis of the change in the increase or decrease ratio over 20%:

1. Cash re-investment ratio: The decrease in the current period compared with the previous period was due to the increase in dividends distributed compared with the previous period.

### (II) Analyses on the cash liquidity in one year ahead

(Expressed in Thousands of New Taiwan Dollars)

Opening cash balance (1)	Net cash flow anticipated from operating activities in year round (2)	Anticipated year-round cash outflow (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Financing of cash deficits	
				Investment plans	Financing plans
4,746,387	682,035	431,545	4,996,877	-	-

## IV The impact of the significant capital expenditure over the past year upon the financial performance: None.

**V The outward investment policies over the past year. The key reasons leading to the profit or loss, the corrective plans and the investment plan in one year ahead:**

1. Reinvestment policy: The Company's re-investment plan is handled in accordance with the internal control system and the "Procedures for the Acquisition or Disposal of Asset". The management of reinvestment businesses is to regularly obtain the management and financial statements of each reinvestment business and understand the operation status of the reinvestment businesses.
2. The reasons leading to the reinvestment profit or loss and the improvement plan:
3. This quarter, CSC Futures (HK) Ltd. was impacted by China's policy and the spread of the variant virus, resulting in a decline in revenue compared with the previous quarter and an increase in the operating costs due to epidemic prevention and other factors. At present, in addition to actively developing new product customer sources, the Company continues to improve on the management of the Company's operating costs.
4. This quarter, Capital International Technology Corp. has experienced a decline in the profit of the reinvestment business, resulting in an increase in losses. In addition to strengthening the reinvestment company's development capacity for new systems, it continues to improve on the management of the Company's operating costs.
5. Investment plans in the coming fiscal year: None.

**VI Risk analysis and assessment in the most recent year and up to the date of publication of the annual report**

For the various risks (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 merchants) faced by the Company's operations, the Company will ensure the effectiveness of risk management, formulate risk management policies, and establish a management procedure that is abided by all employees where risk management operations are carried out by each business unit, and the Risk Management Department is responsible for the supervision of the implementation of risk management affairs.

The Board of Directors of the Company regularly listens to reports from the Risk Management Department, Internal Auditing Department, and Finance Department, and it will weigh various financial and business-related regulations that affect capital allocation to allocate the Company's assets within a reasonable scope of risks tolerance. The Company considers the effect of various risks aggregated and determines the countermeasures in accordance with the changes in the subjective and objective environment.

To effectively manage the Company's operational risks, a risk management policy has been formulated which reflects the Company's operational strategic objectives, risk preference and the characteristics of the risks it faces where a consistent and

unified management procedure is established as a routine implementation rule and basis for the risk management operation. And the Board of Directors, supervisors and employees at all levels participate and promote to justify the Company's risky asset allocation and maximize shareholder returns within the risk scope tolerance. The appropriateness of the risk management policy is regularly reviewed and adjusted in a timely manner to meet the changes in the subjective and objective environment.

The management personnel and employees of each business unit of the Company jointly execute various business and trading activities. The unit supervisors are responsible for all risk management of the subordinate units, and are responsible for analyzing, managing and reporting risk matters. The supervisors are also responsible for front-end and back-end risk management to comply with laws and regulations and the Company's risk management policies and formulate contingency plans and take countermeasures when necessary. They shall pass relevant information to managerial officers to ensure that risk management mechanisms and procedures are effectively implemented.

Senior management is responsible for implementing risk monitoring, management and emergency response measures. A functional risk-based audit method is adopted to conduct a comprehensive overall risk assessment on the overall business and operation levels to ensure all risks of the Company are under effective control. The risk management information system can conduct real-time intraday monitoring and after-hour summary and analysis, detect, and inspect the use of risk limits of each business unit, evaluate risk exposure and concentration, and submit relevant risk management reports in a timely and complete manner.

The Internal Auditing Department is responsible for the compliance of the Company's regulations and internal control systems and operational risk management, and is responsible for supervising and ensuring the effective implementation of the Company's operational risk management procedures. The Company follows the internal control system established by the competent authority, employs experienced personnel to audit for various business activities, and cooperates with the competent authority, TAIFEX and the Chinese National Futures Association to amend relevant regulations or adjust based on business requirement and adjust various operational risk management procedures.

The Compliance & Legal Department is responsible for the review of the Company's legal compliance and transaction contract documents, and providing professional advice on legal matters involved in various businesses, including the legality of product contracts and transaction activities, and implement the legal compliance work with the business units and Internal Auditing Department.

- (I) The impact incurred by change in interest rate, exchange rate, inflation upon the Company's profit and/or loss and the future countermeasures:
  - 1. The impact incurred by change in interest rate upon the Company and the future countermeasures
    - (1) The Company has a sound financial structure, a stable cash flow, and

has not taken any loan externally, so there is no risk of changes in interest rates. With the COVID-19 pandemic, countries have adopted interest rate cuts or fiscal policies to promote economic recovery since February 2020, but in 2021, due to the improvement of the job market and the need to control and stabilize inflation, the US Federal Reserve stated that it will stop bond purchases in March 2023 and may start raising interest rates. It is expected that the Federal Reserve starts reducing the balance sheet at the end of 2022. Thus, it is believed that the low interest rate era has come to an end. In 2021, the Company was also affected by low interest rates, which led to a decline in interest income. Net interest income decreased from 358,577 thousand in 2020 to 172,216 thousand in 2021, a significant decrease of 51.97%.

(2) In addition to continuously monitoring the interest rates and fiscal policies of central banks, the Company keeps close contact with banking institutions to keep abreast of financial market trends.

2. The impact incurred by change in exchange rate upon the Company and the future countermeasures

The Company's main source of income is the transaction fee for accepting orders from trading customers, of which the fee income denominated in foreign currency is recognized as income at a fixed time in accordance with the customer margin management regulations. In 2021, the Company still suffered from the substantial appreciation of the Taiwan NT, resulting in an exchange loss of USD\$29,468 thousands.

3. The impact incurred by inflation upon the Company and the future countermeasures

With the long-term supply and demand imbalance and supply chain disturbance in 2022, raw materials and shipping costs soared, resulting in inflation higher than the Fed's long-term target of 2%. However, the salary expense in Taiwan has not yet increased significantly, so it has not yet result in adverse impact to the Company.

(II) High-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future: The Company has set relevant standards and guidelines for engaging in high-risk investments, highly leveraged investments and derivatives transactions, and all transactions are handled in accordance with the above-mentioned standards and guidelines; regarding loans to other parties, endorsements, guarantees, the Company complies with the laws and regulations and there is no need to formulate rules and measures, and no related incidents have occurred.

(III) The future research & development plans and the expenses anticipated to be invested into research & development: There are about 20 to 30

researchers specializing in the finance in Company's R&D department and it is under expansion. It is expected that the continuous investment will account for about 1~2% of the consolidated revenue in the future and the amount of R&D expenses is about NT\$ 30 to 45 million. The Company actively and continuously develops high profit financial products and solutions in domestic and foreign futures and options with high added value, and will launch them in accordance with the laws and regulations of the competent authorities. Future R&D plans include foreign futures market analysis and establishment of trading strategies, risk management and strategy establishment of derivatives, and the construction of a complete research integration platform and cloud strategy platform.

(IV) The impact upon the company's financial operations of important policy and legal developments at home and abroad, and the measures the company plans to adopt in response: There are a R&D Department and a Compliance & Legal Department, which are responsible for researching information and legal changes in important domestic and foreign markets, and providing measures to respond to important domestic and foreign policy and legal changes.

(V) The impact on the Company's financial operations of developments in science and technology (including cyber security risk) and industry, and the measures the Company plans to adopt in response: the securities and futures market is developing rapidly, and the financial market has been moving in line with the international market, so each business must possess international perspectives. In addition, financial products are becoming more and more diversified, and information technology is also changing with each passing day. With the ever-changing international financial market, the Company's primary focus is to build international information technology capabilities and a global transaction electronic platform. The Company is committed to pursue excellence, innovation, and leadership, provide financial services with high added value that exceed customer expectations, and serve as a long-term growth partner with the customers. The Company's "Information Security Policy Statement" commits to the information security concept of maintaining the Company's operating environment, and to fully protect and prevent the information stored or transmitted by the Company from damage, theft, leakage, tampering, abuse and infringement. The information security policy will be regularly revised and implemented to continuously improve the confidentiality, integrity and availability of each information service system.

According to the FSC regulations, the overall implementation of information security shall be reported to the Board of Directors within three months after the end of the fiscal year. The highest officer responsible for information security and the chairman, president, and audit supervisor shall jointly issue a statement on the overall implementation of information security and disclose it to the MOPS.

The Company has set up information security personnel to conduct daily, monthly and annual information security inspection, including distributed denial-of-service (DDoS) protection, data leakage protection, user system permission review, and remote backup drills, personnel evacuation drills, system vulnerability scanning, penetration testing, information security, personal data security education and training, email social engineering drills, and regular inspection and evaluation of key information systems. Also, the Company shares information according to the Information Security Information Sharing and Analysis Center (FISAC) to strengthen information security protection. The Company conducts internal audits and regularly commissioned external ISO and BSI external audits to strengthen the integrity of the overall information security.

- (VI) The impact of changes in the Company's image upon its crisis management, and the measures the Company plans to adopt in response: The Company is provided with professional advice on the possible threat to corporate value from the Internal Auditing Department and the Compliance & Legal Department for the reputation risk caused by the image change. Also, the Company is a leader in financial expertise and profitability in the futures industry where its professional and competitive image has been well recognized by the market. In the future, it will continue to give priority to "the public's interests" and continue to serve everyone.
- (VII) The expected benefits and potential risks of any merger or acquisition, and measures to be adopted in response: The Company has not planned mergers and acquisitions in recent years, but if there is a plan in the future, it must commit to a prudent evaluation and consider whether the merger can bring benefits and synergistic effect to the Company to ensure the shareholders' rights and interests.
- (VIII) The expected benefits and potential risks of any plant expansion, and measures to be adopted in response: The Company has no plans to expand plants, offices, or branches in the recent year.
- (IX) The risks associated with any consolidation of sales or purchasing operations, and measures to be adopted in response: The Company actively expands various domestic and foreign brokerage businesses, and continues to strengthen the integration with its subsidiaries to diversify its business and profit concentration risks.
- (X) Effect upon and risk to the Company if a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and measures to be adopted in response: The Company's directors, supervisors or major shareholders holding more than 10% of the shares commit to the sustainable and long-term operation since the establishment of the Company, and the Company regularly reports changes to the shareholding of the directors, supervisors, and shareholders with more than 10% shares

in accordance with the Securities and Exchange Act. There were no changes in shareholdings among the major shareholders holding more than 10% of the shares, and there was no substantial transfer or replacement. The largest shareholder of the Company is Capital Securities, which holds about 56% of the shares. Since its establishment, there has not been a large amount of equity transfer, and it has participated in every cash capital increase where the equity shares are stable.

- (XI) Effect upon and risk to the Company associated with any change in governance personnel or top management, and measures to be adopted in response: The Company commits to the business philosophy of sustainable development. While planning the business strategy, the Company commits to the vision and beliefs, and considers the possible impact on society and the natural environment. “Public interests” are our priority, and we hope to work together to contribute to the capital market.
- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or its director, supervisor, the president, any person with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders’ equity or the prices of the Company’s securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

Major litigation or non-litigation events for the Company and its legal person director and major shareholder holding more than 10% of the Capital Securities Corp. as of March 31, 2022:

Action	Party to an action	Dispute	Current situation	Litigation start date	Litigation amount (Unit: NT\$)
Civil	Plaintiff: Securities and Futures Investor Trader Protection Center Defendant: Xinyu Technology Co., Ltd. (former ABIT Computer Corporation), Capital Securities Corp. and others.	The plaintiff believes that the prospectus used by the third party ABIT Computer Corporation for the issuance of new shares by cash in 2002 is a false record to mislead the market and has caused damage to investors. The company is the securities underwriter for the capital increase by cash and issuance of new shares. Thus, in accordance with the provisions of Article 32 of the Securities and Exchange Act, the company is held jointly liable as the securities underwriter.	The first instance ruled in favor of the company, and there was no joint liability for securities underwriters. The plaintiff filed an appeal and is in adjudication in the High Court.	2006.11.23	1,545,364 (NT)
Criminal	Plaintiff: Capital Securities Corp. Defendant: Mr/Ms/Mrs. Chiang	The company's Xisong branch customer Mrs/Ms. Yu was verifying the transaction documents, and discovered that Chiang, the branch salesperson, forged non-existing company's PGN structured product documents, and defrauded the 15 customers including Mrs/Ms. Yu at Xisong branch.	This case involves prosecution for forging and fraud and is now investigated by the Taiwan Taipei District Prosecutors' Office.	2018.12.18	
Civil	Plaintiff: Mr/Ms/Mrs. Fan Defendant: Capital Securities Corp. Mr/Ms/Mrs. Chan	The salesperson of Wanhua branch, former employee Chan, privately solicited investment to commit fraud, causing damage to the customer Fan. Therefore, she sued and requested the company and former employee Chan to be held jointly liable to compensate her for NT\$2,798,313.	This case is now pending in the Taiwan Taipei District Court.	2019.04.08	2,798,313 (NT)
Civil	Plaintiff: Mr/Ms/Mrs. Chen Defendant: Mr/Ms/Mrs. Chiang	Mr/Ms/Mrs. Chiang, the former salesperson of the company's Xisong branch, defrauded the	The first instance decided that the company should be held jointly	2020.04.16	16,374,778 (NT)

	Capital Securities Corp.	customer Chen with a false PGN capital preservation fund, but the customer Chen believed that Chiang had stolen stocks and stolen money, so he sued the company and the resigned salesperson Chiang to be held jointly liable for a compensation of NT\$16,374,778.	liable and compensate customer Chen for NT\$41,496 and interest. The plaintiff filed an appeal, and the company also filed an incidental appeal, which is now pending in the Taiwan High Court.		
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(XIII) Other important risks and measures to be adopted in response: Risk management policy and organizational structure

The Board of Directors is solely responsible for establishing and supervising the Company’s risk management structure, and sets up an independent risk management department, which is subordinate to the Board of Directors. The independent risk management department is responsible for developing and managing the Company’s risk management policies, and regularly reports its operations to the Board of Directors. To effectively manage operational risk, the Company has established a “risk management system” for risk management which is participated and implemented by the Board of Directors, managers, and employees at all levels. Through a series of actions such as identification, measurement, monitoring, response and reporting of potential risks, the risk management is quantified in a qualitative and rigorous measurement, so the Company can achieve a rational allocation of risky assets and maximize shareholder returns within the assumed scope of risk.

The organizational structure of risk management

Department	Responsibility
(I) Chairman (Board of Directors)	<ol style="list-style-type: none"> <li>1. Formulate risk management policies and establish qualitative and quantitative management standards, report regularly on the implementation of risk management to the Board of Directors and put forward necessary improvement suggestions.</li> <li>2. Evaluation and decision of business operation strategy.</li> <li>3. Approval of business applications and authorized transactions.</li> <li>4. Ensure the effectiveness of risk management and take the responsibility for risk management.</li> </ol>
(II) President	<ol style="list-style-type: none"> <li>1. Report the risk assessment of positions held, transaction performance and target achievement to the Board of Directors.</li> <li>2. If there is any abnormal situation in the market price assessment (such as the holding position has exceeded the total loss limit), it shall report to the Board of Directors immediately, and the business unit shall take the necessary countermeasures.</li> </ol>

(III) Risk Management Department	<ol style="list-style-type: none"> <li>1. Assist in the formulation of risk management systems.</li> <li>2. Assist in formulating risk limits and distribution methods for each department.</li> <li>3. Ensure the implementation of the risk management system approved by the Board of Directors.</li> <li>4. Regularly and comprehensively present risk management related reports to the chairman, vice chairman and president.</li> <li>5. Understand the content of the relevant transactions, and continuously monitor the positions held before a business unit conducts any transactions.</li> <li>6. The risk management measurement techniques should be improved as much as possible for financial products with quantifiable risks.</li> <li>7. Ensure to understand the risk limits and usage of each business unit.</li> <li>8. Assess the Company's risk exposure and risk concentration.</li> <li>9. Development and implementation of stress testing and backtesting methodologies.</li> <li>10. Inspect the difference between the actual profit and loss of the portfolio and the forecast.</li> <li>11. Review the product pricing model and evaluation system used by the business unit.</li> <li>12. Other risk management related matters.</li> </ol>
(IV) Business Unit (Subsidiary)	<p>Mid-level officers (risk control personnel):</p> <ol style="list-style-type: none"> <li>1. Ensure that risk management information is communicated in a timely and correct manner.</li> <li>2. Ensure that business units (subsidiaries) effectively implement the relevant provisions of various risk limits.</li> <li>3. Monitor risk exposure and report on overruns, including overrun measures taken by business units (subsidiaries).</li> <li>4. Ensure that the internal control procedures of business units (subsidiaries) are effectively implemented to comply with regulations and risk management systems.</li> </ol> <p>Head of business unit (head of subsidiary):</p> <ol style="list-style-type: none"> <li>1. Undertake all matters related to risk management of its affiliated units (subsidiaries). Responsible for monitoring business risks related to business units (subsidiaries) and taking various countermeasures.</li> <li>2. Supervise the communication of relevant risk management information.</li> </ol>
(V) Internal Auditing Department	<ol style="list-style-type: none"> <li>1. Regularly review the suitability of the internal control on business units' activities.</li> <li>2. Review the implementation of the Company's risk management system and report in the audit report. Deficiency or irregularity inspected should be followed up after the audit report is reported, and follow-up reports should be made regularly to ensure the relevant units have taken appropriate improvement measures in a timely manner.</li> <li>3. Responsible for reviewing the compliance with various guidelines and regulations.</li> </ol>

(VI) Finance Department	<ol style="list-style-type: none"> <li>1. Perform accounting or fund management according to the approved contracts and transaction documents.</li> <li>2. Record and handle the contract for off-balance sheet transactions.</li> <li>3. Obtain price information from a quotation system independent of the transaction department to re-evaluate positions held.</li> <li>4. Account for completed transactions in a timely manner with profits and losses recognized.</li> <li>5. Make announcement in accordance with the regulations of the competent authority.</li> </ol>
(VII) Dealing & Settlement Department	<ol style="list-style-type: none"> <li>1. Account opening and credit investigation before customer's trade.</li> <li>2. Custody, and deposit of account opening and transaction contracts.</li> <li>3. Delivery and clearing of commodities.</li> <li>4. Execution of liquidation of position and margin call due to insufficient customer margin.</li> <li>5. Notification of the transaction contract to each competent authority.</li> <li>6. Confirmation of transaction.</li> <li>7. Post-trade credit monitoring for special customers.</li> </ol>
(VIII) Compliance & Legal Department	<ol style="list-style-type: none"> <li>1. Advise with legal counsel to discuss related management policies.</li> <li>2. The Compliance &amp; Legal Department shall review various rights and obligations, legitimacy, and relevant legal documents before signing the transaction contract with the counterparty.</li> <li>3. Affix a seal on external contracts must be signed by the Legal Compliance Office.</li> <li>4. Supervise the compliance with laws and regulations.</li> <li>5. Supervise each business unit to assess the impact of newly promulgated regulations on the Company's business.</li> <li>6. The head of the Compliance &amp; Legal Department shall issue opinions that comply with laws and internal regulations, and sign before launching new products and services and applying for new businesses.</li> </ol>

**VII Other Important Matters: None.**

# Chapter VIII Special Disclosures

## I Summary of Affiliated Companies

(I) 2021 Consolidated business reports teaming up with affiliated enterprises

Affiliates enterprises organization chart:



**Table 1: Information of affiliated businesses**

Unit: NT\$

Name of enterprise	Date of Incorporation	Address	Paid-in shares Capital	Main business items
Capital Futures (HK) Ltd.	1998.12.09	3/F., FWD Financial Centre, 308 Des Voeux Road Central, Hong Kong (FWD Financial Centre)	HK\$220,000,000	Securities and Exchange Futures Exchange
Capital International Technology Corp.	2014.12.29	32F, No.97, Sec. 2, Dunhua S. Rd., Da'an Taipei City, R.O.C	NTD50,000,000	Management Advisory, Information Software Services
Capital True Partner Technology (Chengdu) Co., Ltd.	2008.08.20	Room 408-410, 4F, No. 1 Jinxiu Road, Wuhou District, Chengdu, Sichuan, China	CNY\$1,000,000	Management Advisory, Information Software Services
Capital Futures Technology (Shanghai) Co., Ltd.	2016.10.14	18F, No. 360 Pudong Road(S), Shanghai,P.R.China	CNY\$4,000,000	Management Advisory, Information Software Services

**Table 2: Information on the shareholders presumed to have a relationship of control and subordination**

Unit: NT\$ Thousand; share%

The reason that affiliation is presumed	Name	Shareholding		Date of Incorporation	Address	Paid-in shares Capital	Business scope
		Quantity	Ratio of Shareholding				
Not Applicable							

**Table 3 Information of the directors, supervisors, and president of each affiliate:**

Unit: Shares; % Data as of March 31, 2021

Name of enterprise	Title	Name or the representative person	Shareholding	
			Quantity	Ratio of Shareholding
Capital Futures (HK) Ltd.	Legal Person	Capital Futures Corp.	220,000,000	100.00%
	Director	Capital Futures Corp. Representative: Lee, Wen-Chu	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: Chen, Wen-Liang	0	0
	Director	Capital Futures Corp. Representative: Chang, Tun-Fu	0	0
Capital International Technology Corp.	Legal Person	Capital Futures Corp.	5,000,000	100.00%
	Chairman	Capital Futures Corp. Representative: Lee, Wen-Chu	0	0
	Director	Capital Futures Corp. Representative: Mao, Jen-Hua	0	0
	Director	Capital Futures Corp. Representative: Chen, Wen-Tsai	0	0
	Supervisor	Capital Futures Corp. Representative: Lin, Li-Juan	0	0
	President	Lee, Wen-Chu	0	0
Capital True Partner Technology (Chengdu) Co., Ltd.	Legal Person	Capital International Technology Corp.	510,000	51%
	Legal Person	True Partner China Holding Limited	490,000	49%
	Chairman	Capital International Technology Corp. Representative: Lee, Wen-Chu	0	0
	Director	Capital International Technology Corp. Representative: Mao, Jen-Hua	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-Tsai	0	0
	Supervisor	True Partner China Holding Limited Representative: Remco Janssen	0	0
	President	Teng, Yi	0	0

Name of enterprise	Title	Name or the representative person	Shareholding	
			Quantity	Ratio of Shareholding
Capital Futures Technology (Shanghai) Co., Ltd.	Legal Person	Capital International Technology Corp.	4,000,000	100%
	Chairman	Capital International Technology Corp. Representative: Lee, Wen-Chu	0	0
	Director	Capital International Technology Corp. Representative: Mao, Jen-Hua	0	0
	Director	Capital International Technology Corp. Representative: Chen, Chi-Hao	0	0
	Supervisor	Capital International Technology Corp. Representative: Chen, Wen-Tsai	0	0
	President	Hung, Ming-Nan	0	0

**Table 4: The overview of the operations of the affiliates**

Data as of December 31, 2021 Unit: NT\$ thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net value	Revenue	Net operating income	Profit and/or loss this term (after tax)	Earnings per share (after tax)
Capital International Technology Corp.	50,000	35,123	1,307	33,816	3,072	1,885	(7,112)	-1.42
Capital Futures (HK) Ltd.	875,750	7,723,864	6,871,965	851,899	360,895	(41,077)	(26,253)	-0.12
Capital True Partner Technology (Chengdu) Co., Ltd.	5,013	8,672	3,616	5,056	22,156	(689)	2	0.00
Capital Futures Technology (Shanghai) Co., Ltd.	18,863	12,184	551	11,633	26	(4,190)	(4,051)	-1.01

Note: Exchange rate (December 31, 2021): Assets and liabilities: TWD: HKD = 3.519: 1, Profit and Loss: TWD: HKD = 3.611: 1.

Assets and Liabilities: TWD: CNY = 4.319: 1, Profit and Loss: TWD: CNY = 4.361: 1.

- (II) Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises: Please refer to the appendix to this annual report, pages 172-246.
- (III) Affiliation Reports: Please refer to pages 163-170 of this annual report.

- II Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.**
- III Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.**
- IV Other Necessary Supplement: None.**
- V Disclosures of Events Which May Have a Significant Influence on Stockholders' Equity or Share Price, in Compliance with Item 3, Paragraph 2 in Article 36 of the Securities and Exchange Act of the R.O.C.: None.**

## Declaration

The Company's 2021 affiliation report (from January 1, 2021, to December 31, 2021) is based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the information disclosed does not have any major inconsistency with the relevant information disclosed in the appendix to the financial report for the previous period.

Your attention is appreciated

Name: Capital Futures Corp.

Chairman: Lee, Wen-Chu

Date: March 11, 2022



安侯建業聯合會計師事務所

KPMG

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## CPA review opinion on Affiliation Report

Recipient: Capital Futures Corp.

The 2021 Affiliation Report of Capital Futures Corp. has been reviewed by the CPA in accordance with the provisions of the Securities and Futures Bureau official letter Tai-Tsai-Cheng (6) Tzu No. 04448 on November 30, 1999. This review is to determine whether the relationship report of Capital Futures Corp. in 2021 was prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, and the information disclosed is consistent with the regulations. The accountant issued a review opinion on whether there was any discrepancy between the relevant information disclosed in the appendix to the financial report for the same period reviewed on March 11, 2022.

According to the review of the CPA, it was not found that the above-mentioned Affiliation Report violated the provisions of the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, nor did it find any major discrepancy between the information disclosed in the above-mentioned Affiliation Report and the information disclosed in the appendix to the financial report for the same period.

KPMG

CPA

Securities Competent  
Authority

Tai-Tsai-Cheng-Liu-Tzu No.  
1060042577

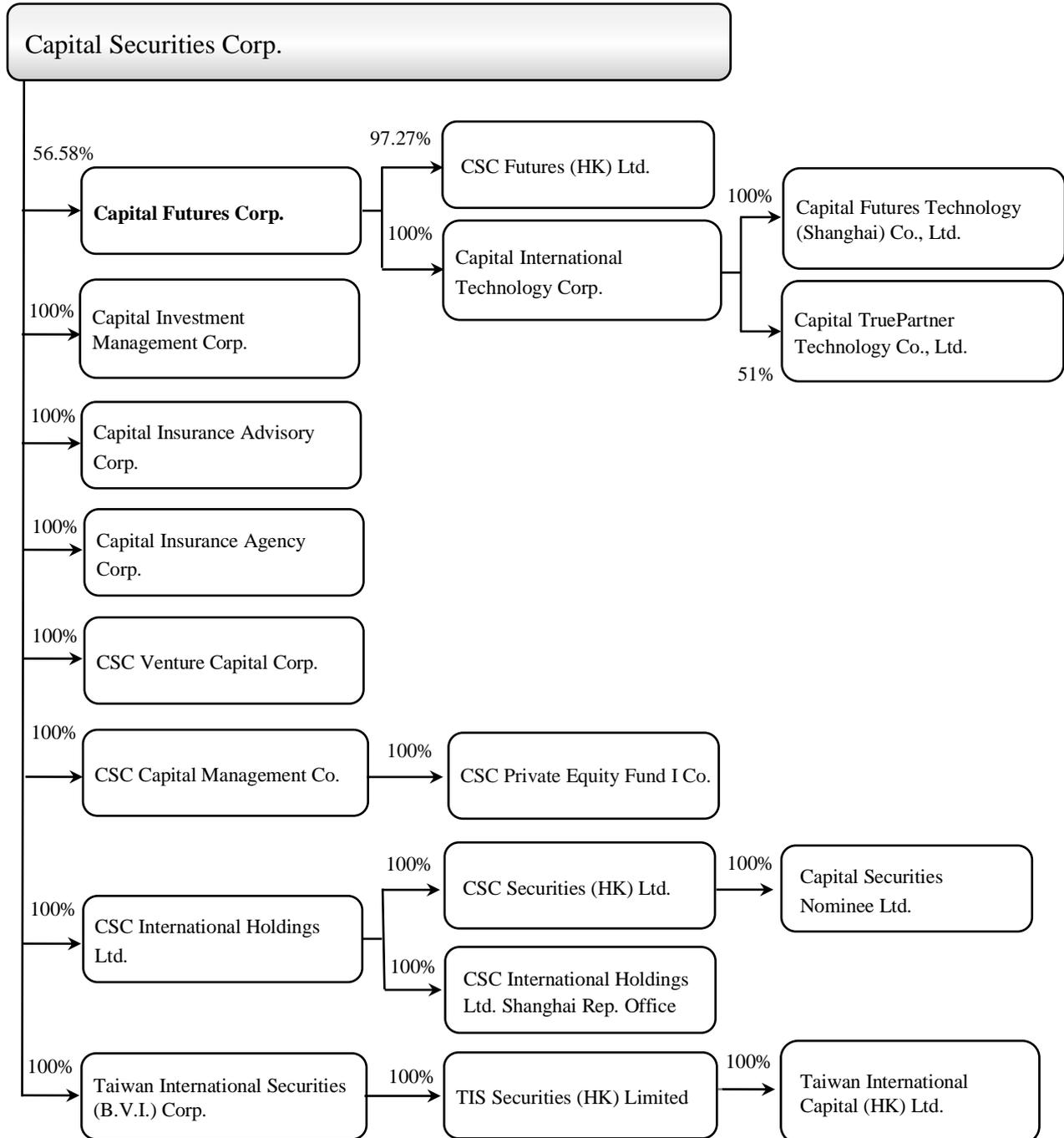
Approval Certified Number

(88) Tai-Tsai-Cheng (Liu) No.  
18311

March 11, 2022

# I. Information of affiliated businesses - Organization Chart and Shareholding Structure of Affiliated Businesses (%)

Date as of December 31, 2021



**II. The relationship between the subordinate company and the controlling company**

Unit: Thousand shares; %

Controlling Company Name	The reasons for the control	Details of shareholding and pledges			Any directors or supervisors appointed to the subordinate company by the controlling company, or controlling company appointees engaged as managerial officers of the subordinate company	
		Number of shares held (thousand shares)	Ratio of Shareholding	Number of shares under pledge	Title	Name
Capital Securities Corp.	Holds more than half of the voting rights of the Company	119,066	56.58%	—	Chairman Director Director	Capital Securities Corp. Representative: Lee, Wen-Chu Representative: Wang, Jiunn-Chihh Representative: Liu, Ching-Tsun

**III. Purchase (sale) of goods:** Not Applicable

**IV. Property transactions:** Not Applicable

**V. Financing:** Not Applicable

**VI. Leasing status:** Leasing office and parking space from Capital Securities Corp.

Unit: NT\$ Thousand

Transaction Type (Rent or Lease)	Name of the object leased	Location of the object leased	Lease period	Nature of the leasing	Method by which the leasing price was determined	Collection (payment) method	Comparison with ordinary leasing price levels	2021 Rent Expenses	Total leasing price for the current period and collection/payment status	Other special stipulations
Lease	Tunnan Tower	B1, B2 & 32F, No.97, Sec. 2, Dunhua S. Rd., Da'an Taipei City, R.O.C	2020.08.01~2023.07.31	Business lease	According to current market price	Monthly payment	No major discrepancy	17,030 (Note 1)	Normal	None

Note 1: It is the rental payment paid to Capital Securities Corp. The additional deposit is NT\$4,450 thousand.

## **VII. Other significant business transactions:**

1. In 2021, the brokerage fee income of futures trading with Capital Securities Corp. was NT\$10,612 thousand, and on December 31, 2021, the interests of its futures traders were NT\$1,406,887 thousand, and interest expense on deposit guarantee for futures trading is NT\$78 thousand.
2. Accounts receivable (payable) to Capital Securities Corp. on December 31, 2021: accounts receivable of NT\$3,011 thousand, accounts payable of NT\$11,448 thousand, and other receivables of NT\$ 3,846 thousand and other payables of NT\$344 thousand.
3. In 2021, the interest income received from Capital Securities Corp. for the repurchase bond investment was NT\$213 thousand, and as of December 31, 2021, the Company has undertaken to invest NT\$84,013 thousand in bonds with sell-back. The agreed sell-back date is from January 3, 2022 to January 14, 2022, and the agreed interest rate is 0.20%~0.21%.
4. In 2021, a three-year lease contract was signed with Capital Securities Corp. for leasing office and parking spaces. As of December 31, 2021, the total effective contract value was NT\$51,091 thousand. The lease transaction was recognized as interest expense of NT\$376 thousand in 2021, and the balance of lease liabilities as of December 31, 2021 was NT\$26,730 thousand. In addition, as of December 31, 2021, the Guarantee deposits paid was NT\$4,450 thousand.
5. In 2021, a lease contract was signed with Capital Securities Corp. and a rental expense of NT\$ 905 thousand was recognized due to the application of short-term or low-value leases.
6. In 2021, he was entrusted as a securities introducing broker of Capital Securities Corp., and the securities commission income was NT\$27,152 thousand.
7. In 2021, NT\$35 thousand was collected from the interest income of Capital Securities Corp. (deposit interest)
8. In 2021, Capital Securities Corp. was entrusted as a securities introducing broker, and the commission paid was NT\$170,416 thousand.
9. In 2021, the computer information service fee paid to Capital Securities Corp. was NT\$47,986 thousand.
10. In 2021, the stock agency expenses paid to Capital Securities Corp. were NT\$562 thousand.
11. In 2021, the HR and legal service fees paid to Capital Securities Corp. were NT\$300 thousand.

12. In 2021, the handling fee for securities paid to Capital Securities Corp. was NT\$114 thousand.
13. In 2021, the discretionary business commission paid to Capital Securities Corp. was NT\$110 thousand.
14. In 2021, the stationery printing expenses paid to Capital Securities Corp. were NT\$35 thousand.

**VIII. Description of endorsements and guarantees:** Not Applicable.

**IX. Other matters with a significant effect on their finances and business:** None.

Attachment

## **Representation Letter**

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

Company name: Capital Futures Corporation  
Chairman: Lee, Wen-Chu  
Date: March 11, 2022



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## Independent Auditors' Report

To the Board of Directors of Capital Futures Corporation

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

Brokerage fee revenue recognized:

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



Explanation of key audit matters:

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

Audit procedures in response:

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

### **Other Matter**

Capital Futures Corporation has prepared its individual financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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



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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 11, 2022

#### Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

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

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

**Consolidated Statement of Comprehensive Income**

For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
<b>Income:</b>				
401000	\$ 1,780,477	73	1,896,284	78
410000	54,337	2	115,501	5
421300	11,420	-	3,545	-
421500	(11,346)	-	4,945	-
421600	6,531	-	(1,304)	-
421610	-	-	1,109	-
424100	327,809	13	322,130	13
424200	27,770	1	11,437	-
424400	110,119	5	(22,772)	(1)
424500	91,820	4	62,602	3
424800	2,349	-	220	-
424900	18,404	1	12,219	1
428000	19,271	1	20,320	1
	<u>2,438,961</u>	<u>100</u>	<u>2,426,236</u>	<u>100</u>
<b>Expenses:</b>				
501000	346,549	14	370,883	15
502000	2,172	-	3,147	-
521200	5,247	-	7,404	-
521640	-	-	70	-
425300	(236)	-	413	-
524100	489,551	20	525,520	22
524300	193,739	8	180,753	8
528000	5,558	-	4,552	-
531000	498,853	20	496,948	21
532000	72,625	3	77,442	3
533000	404,708	17	388,007	16
	<u>2,018,766</u>	<u>82</u>	<u>2,055,139</u>	<u>85</u>
	<u>420,195</u>	<u>18</u>	<u>371,097</u>	<u>15</u>
<b>Net operating income</b>				
<b>Non-operating income and expenses:</b>				
601000	894	-	2,304	-
602000	178,812	7	411,105	17
	<u>179,706</u>	<u>7</u>	<u>413,409</u>	<u>17</u>
902001	599,901	25	784,506	32
701000	110,578	5	162,162	6
	<u>489,323</u>	<u>20</u>	<u>622,344</u>	<u>26</u>
<b>Other comprehensive income:</b>				
805500	<b>Components that may not be reclassified subsequently to profit or loss:</b>			
805510	1,159	-	(709)	-
805540	31,396	1	1,660	-
805599	-	-	-	-
	<u>32,555</u>	<u>1</u>	<u>951</u>	<u>-</u>
805600	<b>Subtotal of components that may not be reclassified subsequently into profit or loss</b>			
805610	<b>Components that may be reclassified subsequently to profit or loss:</b>			
805610	(28,303)	(1)	(44,625)	(2)
805690	(2,129)	-	-	-
805699	414	-	(178)	-
	<u>(30,846)</u>	<u>(1)</u>	<u>(44,447)</u>	<u>(2)</u>
805000	<b>Subtotal of components that may be reclassified subsequently to profit or loss</b>			
	<u>1,709</u>	<u>-</u>	<u>(43,496)</u>	<u>(2)</u>
902006	<u>\$ 491,032</u>	<u>20</u>	<u>\$ 578,848</u>	<u>24</u>
<b>Net income attributable to:</b>				
913100	\$ 490,039	20	622,166	26
913200	(716)	-	178	-
	<u>\$ 489,323</u>	<u>20</u>	<u>\$ 622,344</u>	<u>26</u>
<b>Comprehensive income attributable to:</b>				
914100	\$ 492,593	20	579,841	24
914200	(1,561)	-	(993)	-
	<u>\$ 491,032</u>	<u>20</u>	<u>\$ 578,848</u>	<u>24</u>
975000	<b>Basic earnings per share (Dollar) (Note 6(o))</b>		<u>\$ 2.33</u>	<u>3.07</u>
985000	<b>Diluted earnings per share (Dollar) (Note 6(o))</b>		<u>\$ 2.33</u>	<u>3.07</u>

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

**Consolidated Statement of Changes in Equity**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										
	Stock		Retained earnings				Other equity				
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at January 1, 2020</b>	\$ 1,764,376	1,047,338	504,667	1,142,132	599,904	(46,677)	1,256	-	5,012,996	28,288	5,041,284
Net income for the year ended December 31, 2020	-	-	-	-	622,166	-	-	-	622,166	178	622,344
Other comprehensive income	-	-	-	-	(709)	(43,276)	1,660	-	(42,325)	(1,171)	(43,496)
Total comprehensive income	-	-	-	-	621,457	(43,276)	1,660	-	579,841	(993)	578,848
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	59,991	-	(59,991)	-	-	-	-	-	-
Special reserve	-	-	-	119,981	(119,981)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(399,831)	-	-	-	(399,831)	-	(399,831)
Special reserve for the contra equity account	-	-	-	18,553	(18,553)	-	-	-	-	-	-
Capital increase by cash (Note 6(m))	340,000	826,260	-	-	-	-	-	-	1,166,260	-	1,166,260
Right of inclusion options exercised	-	398	-	-	-	-	-	-	398	-	398
<b>Balance at December 31, 2020</b>	2,104,376	1,873,996	564,658	1,280,666	623,005	(89,953)	2,916	-	6,359,664	27,295	6,386,959
Net income for the year ended December 31, 2021	-	-	-	-	490,039	-	-	-	490,039	(716)	489,323
Other comprehensive income	-	-	-	-	1,159	(27,872)	31,396	(2,129)	2,554	(845)	1,709
Total comprehensive income	-	-	-	-	491,198	(27,872)	31,396	(2,129)	492,593	(1,561)	491,032
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	62,145	-	(62,145)	-	-	-	-	-	-
Special reserve	-	-	-	124,291	(124,291)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(393,518)	-	-	-	(393,518)	-	(393,518)
Special reserve for the contra equity account	-	-	-	41,617	(41,617)	-	-	-	-	-	-
Other changes in capital surplus:											
Cash dividends from capital surplus	-	(210,437)	-	-	-	-	-	-	(210,437)	-	(210,437)
Right of inclusion options exercised	-	62	-	-	-	-	-	-	62	-	62
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	30,164	-	(30,164)	-	-	-	-
<b>Balance at December 31, 2021</b>	\$ 2,104,376	1,663,621	626,803	1,446,574	522,796	(117,825)	4,148	(2,129)	6,248,364	25,734	6,274,098

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

**Consolidated Statement of Cash Flows**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

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

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

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

(c) Basis of consolidation

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

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

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

- (ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

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

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

(d) Foreign currency

(i) Foreign currency transaction

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

## **CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

#### 5) Derecognition of financial assets

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

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

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

(ii) Financial liabilities

1) Financial liabilities

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

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

2) Derecognition of financial liabilities

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

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

3) Offsetting of financial assets and liabilities

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

(iii) Non-hedging derivative financial instruments

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

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

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

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

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

(i) Investments in associates and joint ventures

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

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

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

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

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

(j) Securities under agreements

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

(k) Securities borrowing transactions

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

(l) Customers margin accounts and future traders' equity

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

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

(m) Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

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

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

(n) Leases

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

As a lessee

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

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

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

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

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

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

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

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

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

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

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

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

(o) Intangible assets

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

(p) Revenue recognition

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

(q) Impairment of non financial assets

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

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

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

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

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

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

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

(iii) Termination benefits

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

(iv) Short term employee benefits

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

(s) Share-based payment

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

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

(t) Income tax

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

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

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

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

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

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

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

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

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

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

(u) Earnings per share (“EPS”)

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

(v) Segment information

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

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

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

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

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

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

Impairment of goodwill

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

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

(a) Cash and cash equivalents

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

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

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

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

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

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remained constantly), the impact on after-tax comprehensive income for the years ended December 31, 2021 and 2020, will increase \$1,455 and \$2,954, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remained constantly, there will be the same amount but opposite direction of influence.

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

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

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

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

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

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

(iii) Bonds purchased under resale agreements

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

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

Equity instruments at fair value through other comprehensive income:

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

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

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

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

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

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

(c) Non-current assets held for sale

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

(d) Investments under equity method

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

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

(i) Associate

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

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

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

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

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

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

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

(ii) Collateral and pledge

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

(e) Property and equipment

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

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

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

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2021	\$ <u>39,893</u>	<u>7,479</u>	<u>47,372</u>
Balance at December 31, 2020	\$ <u>55,670</u>	<u>7,602</u>	<u>63,272</u>

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

(f) Right-of-use assets

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

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

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

(g) Customers margin accounts/futures traders' equity

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

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

(h) Receivable - futures margin

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

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

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

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

(i) Intangible assets

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

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

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

<b>Carrying value:</b>	<u>Goodwill (Note2)</u>	<u>The seats of foreign futures exchanges (Note1)</u>	<u>Computer software</u>	<u>Total</u>
Balance at December 31, 2021	\$ <u>15,933</u>	<u>46,084</u>	<u>8,564</u>	<u>70,581</u>
Balance at December 31, 2020	\$ <u>20,884</u>	<u>46,146</u>	<u>12,516</u>	<u>79,546</u>

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

2. The Group recognized an impairment loss of \$4,951 and \$1,204 for the years ended December 31, 2021 and 2020, by using a discount rate of 4.65% on the basis of the future recoverable amount of sub-subsidiary from Mainland China.

(j) Short-term borrowings

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

(k) Lease liabilities

The Group's lease liabilities were as follows:

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

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

The amounts recognized in profit or loss were as follows :

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

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

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

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

(i) Real estate leases

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

(ii) Other leases

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

(l) Employee benefits

(i) Defined benefit plans

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

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

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

1) Composition of plan assets

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

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

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

2) Movements in present value of defined benefit obligation

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

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

3) Movements in fair value of defined benefit plan assets

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

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

4) Expense recognized in profit or loss

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

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

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

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

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

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

- 6) Actuarial assumptions

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

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

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

- 7) Sensitivity Analysis

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

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

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

**CAPITAL FUTURES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Group has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

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

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

(m) Income taxes

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

The Company and its subsidiary Capital International Technology Corp. are founded in Taiwan. The corporate income tax rates are both 20% for the years ended December 31, 2021 and 2020.

The subsidiary CSC Futures (HK) Ltd. is founded in Hong Kong. The corporate income tax rates are both 16.5% for the years ended December 31, 2021 and 2020.

The tax rates of reinvestment business of subsidiaries including Capital True Partner Technology Co., Ltd. and Capital Futures Technology (Shanghai) Co., Ltd. founded in Mainland China are both 25% for the years ended December 31, 2021 and 2020.

(ii) Income tax expense

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

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

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

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

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

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

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

(iii) Deferred tax assets and liabilities

- 1) Unrecognized deferred income tax liabilities

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

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

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

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

2) Unrecognized deferred income tax assets

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

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

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

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

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

3) Recognized deferred income tax assets and liabilities

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

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

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

(iv) Income tax assessment status

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

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

(n) Capital and other equity

(i) Common stock

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

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

(ii) Capital surplus

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

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

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

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

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

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

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

The above information of employee options as follows:

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

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### 3) Undistributed earnings

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

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

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

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

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

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

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

(o) Earnings per share

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

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Items of the statements of comprehensive income

(i) Brokerage fee revenue

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

(ii) Futures commission revenue

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

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

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

(iii) Net gains (losses) on derivative instruments

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

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

(iv) Futures commission expenses

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

(v) Employee benefit, depreciation and amortization expenses

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

(vi) Other operating expenses

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

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

(vii) Other gains and losses

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

(viii) Remuneration to employees, directors and supervisors

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

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

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

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

(q) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

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

3) Impairment losses

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

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

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

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

4) Credit risk of receivables

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

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

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contract cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 year</u>	<u>2-5 year</u>	<u>More than 5 year</u>
<b>December 31, 2021</b>							
Short-term borrowings	\$ 109,784	109,784	109,784	-	-	-	-
Financial liabilities at fair value through profit or loss	67,806	67,806	67,806	-	-	-	-
Futures traders' equity	39,205,280	39,205,280	39,205,280	-	-	-	-
Leverage contract trading- customers' equity	630,830	630,830	630,830	-	-	-	-
Accounts payable	57,141	57,141	57,141	-	-	-	-
Receipts under custody	4,920	4,920	4,920	-	-	-	-
Other payables	137,373	137,373	137,373	-	-	-	-
Lease liabilities	47,129	48,106	12,542	12,082	16,751	6,731	-
	<u>\$ 40,260,263</u>	<u>40,261,240</u>	<u>40,225,676</u>	<u>12,082</u>	<u>16,751</u>	<u>6,731</u>	<u>-</u>
<b>December 31, 2020</b>							
Financial liabilities at fair value through profit or loss	\$ 61,349	61,349	61,349	-	-	-	-
Futures traders' equity	39,140,989	39,140,989	39,140,989	-	-	-	-
Leverage contract trading- customers' equity	352,056	352,056	352,056	-	-	-	-
Accounts payable	151,660	151,660	151,660	-	-	-	-
Receipts under custody	5,078	5,078	5,078	-	-	-	-
Other payables	147,731	147,731	147,731	-	-	-	-
Lease liabilities	58,479	59,262	16,686	11,704	19,482	11,390	-
	<u>\$ 39,917,342</u>	<u>39,918,125</u>	<u>39,875,549</u>	<u>11,704</u>	<u>19,482</u>	<u>11,390</u>	<u>-</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

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

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

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

**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 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

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

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

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

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

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, customers' margin accounts, financial assets at fair value through profit or loss and futures traders' equity, which are denominated in foreign currency. Foreign exchange gain or loss occurs as foreign currency was translated to TWD currency. For the years ended December 31, 2021 and 2020, with all other variable factors remain constant, a strengthening (weakening) 1% of the TWD against the above major foreign currency, would cause after-tax comprehensive income result in a decrease or an increase by \$8,981 and \$9,329, respectively. The analytical basis was the same in both years.

(iv) Analysis in interest rates

For the years ended December 31, 2021 and 2020, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income result in an increase or a decrease by \$6,863 and \$6,918. This is mainly due to the Group's time deposits in variable rate, guarantee deposited for business operations in variable rate and settlement fund in variable rate.

(v) Fair value and hierarchy information

1) Fair value information

a) General description

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

**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, 2021			
<u>Assets and Liabilities items</u>	<u>Total</u>	<u>Public quote of the same financial instrument in an active market (Level 1)</u>	<u>Observable price except public quote in an active market (Level 2)</u>	<u>Based neither on direct market data nor from the counter party (Level 3)</u>	
<b><u>Fair value evaluated on a recurring basis</u></b>					
<u>Non derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss					
Beneficiary certificate	\$ 33,576	33,576	-	-	
Stock investment	111,876	111,876	-	-	
Financial assets at fair value through other comprehensive income	29,849	28,268	-	1,581	
<u>Derivative assets and liabilities</u>					
Assets:					
Financial assets at fair value through profit or loss	\$ 212,450	128,123	84,327	-	
Liabilities:					
Financial liabilities at fair value through profit or loss	67,806	51,130	16,676	-	
		December 31, 2020			
<u>Assets and Liabilities items</u>	<u>Total</u>	<u>Public quote of the same financial instrument in an active market (Level 1)</u>	<u>Observable price except public quote in an active market (Level 2)</u>	<u>Based neither on direct market data nor from the counter party (Level 3)</u>	
<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	-	

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

b) Valuation techniques

i) Non-derivative financial instruments

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

ii) Derivative financial instruments

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

iii) Transfer between Level 1 and Level 2

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

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

(In Thousands Dollars)

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

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

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

Item	Valuation technique	Significant unobservable inputs	Correlation between inputs and fair value
Financial assets at fair value through other comprehensive income equity instruments without an active market	Market approach	<ul style="list-style-type: none"> <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:

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

## CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

c) Financial instruments not measured at fair value

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

(r) Financial risk management

(i) General description

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

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

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

(ii) Risk management structure

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

**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.

## 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)

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

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

(i) Overview

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

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

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

(t) Capital management

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

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

(u) Financing activities not affecting current cash flow

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

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

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

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

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

(a) Parent company and ultimate controlling party

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

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

(b) Names and relationship with related parties

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

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

(c) Key management personnel compensation

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

(d) Significant transactions with related parties

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

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

Transaction terms are the same as those with general clients.

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

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

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

(ii) Accounts payable and receivable:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b><u>Accounts receivable</u></b>		
Capital Securities Corporation	\$ 3,011	2,679
CSC Securities (HK) Ltd.	<u>-</u>	<u>56</u>
Total	<b><u>\$ 3,011</u></b>	<b><u>2,735</u></b>

<b><u>Accounts payable</u></b>		
Capital Securities Corporation	<b><u>\$ 11,448</u></b>	<b><u>14,679</u></b>

<b><u>Other receivables (Note 1)</u></b>		
Capital Securities Corporation	\$ 3,846	3,841
CSC Securities (HK) Ltd.	<u>335</u>	<u>-</u>
Total	<b><u>\$ 4,181</u></b>	<b><u>3,841</u></b>

<b><u>Other payables</u></b>		
Capital Securities Corporation (Note 2)	\$ 344	4,762
CSC Securities (HK) Ltd. (Note 3)	<u>949</u>	<u>119</u>
Total	<b><u>\$ 1,293</u></b>	<b><u>4,881</u></b>

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

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

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

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

(iii) Bonds purchased under resale agreements

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

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

(iv) Leases

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

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

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

(v) Rental expenses

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

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

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

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

(vi) Securities commission income

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

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

(vii) Interest income (Rent deposit interest)

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

(viii) Securities brokerage charge

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

(ix) Information technology expenses

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

(x) Stock service fees

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

(xi) Human resource and legal service fees

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

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

(xii) Securities transaction fees

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

(xiii) Discretionary service commission fees

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

(xiv) Management service fees

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

(xv) Stationery and printing fees

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

**(8) Pledged assets:None**

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

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

**(11) Significant subsequent events:**

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

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

**(12) Derivative instrument transactions:**

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

**December 31, 2021**

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

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

**December 31, 2020**

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

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

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

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

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

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

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

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

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

**(15) Other:None**

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

**(16) Other disclosures:**

(a) Information on significant transactions:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

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

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

Note 1: Type of Numbering

(1) 0 represents Parent company

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

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short-term financing

(ii) Guarantees and endorsements for other parties:None

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

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

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

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

(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	1,187	General transaction	0.05%
2	Capital True Partner Technology Co., Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	1,187	General transaction	0.05%
2	Capital True Partner Technology Co., Ltd.	Capital Futures Corp.	2	Other operating revenue	20,969	General transaction	0.86%
0	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	1	Professional service fees	20,969	General transaction	0.86%
0	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	1	Other payables	1,836		-%
2	Capital True Partner Technology Co., Ltd.	Capital Futures Corp.	2	Accounts receivable	1,836		-%

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

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures traders' equity	272,859		0.59%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Customers' margin account	272,859		0.59%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Futures traders' equity	4,994,128		10.72%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Customers' margin account	4,779,596		10.25%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Customers' margin account	214,532		0.46%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures commission revenue	6,105	General transaction	0.25%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Futures commission expenses	6,105	General transaction	0.25%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Brokerage fee revenue	117,469	General transaction	4.82%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Futures commission expenses	117,469	General transaction	4.82%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Interest revenue	1,534	General transaction	0.06%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Financial cost	1,534	General transaction	0.06%
0	Capital Futures Corp.	CSC Futures (HK) Ltd.	1	Other payables	6,562		0.01%
1	CSC Futures (HK) Ltd.	Capital Futures Corp.	2	Other receivables	6,562		0.01%
3	Capital International Technology Corp.	Capital Futures Corp.	2	Professional service revenue	3,072	General transaction	0.13%
0	Capital Futures Corp.	Capital International Technology Corp.	1	Repair expenses	3,072	General transaction	0.13%

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

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

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

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

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

(In Thousands of New Taiwan Dollars)

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

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

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

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

(d) Information on investment in Mainland China:

(i) Investment in Mainland China and related information:

(In Thousands of New Taiwan Dollars)

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

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

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

Note 2: Investment gains and losses recognized during the period

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

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

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

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Capital International Technology Corp.	43,235	43,235	80,000

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

(e) Major shareholders:

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

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

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

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

**(17) Segment information:**

(a) General information

The Group has one reportable segment: the brokerage segment. This segment is mainly involved in futures brokerage business. The Group's other operating segments are mainly involved in futures and securities business on a proprietary basis and advisory business, etc. For the year ended December 31, 2021 and 2020, none of the above segments met the quantitative thresholds for reportable segments.

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

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

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

(c) Information about regions

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

(d) Information about major customers

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



安侯建業聯合會計師事務所

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## Independent Auditors' Report

To the Board of Directors of Capital Futures Corporation

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

Brokerage fee revenue recognized:

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



Explanation of key audit matters:

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

Audit procedures in response:

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

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

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

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

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

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

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

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

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



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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 11, 2022

#### **Notes to Readers**

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

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

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

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

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

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

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

Statements of Changes in Equity  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

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

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

## CAPITAL FUTURES CORPORATION

## Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

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

(English Translation of Financial Statements Originally Issued in Chinese)

**CAPITAL FUTURES CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2021 and 2020**

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

**(1) Company history**

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

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

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

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

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

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

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

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

**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, 2022, would not have a significant impact on its financial statements:

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

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

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

<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
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

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

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

**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

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

**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.

**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

## 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.

## **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 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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

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

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

**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.

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

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

3) Offsetting of financial assets and liabilities

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

(iii) Non-hedging derivative financial instruments

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

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

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

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

(h) Investments in associates and joint ventures

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

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

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

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

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

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

(i) Investments in subsidiaries

When preparing parent-Company-only financial report, the Company uses equity method in evaluating the control of an investee. Under equity method, the net income or loss for the period of parent-Company-only financial report and other comprehensive income of parent-Company-only financial report are the same as net income or loss for the period attributed to owners of parents of consolidated report and other comprehensive income attributed to owners of parents of consolidated report, respectively. The equity of the parent-Company-only financial statements are the same as the equity attributable to the owners of parents of the consolidated report.

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

(j) Securities under agreements

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

(k) Securities borrowing transactions

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

(l) Customers margin accounts and future traders' equity

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

(m) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

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

(n) Leases

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

(i) Lessee

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

**CAPITAL FUTURES CORPORATION**  
**Notes to the 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

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

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

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

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

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

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

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

(o) Intangible assets

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

(p) Revenue recognition

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(r) Share-based payment

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

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

(s) Income tax

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

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

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

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

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

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

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

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

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

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

- (t) Earnings per share (“EPS”)

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

- (u) Segment information

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

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

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

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

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

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

Impairment of investments under equity method:

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

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

(a) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Bonds purchased under resale agreements

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

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

Equity instruments at fair value through other comprehensive income:

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

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

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

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

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

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

- (d) Investments under equity method

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

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

- (i) Subsidiaries

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

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

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

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

(ii) Associate

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

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

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

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

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

(iii) Collateral and pledge

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

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

(e) Property and equipment

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

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

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

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

(f) Right-of-use assets

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

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

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

(g) Customers margin accounts/futures traders' equity

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

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

(h) Receivable - futures margin

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

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

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

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

(i) Intangible assets

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

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

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.

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

(j) Lease liabilities

The Company's lease liabilities were as follows:

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

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

The amounts recognized in profit or loss were as follows :

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

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

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

(i) Real estate leases

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

(ii) Other leases

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

(k) Employee benefits

(i) Defined benefit plans

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

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

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

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

1) Composition of plan assets

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

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

2) Movements in present value of defined benefit obligation

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

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

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

3) Movements in fair value of defined benefit plan assets

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

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

4) Expense recognized in profit or loss

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

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

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

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

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

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

6) Actuarial assumptions

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

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

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

7) Sensitivity Analysis

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

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

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

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

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

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

(ii) Defined contribution plans

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

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

(l) Income taxes

(i) Income tax expense

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

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

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

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

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

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax liabilities

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

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

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

2) Recognized deferred income tax assets and liabilities

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

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

(iii) Income tax assessment status

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

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

(m) Capital and other equity

(i) Common stock

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

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

(ii) Capital surplus

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

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

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

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

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

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

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

The above information of employee options as follows:

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

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

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

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

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

3) Undistributed earnings

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

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

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

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

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

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

(n) Earnings per share

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

(i) Basic earnings per share

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

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

(ii) Diluted earnings per share

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

(o) Items of the statements of comprehensive income

(i) Brokerage fee revenue

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

(ii) Net gains (losses) on derivative instruments

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

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

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

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

(vi) Other gains and losses

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

(vii) Remuneration to employees, directors and supervisors

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

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

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

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

(p) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

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

3) Impairment losses

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

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

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

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

4) Credit risk of receivables

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

<b>For the years ended December 31, 2021</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- futures margin</b>	<b>Other receivables</b>	
Balance on January 1	\$ -	-	-	7,801	-	7,801
Reversal of impairment losses	-	-	-	(236)	-	(236)
Amounts written off	-	-	-	(545)	-	(545)
Balance on December 31	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>7,020</u>	<u>-</u>	<u>7,020</u>

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

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

(ii) Liquidity risk

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

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

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

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

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

**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 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

**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

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

2) Sensitivity analysis

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

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

(iv) Analysis in interest rates

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

(v) Fair value and hierarchy information

1) Fair value information

a) General description

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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

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

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

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

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

b) Valuation techniques

i) Non-derivative financial instruments

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

ii) Derivative financial instruments

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

iii) Transfer between Level 1 and Level 2

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

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

(In Thousands Dollars)

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

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

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

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

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

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Correlation between inputs and fair value</u>
Financial assets at fair value through other comprehensive income equity instruments without an active market	Market approach	<ul style="list-style-type: none"> <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:

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

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

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

c) Financial instruments not measured at fair value

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

(q) Financial risk management

(i) General description

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

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

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

(ii) Risk management structure

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

**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.

**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)

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

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

(r) Capital management

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

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

(s) Financing activities not affecting current cash flow

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

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

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

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

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

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

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

(b) Names and relationship with related parties

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

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

(c) Key management personnel compensation

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

(d) Significant transactions with related parties

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

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

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

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

Transaction terms are the same as those with general clients.

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

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

(ii) Accounts payable and receivable:

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

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

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

(Note 2) Payables for allocated expenses and interests to the parent company.

(Note 3) Payables for Service charge discounts and interests.

(Note 4) Payables for professional service fee.

(iii) Bonds purchased under resale agreements

The Company conducted investment with Capital Securities Corporation for bonds purchased under resale agreements shows as follow:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Bonds purchased under resale agreements	<b>\$ <u>84,013</u></b>	<b><u>244,530</u></b>
Resale price under the agreements	<b>\$ <u>84,021</u></b>	<b><u>244,545</u></b>
Interest rates	<b><u>0.20%~ 0.21%</u></b>	<b><u>0.16%~ 0.22%</u></b>
Date of repurchase	<b><u>2022.01.03~2022.01.14</u></b>	<b><u>2021.01.05~2021.01.15</u></b>
	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest income	<b>\$ <u>213</u></b>	<b><u>329</u></b>

(iv) Leases

The Company signed three-year lease contracts and rented the office and parking spaces from Capital Securities Corporation. As of December 31, 2021 and 2020, the total value of effective contracts were both \$51,091, respectively. For the year ended December 31, 2021 and 2020, the Company recognized the amount of \$376 and \$250 as interest expense. As of December 31, 2021 and 2020, lease liabilities amounted to \$26,730 and \$43,385, respectively, and refundable deposits were amounted to both\$4,450, respectively.

(v) Rental expenses

The Company entered into lease agreements with related parties and recognized rental expense for applicable short-term or low-value leases as follow:

	<b>For the years ended December 31,</b>	
<b>Related parties</b>	<b>2021</b>	<b>2020</b>
Capital Securities Corporation	<b>\$ <u>905</u></b>	<b><u>646</u></b>

The pricing of the rent between the Company and its related parties are determined according to market conditions and paid on a monthly basis.

**CAPITAL FUTURES CORPORATION**  
**Notes to the Financial Statements**

(vi) Securities commission income

The Company entered into contracts with related parties to engage in securities trading business as permitted by the competent authorities, and details are as follow:

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>27,152</u>	<u>9,738</u>

(vii) Interest income (Rent deposit interest)

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>35</u>	<u>44</u>

(viii) Securities brokerage charge

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ 170,416	183,659
CSC Futures (HK) Ltd.	<u>6,105</u>	<u>6,893</u>
	\$ <u>176,521</u>	<u>190,552</u>

(ix) Information technology expenses

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>47,986</u>	<u>50,391</u>

(x) Stock service fees

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>562</u>	<u>502</u>

(xi) Human resource and legal service fees

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>300</u>	<u>300</u>

(xii) Securities transaction fees

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Capital Securities Corporation	\$ <u>114</u>	<u>-</u>

**CAPITAL FUTURES CORPORATION**  
**Notes to the Financial Statements**

(xiii) Discretionary service commission fees

	<b>For the years ended December 31,</b>	
<b>Related parties</b>	<b>2021</b>	<b>2020</b>
Capital Securities Corporation	\$ 110	16

(xiv) Stationery and printing fees

	<b>For the years ended December 31,</b>	
<b>Related parties</b>	<b>2021</b>	<b>2020</b>
Capital Securities Corporation	\$ 35	80

(xv) Repair and maintenance-expense

	<b>For the years ended December 31,</b>	
<b>Related parties</b>	<b>2021</b>	<b>2020</b>
Capital International Technology Co., Ltd.	\$ 3,226	2,419

(xvi) Professional service fees

	<b>For the years ended December 31,</b>	
<b>Related parties</b>	<b>2021</b>	<b>2020</b>
Capital True Partner Technology Co., Ltd.	\$ 26,183	13,241

**(8) Pledged assets:None**

**(9) Commitments and contingencies:None**

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:**

On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company. All shares would be transferred on February 15 ,2022.

**CAPITAL FUTURES CORPORATION**  
**Notes to the Financial Statements**

**(12) Derivative instrument transactions:**

(a) As of December 31, 2021 and 2020, the open positions of futures and option contracts were as follows:

**December 31, 2021**

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract:						
	TAIEX Futures	Long	74	\$ 262,510	267,889	
	TAIEX Futures	Short	3	(10,733)	(10,795)	
	Mini Taiex Futures	Short	292	(263,581)	(265,111)	
	Electronic Sector Index Futures	Short	25	(86,631)	(87,575)	
	Financial Insurance Index Futures	Long	33	55,909	56,540	
	Mini Financial Futures	Short	98	(41,516)	(41,983)	
	Mini Electronic Futures	Long	155	66,410	67,871	
	Mini Electronic Futures	Short	2	(840)	(874)	
	Subtotal			(18,472)		
Options contract:						
	TAIEX Options (Call)	Long	2,177	\$ 29,013	37,581	
	TAIEX Options (Call)	Short	2,154	(24,743)	(30,982)	
	TAIEX Options (Put)	Long	3,086	29,440	15,935	
	TAIEX Options (Put)	Short	2,753	(29,808)	(16,231)	
	TAIEX Weekly Options (Call)	Long	325	1,840	1,504	
	TAIEX Weekly Options (Call)	Short	442	(1,733)	(1,136)	
	TAIEX Weekly Options (Put)	Long	352	816	719	
	TAIEX Weekly Options (Put)	Short	186	(926)	(977)	
	Electronic Sector Index Options(Call)	Long	107	851	1,457	
	Electronic Sector Index Options(Call)	Short	68	(572)	(766)	
	Electronic Sector Index Options(Put)	Long	124	917	562	
	Electronic Sector Index Options(Put)	Short	176	(1,610)	(778)	
	Finance Insurance Index Options(Call)	Long	127	475	732	
	Finance Insurance Index Options(Call)	Short	88	(169)	(253)	
	Finance Insurance Index Options(Put)	Long	196	1,446	778	
	Finance Insurance Index Options(Put)	Short	50	(95)	(7)	
	Subtotal			5,142		
Total				\$ (13,330)		

**CAPITAL FUTURES CORPORATION**  
**Notes to the Financial Statements**

**December 31, 2020**

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract:						
	TAIEX Futures	Long	53	\$ 152,446	154,812	
	TAIEX Futures	Short	9	(24,292)	(25,137)	
	Mini Taiex Futures	Long	354	254,049	259,165	
	Mini Taiex Futures	Short	10	(6,770)	(7,040)	
	Stock Futures	Short	1	(391)	(392)	
	Subtotal			<u>375,042</u>		
Options contract:						
	TAIEX Options (Call)	Long	858	\$ 9,293	27,885	
	TAIEX Options (Call)	Short	1,494	(23,968)	(51,486)	
	TAIEX Options (Put)	Long	1,376	12,285	6,320	
	TAIEX Options (Put)	Short	748	(11,981)	(7,066)	
	TAIEX Weekly Options (Call)	Long	144	1,007	1,836	
	TAIEX Weekly Options (Call)	Short	231	(688)	(753)	
	TAIEX Weekly Options (Put)	Long	222	1,085	923	
	TAIEX Weekly Options (Put)	Short	98	(274)	(195)	
	Subtotal			<u>(13,241)</u>		
Total				<u>\$ 361,801</u>		

(b) As of December 31, 2021 and 2020, the nominal amount of open positions of leverage derivatives contracts were as follows:

Item	December 31, 2021	December 31, 2020
Leverage derivatives- long	<u>\$ 3,800,382</u>	<u>1,321,887</u>
Leverage derivatives- short	<u>\$ 3,787,547</u>	<u>1,282,847</u>
Equity derivatives- long	<u>\$ 131,113</u>	<u>-</u>
Equity derivatives- short	<u>\$ 131,101</u>	<u>-</u>

**CAPITAL FUTURES CORPORATION**  
**Notes to the Financial Statements**

**(13) Restrictions and enforcement of the Company's various financial ratios under Futures Trading Act:**

- (a) The restrictions and enforcement of each financial ratio was calculated in accordance with Regulations Governing Futures Commission Merchants as follow:

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity		6.27	6,359,664	7.32	≥ 1	Satisfactory to requirement
	(Total liabilities– futures traders' equity)	6,248,364 996,339		869,294			
17	Current Assets	43,681,868	1.13	43,978,617	1.13	≥ 1	"
	Current Liabilities	38,702,447		39,018,015			
22	Stockholders' equity	6,248,364	560.39 %	6,359,664	570.37 %	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Post-adjustment net capital		54.88 %		66.09 %	≥ 20%	"
	Total customer margin deposits required for open positions of customers	4,910,332 8,947,102		4,868,930 7,366,955		≥ 15%	

**(14) Specific inherent risks in operating as futures dealer:**

Transactions in futures and options carry a high degree of risk because of the amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily leveraged, the fluctuation of underlying markets is unpredictable, and the variance risk of the exchange rate is high. Futures industry thus bears higher operation risk than other industries. If the customers can't exercise the contract or maintain the proper margin, in order to dealing with such abrupt condition, the Company needs sufficient liquidity to cover the transactions and suffer the loss may occur.

**(15) Other:None**

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

**(16) Other disclosures:**

(a) Information on significant transactions:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum balance of the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CSC Futures (HK) Ltd.	F190402	Account receivables -Customer	No	38,425	38,425	-	5%	1	12,950		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F611702	Account receivables -Customer	No	384,245	384,245	384,245	1.38%~2.63%	1	194,973		-		-	384,245	851,899
1	CSC Futures (HK) Ltd.	F613059	Account receivables -Customer	No	82,338	82,338	-	1.13%~3.13%	1	37,634		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F612688	Account receivables -Customer	No	76,849	13,723	6,862	3.13%	1	2,934		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F612687	Account receivables -Customer	No	76,849	-	-	3.13%	1	475		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F612851	Account receivables -Customer	No	82,338	54,892	-	3.13%	1	7,802		-		-	170,380	851,899
1	CSC Futures (HK) Ltd.	F613091	Account receivables -Customer	No	41,169	41,169	9,112	3.13%	1	1,048		-		-	170,380	851,899

Remark: Besides those approved by the board of directors, each loan limit by an individual is 20% amount of the net assets of CSC Futures (HK) Ltd. on the financial statements. The loan limit of total credit lines is calculated by net value of CSC Futures (HK) Ltd. and in line with the rules of liquid capital of Securities & Futures Commission of Hong Kong. CSC Futures(HK) Ltd. obtained its money lender's license in June 2016 and engaged in lending business according to local laws and regulations in Hong Kong.

Note 1: Type of Numbering

(1) 0 represents Parent company

(2) Invested company is being numbered by company type from 1, same company should have same number.

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short-term financing

(ii) Guarantees and endorsements for other parties:None

(iii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(iv) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(v) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more:None

(vi) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None

(b) Information on investees: (excluding information on investees in Mainland China)

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Date of establishment	FSC Rule No.	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Revenue of investee	Net income (losses) of investee	Share of profits/losses of investee	Cash dividend	Note
						December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value					
Capital Futures Corporation	CSC Futures (HK) Ltd.	Hong Kong	1998.12.9	Gin Guan Zheng Zhi No. 1010027412 letter	Futures dealing business and other businesses permitted by local law of Hong Kong	862,631	862,631	214,000	97.27 %	828,642	360,895	(26,253)	(25,536)	-	Subsidiary
Capital Futures Corporation	Capital International Technology Co., Ltd.	Taiwan	2014.12.29	Gin Guan Zheng Zhi No. 1030038387 letter	Management consulting and information service business	50,000	50,000	5,000	100.00 %	33,816	3,072	(7,112)	(7,112)	-	Subsidiary
Capital Futures Corporation	True Partner Advisor Hong Kong Ltd.	Hong Kong	2010.5.31	Gin Guan Zheng Zhi No. 1040027513 letter	Assets Management	36,701	36,701	245	49.00 %	50,112	132,349	3,776	894	-	Associate (Note 1)

Note 1: On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company. All shares would be transferred on February 15, 2022. Thus, the investments accounted for using equity method were reclassified as assets to held-for-sale.

## CAPITAL FUTURES CORPORATION

### Notes to the Financial Statements

(c) Information on overseas branches and representative offices: None

(d) Information on investment in Mainland China:

(i) Investment in Mainland China and related information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Direct or indirect share holdings(%) by the company	Highest percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Capital True Partner Technology Co., Ltd.	Management consulting and information service business	5,013	(C)	24,372	-	-	24,372	2	51.00%	51.00%	B (2) <sup>1</sup>	18,512	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management consulting and information service business	18,863	(C)	18,863	-	-	18,863	(4,051)	100.00%	100.00%	(4,051) B (2)	11,633	-

Note 1: Investment methods are classified into the following three categories:

- A. Directly invest in a Company in Mainland China.
- B. Through investing in an existing Company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).
- C. Through a subsidiary to invest in a Company in Mainland China.

Note 2: Investment gains and losses recognized during the period

A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:

- (1) The recognition of investment gains or losses is based on the financial statements audited by international certified public accountant cooperated with certified public accountant of the Republic of China.
- (2) The recognition of investment gains or losses is based on the financial statements audited by certified public accountant of the Company.
- (3) The recognition of investment gains or losses is based on the financial statements provided by the investee without audited by certified public account.

Note 3: Above information is expressed in New Taiwan Dollars.

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
43,235	43,235	80,000

Note: The Company invests through a subsidiary, Capital International Technology Co., Ltd., to invest in Mainland China. According to the relevant rules to small and medium enterprises, the upper limit for investment in China is \$80,000.

(e) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Capital Securities Corporation		119,066,014	56.58 %

Note 1: The information on the major shareholders in this table is based on the last business day of the end of each quarter by CCB. The total number of ordinary shares and special shares of the company that have been delivered without physical registration (including treasury shares) is calculated by the shareholders of the company up to 5%. There may be differences or differences due to the calculation basis of the preparation between share capital recorded in the company's financial report and the company's actual non-physical registration of shares.

Note 2: If the information above belongs to the trust on behalf of the shareholders, it is disclosed by the individual and trustor who opened the trust account by the trustee. As for shareholders to declare shares who hold more than 10% of their shares in accordance with the Securities and Exchange Act, its shareholding includes personal holding of shares plus the shares delivered to the trust with decision right etc. Please refer to the Public Information Observatory for information on insider shareholding declarations.

**CAPITAL FUTURES CORPORATION**  
**Notes to the Financial Statements**

**(17) Segment information:**

Please refer to the consolidated financial report for the year ended December 31, 2021.

**Capital Futures Corp.**

**Chairman Lee, Wen-Chu**