

**(English Translation of Financial Report Originally  
Issued in Chinese.)**

**CAPITAL FUTURES CORPORATION**

**Financial Report**

**For the Years Ended December 31, 2016 and 2015**

**(With Independent Auditors' Report Thereon)**

**Address: 32<sup>th</sup> and B1 Fl. No. 97, Tun Hwa South Rd., Sec. 2,  
Taipei, Taiwan, R.O.C.  
Telephone: 886-2-2700-2888**

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.

## TABLE OF CONTENTS

Contents	Page
Cover Page	1
Table of Contents	2
Independent Auditors' Report	3
Balance Sheets	4
Statements of Comprehensive Income	5
Statements of Changes in Equity	6
Statements of Cash Flows	7
Notes to Financial Report	
1. Company history	8
2. Approval date and procedures of the financial report	8
3. New standards and interpretations	8~11
4. Summary of significant accounting policies	11~23
5. Major sources of accounting judgments, estimation and assumptions uncertainty	23
6. Summary of major accounts	23~47
7. Related-party transactions	47~50
8. Pledged assets	50
9. Material contingent liability and unrecognized contract commitment	50
10. Significant catastrophic losses	50
11. Significant subsequent events	50
12. Disclosure of information as related to derivative financial instruments	51~52
13. Restrictions and enforcement of the Company's various financial ratios under futures trading law	53
14. Unique risks to specific futures commission merchant services	53
15. Others	53
16. Disclosures Required	
(1) Information on significant transactions	53-54
(2) Information on investee company	54
(3) Set up branch offices and representative office information abroad	54
(4) Information on investments in China	54
17. Segment information	55



安侯建業聯合會計師事務所  
KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666  
Fax 傳真 + 886 (2) 8101 6667  
Internet 網址 kpmg.com/tw

## Independent Auditors' Report

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, 2016 and 2015, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, 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 at December 31, 2016 and 2015, 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 for futures enterprises and 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 Auditor's 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. We determined the key audit matters that should be performed in the financial report are as follows:

Commission income – brokerage recognized:

Related accounting policies of commission income – brokerage recognized, please refer to financial report note 4(15) revenue recognized. Explanation of commission income – brokerage, please refer to financial report note 6(12) 1. Comprehensive income statement commission income – brokerage.

Explanation of key audit matters:

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



Audit procedures in response:

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of preparing financial reports for futures enterprises and 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 are responsible for overseeing the Company's financial reporting process.

### **Auditor's 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 auditor's 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 auditor's 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 auditor's 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 and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this 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 auditor's 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 Feng-Hui Lee and Tan-Tan Chung.

KPMG  
Taipei, Taiwan, R.O.C.  
March 27, 2017

#### Notes to Readers

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

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

## (English Translation of Financial Report Originally Issued in Chinese.)

## CAPITAL FUTURES CORPORATION

## BALANCE SHEETS

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015		LIABILITIES AND EQUITY	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash and cash equivalents (Note 6(1))	\$ 1,508,415	6	2,001,047	10	Financial liabilities at fair value through profit or loss-current (Note 6(2))	\$ 54,018	-	92,730	1
Financial assets at fair value through profit or loss - current (Note 6(2))	385,733	1	132,631	1	Futures traders' equity (Note 6(5))	22,443,105	87	16,683,414	84
Customers margin accounts (Note 6(5))	22,457,832	87	16,695,003	84	Leverage contract trading - customers' equity	70	-	-	-
Receivable - futures margin	894	-	900	-	Accounts payable	24,974	-	40,177	-
Security borrowing margin	-	-	77,244	-	Accounts payable - inter co. (Note 7)	12,704	-	14,851	-
Accounts receivable	9,694	-	20,516	-	Advance receipts	2,581	-	2,466	-
Accounts receivable - inter co. (Note 7)	252	-	353	-	Receipts under custody	3,235	-	2,813	-
Prepayments	13,171	-	6,616	-	Other payables	114,251	1	114,212	1
Other receivables	29,776	-	52,082	-	Other payables - inter co. (Note 7)	211	-	173	-
Other receivables - inter co. (Note 7)	12	-	18	-	Current income tax liabilities	41,680	-	36,444	-
Leverage contract trading - customers' margin accounts	72	-	-	-	Other current liabilities	3,062	-	5,030	-
Other current assets	1,031	-	1	-					
	<u>24,406,882</u>	<u>94</u>	<u>18,986,411</u>	<u>95</u>		<u>22,699,891</u>	<u>88</u>	<u>16,992,310</u>	<u>86</u>
<b>Non-current Assets</b>					<b>Non-current Liabilities</b>				
Financial assets measured at cost-non-current (Note 6(2))	119	-	128	-	Provision for liabilities - non-current (Note 6(8))	11,077	-	8,586	-
Available-for-sale financial assets-non-current (Note 6(2))	74,401	1	59,479	-	Deferred income tax liabilities (Note 6(9))	4,889	-	6,396	-
Investments under equity method (Note 6(3))	1,016,135	4	538,562	3		<u>15,966</u>	<u>-</u>	<u>14,982</u>	<u>-</u>
Property and equipment (Note 6(4))	37,908	-	25,269	-	<b>Total Liabilities</b>	<u>22,715,857</u>	<u>88</u>	<u>17,007,292</u>	<u>86</u>
Intangible assets (Note 6(6))	51,330	-	49,711	-					
Other non-current assets	296,471	1	299,661	2	<b>Equity</b>				
	<u>1,476,364</u>	<u>6</u>	<u>972,810</u>	<u>5</u>	Common stock (Note 6(10))	1,223,979	5	1,223,979	6
					Capital surplus	381,180	1	380,185	2
					Legal reserve	297,103	1	253,810	1
					Special reserve	689,758	3	603,172	3
					Unappropriated earnings (Notes 6(10) )	510,134	2	433,016	2
					Other equity	65,235	-	57,767	-
					<b>Total Equity</b>	<u>3,167,389</u>	<u>12</u>	<u>2,951,929</u>	<u>14</u>
<b>TOTAL ASSETS</b>	<u>\$ 25,883,246</u>	<u>100</u>	<u>19,959,221</u>	<u>100</u>	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 25,883,246</u>	<u>100</u>	<u>19,959,221</u>	<u>100</u>

(The accompanying notes are an integral part of the financial report)

(English Translation of Financial Report Originally Issued in Chinese.)  
**CAPITAL FUTURES CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2016 and 2015**  
**(Expressed in Thousands of New Taiwan Dollars, Except For Earnings Per Share)**

	2016		2015	
	Amount	%	Amount	%
<b>Income</b>				
Commission income - brokerage (Note 6(12))	\$ 1,534,868	92	\$ 1,396,272	89
Net gains (losses) on sale of trading securities	(15,541)	(1)	(563)	-
Dividend revenue	477	-	-	-
Net gains (losses) on measurement of trading securities at fair value through profit or loss	7,424	-	(330)	-
Net gains (losses) on covering of borrowed securities and bonds with resale agreements	5,513	-	(668)	-
Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	499	-	(498)	-
Securities commission income	2,936	-	3,610	-
Net gains (losses) on derivative financial instruments	127,727	8	154,459	10
Net gains (losses) on derivative instruments - Taipei Exchange	4	-	-	-
Management fee revenue	76	-	843	-
Consulting fee revenue	14,251	1	9,009	1
Other operating revenue	(925)	-	(848)	-
	<u>1,677,309</u>	<u>100</u>	<u>1,561,286</u>	<u>100</u>
<b>Expenses</b>				
Brokerage fees	202,636	12	188,470	12
Brokerage fees - proprietary trading	8,374	1	10,788	1
Financial costs	5,550	-	3,991	-
Futures commission expenses (Note 6(12))	377,095	22	325,049	21
Clearing and settlement expenses	143,607	9	135,052	9
Other operating expenditure	1,175	-	220	-
Employee benefit expenses (Note 6(12))	309,216	18	277,535	18
Depreciation or amortization expenses (Note 6(12))	18,828	1	21,659	1
Other operating expenses (Note 6(12))	277,147	17	268,972	17
	<u>1,343,628</u>	<u>80</u>	<u>1,231,736</u>	<u>79</u>
<b>Non-operating income and expenses</b>				
Share of profit (loss) of subsidiaries, associates and joint ventures under equity method	73,539	4	(9,184)	(1)
Other gains and losses (Note 6(12))	196,562	12	180,460	12
	<u>270,101</u>	<u>16</u>	<u>171,276</u>	<u>11</u>
<b>Net income before income tax</b>	603,782	36	500,826	32
Income tax expenses (Note 6(9))	(91,973)	(5)	(67,899)	(4)
<b>Net income</b>	<u>511,809</u>	<u>31</u>	<u>432,927</u>	<u>28</u>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial gain (loss) on defined benefit plans (Note 6(8))	(2,490)	-	(1,039)	-
Income tax related to the components of other comprehensive income	-	-	-	-
Total items that will not be reclassified subsequently to profit or loss	<u>(2,490)</u>	<u>-</u>	<u>(1,039)</u>	<u>-</u>
<b>Items that may be reclassified to profit or loss in subsequent periods</b>				
Foreign exchange difference from translating financial reports of foreign operations	(8,866)	(1)	16,151	1
Unrealized gain (loss) on available-for-sale financial assets	14,922	1	(8,245)	(1)
Share of other comprehensive income of subsidiaries, associates and joint venture—Items that may be reclassified to profit or loss in subsequent periods	(95)	-	(30)	-
Income tax related to the components of other comprehensive income (Note 6(9))	1,507	-	(2,746)	-
Total items that may be reclassified to profit or loss in subsequent periods	<u>7,468</u>	<u>-</u>	<u>5,130</u>	<u>-</u>
<b>Other comprehensive income (After tax)</b>	<u>4,978</u>	<u>-</u>	<u>4,091</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 516,787</u>	<u>31</u>	<u>437,018</u>	<u>28</u>
<b>Basic earnings per share (Dollar) (Note 6(11))</b>	<u>\$ 4.18</u>		<u>3.54</u>	
<b>Diluted earnings per share (Dollar) (Note 6(11))</b>	<u>\$ 4.17</u>		<u>3.53</u>	

(The accompanying notes are an integral part of the financial report)

(English Translation of Financial Report Originally Issued in Chinese.)

**CAPITAL FUTURES CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**For the years ended December 31, 2016 and 2015**  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity		Total
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gain/loss on available-for-sale financial assets	
<b>Beginning balance, January 1, 2015</b>	\$ 1,199,979	377,709	224,506	544,565	293,036	17,820	34,817	2,692,432
Net income for 2015	-	-	-	-	432,927	-	-	432,927
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(1,039)	13,375	(8,245)	4,091
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	431,888	13,375	(8,245)	437,018
Appropriation of earnings :								
Legal reserve	-	-	29,304	-	(29,304)	-	-	-
Special reserve	-	-	-	58,607	(58,607)	-	-	-
Cash dividends	-	-	-	-	(179,997)	-	-	(179,997)
Stock dividends	24,000	-	-	-	(24,000)	-	-	-
Change in other capital surplus :								
Difference between the acquisition or disposal price and the carrying amount of subsidiaries' shares	-	2,476	-	-	-	-	-	2,476
<b>Ending balance, December 31, 2015</b>	1,223,979	380,185	253,810	603,172	433,016	31,195	26,572	2,951,929
Net income for 2016	-	-	-	-	511,809	-	-	511,809
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(2,490)	(7,454)	14,922	4,978
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	509,319	(7,454)	14,922	516,787
Appropriation of earnings :								
Legal reserve	-	-	43,293	-	(43,293)	-	-	-
Special reserve	-	-	-	86,586	(86,586)	-	-	-
Cash dividends	-	-	-	-	(302,322)	-	-	(302,322)
Change in other capital surplus :								
Changes in ownership interests in subsidiaries	-	995	-	-	-	-	-	995
<b>Ending balance, December 31, 2016</b>	<b>\$ 1,223,979</b>	<b>381,180</b>	<b>297,103</b>	<b>689,758</b>	<b>510,134</b>	<b>23,741</b>	<b>41,494</b>	<b>3,167,389</b>

Note : The remuneration to directors and supervisors for the year ended December 31, 2016 and 2015, were NT\$7,424 thousand and NT\$6,330 thousand, respectively, and employee bonuses of NT\$7,424 thousand and NT\$6,330 thousand , respectively, which were deducted from the statement of comprehensive income.

(The accompanying notes are an integral part of the financial report)



(English Translation of Financial Report Originally Issued in Chinese.)

**CAPITAL FUTURES CORPORATION**

**STATEMENTS OF CASH FLOWS**

**For the years ended December 31, 2016 and 2015**

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
<b>Cash flows from operating activities:</b>		
Net income before income tax	\$ 603,782	500,826
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
<b>Income and expenses items with no effect on cash flow:</b>		
Depreciation expenses	14,016	16,449
Amortization expenses	4,812	5,210
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	(8,241)	2,219
Interest expenses	5,550	3,991
Interest income (Including financial revenue)	(188,837)	(163,734)
Dividend income	(3,627)	(2,704)
Share of loss (profit) of subsidiaries, associates and joint ventures under equity method	(73,539)	9,184
Gain on disposal of investments	(90)	(13,769)
<b>Total income and expense items with no effect on cash flows</b>	<b>(249,956)</b>	<b>(143,154)</b>
<b>Net changes of assets and liabilities from operating activities:</b>		
<b>Net changes of assets from operating activities:</b>		
(Increase) decrease in financial assets at fair value through profit or loss	(245,360)	115,147
(Increase) decrease in customers margin accounts	(5,762,829)	(4,942,186)
(Increase) decrease in receivable - futures margin	6	(900)
(Increase) decrease in security borrowing margin	77,244	(77,244)
(Increase) decrease in accounts receivable	10,822	(20,334)
(Increase) decrease in accounts receivable-inter co.	101	(51)
(Increase) decrease in prepayments	(6,555)	(2,112)
(Increase) decrease in other receivable	21,839	(38,602)
(Increase) decrease in other receivable-inter co.	(2)	8,412
(Increase) decrease in leverage contract trading - customers' margin accounts	(72)	-
(Increase) decrease in other current assets	(1,030)	-
(Increase) decrease in operation guarantee deposits	(10,000)	(10,000)
(Increase) decrease in clearing and settlement fund	13,925	(9,193)
(Increase) decrease in refundable deposits	(735)	9,200
<b>Total net changes of assets from operating activities</b>	<b>(5,902,646)</b>	<b>(4,967,863)</b>
<b>Net changes of liabilities from operating activities:</b>		
Increase (decrease) in financial liabilities at fair value through profit or loss	(38,213)	21,789
Increase (decrease) in futures traders' equity	5,759,691	4,953,054
Increase (decrease) in leverage contract trading - customers' equity	70	-
Increase (decrease) in accounts payable	(15,203)	14,707
Increase (decrease) in accounts payable-inter co.	(2,147)	1,713
Increase (decrease) in advance receipts	115	359
Increase (decrease) in receipts under custody	422	463
Increase (decrease) in other payables	151	28,793
Increase (decrease) in other payables-inter co.	38	(18,364)
Increase (decrease) in provision for liabilities	1	2
Increase (decrease) in other current liabilities	(1,968)	(10,655)
<b>Total net changes of liabilities from operating activities</b>	<b>5,702,957</b>	<b>4,991,861</b>
<b>Total net changes of assets and liabilities from operating activities</b>	<b>(199,689)</b>	<b>23,998</b>
<b>Total adjustments</b>	<b>(449,645)</b>	<b>(119,156)</b>
<b>Cash flows provided by (used in) operating activities</b>	<b>154,137</b>	<b>381,670</b>
Interest collected	189,312	161,969
Dividend received	3,627	2,704
Interest paid	(5,662)	(3,808)
Income tax paid	(86,737)	(59,645)
<b>Net cash provided by (used in) operating activities</b>	<b>254,677</b>	<b>482,890</b>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	-	30,229
Proceeds from disposal of financial assets measured at cost	99	-
Purchase of investments under equity method	-	(36,701)
Purchase of properties and equipments	(26,655)	(15,629)
Purchase of intangible assets	(6,431)	(4,050)
<b>Net cash provided by (used in) investing activities</b>	<b>(32,987)</b>	<b>(26,151)</b>
<b>Cash flows from financing activities:</b>		
Issuance of cash dividends	(302,322)	(179,997)
Acquisition of subsidiary	(412,000)	-
Disposition of shares of subsidiaries (Not losing control)	-	24,215
<b>Net cash provided by (used in) financing activities</b>	<b>(714,322)</b>	<b>(155,782)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(492,632)</b>	<b>300,957</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,001,047</b>	<b>1,700,090</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 1,508,415</b>	<b>2,001,047</b>

(The accompanying notes are an integral part of the financial report)

**(English Translation of Financial Report Originally Issued in Chinese.)**

**CAPITAL FUTURES CORPORATION**

**Notes to Financial Report**

**December 31, 2016 and 2015**

**(Amounts 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 32<sup>th</sup> and B1 Fl. No. 97, Tun Hwa South Rd., Sec. 2, Taipei, Taiwan, R.O.C. The Company established the Taichung branch. Furthermore, the official listed date was on April 27, 2009. Managing the following business :

- (1) Futures business.
- (2) Futures advisory business.
- (3) Securities introducing brokerage.
- (4) Futures management business.
- (5) Securities business on a proprietary basis.
- (6) Securities investment consulting
- (7) Lever Exchange Agency

**2. Approval date and procedures of the financial report**

The financial report was authorized for issuance by the Board of Directors on March 27, 2017.

**3. New standards and interpretations**

- (1) Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) but not yet in effect

According to Ruling No. 1050042844 issued on November 1, 2016, by the FSC, futures commission merchants are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements- Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Impairment of Non-Financial assets-Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Financial Instruments- Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(2) Newly released or amended standards and interpretations not yet endorsed by the FSC.

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were issued, the FSC has not yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 " Revenue from Contracts with Customers- Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows- Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts") January 1, 2018

Annual Improvements to IFRSs 2014–2016 Cycle:

IFRS 12 "Disclosure of Interests in Other Entities" January 1, 2017

IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures" January 1, 2018

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" January 1, 2018

Amendments to IAS 40 "Investment Property" January 1, 2018

The Company is still currently determining the potential impact of the standards listed below:

**Issuance / Release**

<b>Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations.  Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a Company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:  • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

- Impairment: The expected credit loss model is used to evaluate impairment.
- Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

January 13, 2016

IFRS 16 "Leases"

The new standard of accounting for lease is amended as follows:

- For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term.
- A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

January 29, 2016

Amendments to IAS 7  
 "Disclosure Initiative"

The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

December 8, 2016

IFRIC 22 "Foreign Currency  
 Transactions and Advance  
 Consideration"

IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the Company initially recognizes the prepayment or deferred income arising from the advance consideration.

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

#### **4. Summary of significant accounting policies**

The significant accounting policies presented in the financial report are summarized as follows. The significant accounting policies have been applied consistently to all periods presented in the financial report.

##### **(1) Statement of compliance**



**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

The parent-Company-only financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of preparing financial reports of futures enterprises and Regulations Governing the Preparation of Financial Reports by Securities Firms.

(2) Basis of preparation

(a) Basis of measurement

The financial report has been prepared on a historical cost basis except for the following material items of balance sheet:

- a. Financial instruments measured at fair value through profit or loss (including derivative instruments);
- b. Available-for-sale financial assets that are measured at fair value; and
- c. The defined benefit asset is recognized as plan assets less the present value of the defined benefit obligation.

(b) Functional and presentation currency

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

(3) Foreign currency

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available-for-sale equity investment which are recognized in other comprehensive income arising on the retranslation.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(b) Foreign operations

The assets and liabilities of foreign operations are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When the settlement of a monetary item 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 items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

An entity shall classify an asset as current when:

- A. Assets arising from operating activities that are expected to be realized, or are intend to be sold or consumed within the normal operating cycle;
- B. Assets held primarily for the purpose of trading;
- C. Assets that are expected to be realized within twelve months from the balance sheet date;
- D. Cash and cash equivalents, 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.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

- A. Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
- B. Liabilities arising primarily for the purpose of trading;
- C. Liabilities that are to be settled within twelve months from the balance sheet date;
- D. 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.

An entity shall classify all other liability as non-current.

(5) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(6) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(a) Financial assets

The Company classifies financial assets into the following categories: financial assets measured at fair value through profit or loss, receivables, and available-for-sale financial assets.

a. Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial assets measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

b. Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

c. Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

d. Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping assets with similar risk characteristics together. In assessing collective impairment, the Company uses the probability of default collected from the historical trend, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined that a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

e. Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(b) Financial liabilities

a. Financial liabilities measured at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities measured at fair value through profit or loss are measured at fair value, and changes therein, which take into



**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

account any interest expense, are recognized in profit or loss.

b. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as measured at fair value through profit or loss, which comprise accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

c. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

d. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(7) Investments in associates and joint ventures

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

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

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

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

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

(8) 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

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

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 report is the same as the equity attributable to the owners of parents of the consolidated report.

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

(9) Securities under agreements

The Company engages in securities under repurchase / 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.

When bonds purchased under resell agreements are resold, the amounts are recognized under "bonds purchased under resell agreements-short sales". Unrealized gain or loss arising from the valuation at the balance sheet date is recognized under "gain or loss on valuation of borrowed securities and bonds with resell agreements". Gain or loss arising from covering at maturity is recognized under "gain or loss on covering of borrowed securities and bonds with resell agreements".

(10) Securities borrowing transactions

Engage 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.

(11) 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.

(12) Property and equipment

(a) 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

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

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.

(b) 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.

(c) 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:

- a. Office equipment 3 ~ 5 years
- b. 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.

### (13) Leases

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

(14) 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

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

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.

(15) Revenue recognition

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

(16) Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets should be deducted.. The discount rate is the yield at the reporting date market yields of high-quality government bonds on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The recognized asset is limited to the total of any unrecognized past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurement of net defined benefit liability (asset) includes:

- (1) Actuarial gains and losses
- (2) Return on plan assets except net interests of remeasurement of net defined benefit liability (asset).

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

- (3) Any changes in the effects of the asset ceiling except net interests of remeasurement of net defined benefit liability (asset)

Remeasurement of net defined benefit liability (asset) is recognized in other comprehensive income. The Company will recognize the remeasurement of net defined benefit plan in retained earnings

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, and any change in the present value of the defined benefit obligation.

(c) Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminating the employment of employees before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefit is expensed at the earlier of the date when the entity can no longer withdraw the offer of the termination benefits and the date when the entity recognizes related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(d) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(17) 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.

(18) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses



**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the exceptions below:

- (a) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (b) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (c) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (a) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (b) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - a. levied by the same taxing authority; or
  - b. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched

A deferred income tax asset should be recognized for an unused tax loss carry-forward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry-forwards can be utilized. The carrying amount of deferred income tax assets should be reviewed and adjusted at the end of each reporting period.

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

(19) Earnings per share ("EPS")

The calculation of basic earnings per share is based on net income, divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

is based on net income, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee bonus. In the event of capital increase through capitalization of retained earnings, or capital surplus, EPS is retroactively adjusted by the approved capitalization ratio, regardless of the outstanding period when incremental shares are issued. The dilutive potential ordinary shares of the Company include employee bonus and compensation.

(20) Segment information

The Company has disclosed the segment information in the consolidated financial report, thus, the Company does not disclose it in this parent -Company-only financial report.

**5. Major sources of accounting judgments, estimation and assumptions uncertainty**

The preparation of the parent-Company-only financial reports in conformity with Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of preparing financial reports for futures enterprises and Regulations Governing the Preparation of Financial Reports by Securities Firms requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the parent-Company-only financial reports, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

The impairment of investments accounted for using equity method: The Company performed the impairment test of investments accounted for using equity method annually. The recoverable amount of the cash-generating unit was based on the value in use. The Company chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

**6. Summary of major accounts**

(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash	\$ 60	60
Check deposits	9	-
Demand deposits	42,788	59,671
Time deposits	819,575	816,700
Futures margin-excess margin	497,180	531,370
Commercial paper	-	154,916
Bonds investment under resell agreements	148,803	438,330
Total	<u>\$ 1,508,415</u>	<u>2,001,047</u>

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(2) Financial assets and liabilities

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Open-ended funds and money-market instruments	\$ 5,000	26,340
Open-ended funds and money-market instruments valuation adjustment	(79)	(398)
Trading securities - proprietary trading	217,083	38,252
Trading securities - proprietary trading valuation adjustment	7,095	(330)
Call options	64,346	48,740
Futures margin-proprietary fund	92,285	20,027
Foreign exchange rate derivatives	3	-
Total	<u><u>\$ 385,733</u></u>	<u><u>132,631</u></u>

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remain the same), the impact on comprehensive income for 2016 and 2015 will increase \$2,291 and \$639, respectively; conversely, if there is an decrease in the securities price of 1% on the reporting date and if it assumes that all other variables remain the same, there will be the same amount but opposite direction of influence.

(b) Available-for-sale financial assets - non-current

<u>Investee Company</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
CME GROUP	\$ 32,907	32,907
Valuation adjustments	41,494	26,572
Total	<u><u>\$ 74,401</u></u>	<u><u>59,479</u></u>

The purpose for obtaining the stock of CME GROUP is to acquire the membership of foreign futures exchange. The Company disposed of 10,004 shares of stock of CME GROUP on December 29, 2015, which generated \$13,769 of gain.

For 2016 and 2015, due to changes in fair value, the Company had recognized \$14,922 and \$5,446 in other comprehensive income, respectively. The amount reclassified from equity to net income or loss is \$0 and \$(13,691), respectively.

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remain the same), the impact on comprehensive income for 2016 and 2015 will increase \$744 and \$595, respectively; conversely, if there is an decrease in the securities price of 1% on the reporting date and if it assumes that all other variables remain the same, there will be the same amount but opposite direction of influence.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(c) Financial assets measured at cost - non-current

<b>Investee Company</b>	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
	<b>Ownership ratio</b>	<b>Amount</b>	<b>Ownership ratio</b>	<b>Amount</b>
Taiwan Futures Exchange Co., Ltd	0.0042%	<b>\$ 119</b>	0.0045%	<b>128</b>

The Company disposed of 1,000 shares of Taiwan Futures Exchange Co., Ltd on December 29, 2016, which generated \$90 of gain.

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

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Put options	\$ 54,017	47,635
Liabilities on sale of borrowed securities	-	44,597
Liabilities on sale of borrowed securities valuation adjustment	-	498
Foreign exchange rate derivatives	1	-
	<b>\$ 54,018</b>	<b>92,730</b>

(3) Investments under Equity Method

Investments under Equity Method on the reporting date were as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Subsidiary	\$ 974,619	501,881
Associate	41,516	36,681
	<b>\$ 1,016,135</b>	<b>538,562</b>

(a) Subsidiary

The Company signed Equity Transfer Agreement on January 1, 2015 and sold 5%, which equals 6,000 thousand shares, of the shares of CSC Futures (H.K.) Ltd. to True Partner Holding Limited, the price for each share was HKD 1 and the total proceeds from the shares sold amounted to HKD 6,000 thousands. The base date of the transfer was April 30, 2015. The difference between the disposal price and the carrying amount of the shares sold, which amounted to \$2,476, was recognized in capital surplus. The subsidiary, Capital International Information Technology Co., Ltd. signed Equity Transfer Agreement with True Partner Holding Limited on January 1, 2015, and acquired 51% of shares from the investee Company, Capital True Partner Co., Limited, the total proceeds from the shares sold amounted to HKD 6,000 thousands. The registration of alteration and the acquisition of relevant documents were completed on February 9, 2015.

The Company established CSC Futures (HK) Ltd. per Gin Guan Zheng Qi No. 1050038018 letter on October 21, 2016 and remitted share proceeds which amounted to HKD 100,000 thousands on December 12, 2016. The registration of alteration and the acquisition of relevant documents were both completed.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

The accounting figures of investee, which is wholly controlled by the Company, are combined into the consolidated financial report; please refer to the consolidated financial report of 2016.

(b) Associate

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

Name of associate	Relationship with the Company	Principal place of business/Register country of company	Ownership equity and % of right to vote	
			December 31, 2016	December 31, 2015
True Partner Capital Advisor Co., Ltd.	Its main business is assests management, and it's the Company's strategic alliances to expand assets managing business.	Hong Kong	49.00%	49.00%

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

	December 31, 2016	December 31, 2015
Summerized ending balance of the insignificant associate	\$ 41,516	36,681
	January 1- December 31, 2016	January 1- December 31, 2015
Shares belong to the Company:		
Net loss of the period of continuing business units	\$ 5,035	(6)
Other comprehensive income	(200)	(14)
Total	\$ 4,835	(20)

(c) Collateral and pledge

As of December 31, 2016 and 2015, there was no investment under equity method as collateral and pledge.

(4) Property and equipment

For the years ended December 31, 2016 and 2015, the cost and accumulated depreciation of the property and equipment of the Company were as follows:

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Cost:</b>			
Balance at 1 January, 2016	\$ 49,368	419	49,787
Additions	21,059	5,596	26,655
Disposal	(9,692)	-	(9,692)
Balance at 31 December, 2016	<b>\$ 60,735</b>	<b>6,015</b>	<b>66,750</b>
Balance at 1 January, 2015	\$ 43,098	28,329	71,427
Additions	15,420	209	15,629
Disposal	(9,150)	(28,119)	(37,269)
Balance at 31 December, 2015	<b>\$ 49,368</b>	<b>419</b>	<b>49,787</b>
<b>Accumulated depreciation:</b>			
Balance at 1 January, 2016	\$ 24,351	167	24,518
Depreciation	13,092	924	14,016
Disposal	(9,692)	-	(9,692)
Balance at 31 December, 2016	<b>\$ 27,751</b>	<b>1,091</b>	<b>28,842</b>
Balance at 1 January, 2015	\$ 21,811	23,527	45,338
Depreciation	11,690	4,759	16,449
Disposal	(9,150)	(28,119)	(37,269)
Balance at 31 December, 2015	<b>\$ 24,351</b>	<b>167</b>	<b>24,518</b>
	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Carrying amounts:</b>			
Balance at 31 December, 2016	<b>\$ 32,984</b>	<b>4,924</b>	<b>37,908</b>
Balance at 31 December, 2015	<b>\$ 25,017</b>	<b>252</b>	<b>25,269</b>

As of December 31, 2016 and 2015, there was no property and equipment as collateral and pledge.

(5) Customers margin accounts/ futures traders' equity

As of December 31, 2016 and 2015, the difference between customers' margin accounts and futures traders' equity were reconciled as follows:

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Customers margin accounts		
Cash in bank	\$ 17,815,149	13,177,179
Balance of the futures clearing house	1,949,716	1,139,110
Balance of other futures commission merchants	2,691,373	2,377,627
Securities	1,594	1,087
Balance of customers margin accounts	<u>22,457,832</u>	<u>16,695,003</u>
Plus adjustment items:		
Others	1	-
Deduction adjustment items:		
Commission income	(10,600)	(5,945)
Futures transaction tax	(1,045)	(792)
Interest income	(1,200)	(334)
Temporary credits	(134)	(188)
Remittance amount of the customers after the market closed	(1,749)	(4,330)
Balance of futures traders' equity	<u>\$ 22,443,105</u>	<u>16,683,414</u>

(6) Intangible assets

For the years ended December 31, 2016 and 2015, the costs, amortization, and impairment loss of intangible assets were as follows:

	<u>The seats of foreign futures exchanges (Note)</u>	<u>Computer software</u>	<u>Total</u>
<b>Cost:</b>			
Balance at 1 January, 2016	\$ 44,325	12,230	56,555
Acquisition	-	6,431	6,431
Disposal	-	(6,776)	(6,776)
Balance at 31 December, 2016	<u>\$ 44,325</u>	<u>11,885</u>	<u>56,210</u>
Balance at 1 January, 2015	\$ 44,325	20,027	64,352
Acquisition	-	4,050	4,050
Disposal	-	(11,847)	(11,847)
Balance at 31 December, 2015	<u>\$ 44,325</u>	<u>12,230</u>	<u>56,555</u>
<b>Amortization and impairment loss:</b>			
Balance at 1 January, 2016	\$ -	6,844	6,844
Amortization of current period	-	4,812	4,812
Disposal	-	(6,776)	(6,776)
Balance at 31 December, 2016	<u>\$ -</u>	<u>4,880</u>	<u>4,880</u>
Balance at 1 January, 2015	\$ -	13,481	13,481
Amortization of current period	-	5,210	5,210
Disposal	-	(11,847)	(11,847)
Balance at 31 December, 2015	<u>\$ -</u>	<u>6,844</u>	<u>6,844</u>
<b>Carrying value:</b>			
Balance at 31 December, 2016	<u>\$ 44,325</u>	<u>7,005</u>	<u>51,330</u>
Balance at 31 December, 2015	<u>\$ 44,325</u>	<u>5,386</u>	<u>49,711</u>



**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

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.

(7) Operating lease

(a) Lessee

Non-cancellable operating lease payables are as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Within 1 year	\$ 14,787	18,497
1-5 years	13,429	14,286
	<b>\$ 28,216</b>	<b>32,783</b>

The Company rents several offices under operating lease, the lease terms are within 1 to 5 years and the Company has the preferential renewal options when the lease term expires. For the years ended December 31, 2016 and 2015, the operating lease expenses recognized in profit or loss were \$21,532 and \$19,735 respectively.

(b) Lessor

Non-cancellable operating lease receivables are as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Within 1 year	\$ 85	146
1-5 years	-	85
	<b>\$ 85</b>	<b>231</b>

The Company leases several offices under operating lease, the lease terms are within 1 to 5 years and the Company has the preferential renewal options when the lease term expires. For the year ended December 31, 2016 and 2015, the renting income were both \$146.

(8) Employee benefits

(a) Defined benefit plans

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

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Present value of defined benefit obligations	\$ (28,055)	(24,956)
Fair value of plan assets	16,978	16,370
Recognized liabilities for defined benefit obligations	<b>\$ (11,077)</b>	<b>(8,586)</b>

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

a. Composition of plan assets

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

The balance of the Company’s labor pension preparatory special account in Bank of Taiwan amounted to \$16,978 at the reporting date. The utilization of the labor pension fund includes the assets allocation and yield of the fund. Please refer to the information published on the website under Labor Pension Fund Supervisory Committee of the Council of Labor Affairs Executive Yuan.

b. Movement in present value of defined benefit obligation

The movement in the present value of defined benefit obligation of the Company in 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Defined benefit obligation at January 1	\$ 24,956	22,860
Current service costs and interest	710	892
Remeasurement of net defined benefit obligation		
— Experience gain or loss	2,063	857
— Actuarial loss (gain) arising from changes in financial assumptions	326	347
Defined benefit obligation at December 31	<b>\$ 28,055</b>	<b>24,956</b>

c. Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2016 and 2015 were as follows:

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

	<u><b>2016</b></u>	<u><b>2015</b></u>
Fair value of plan assets at January 1	\$ 16,370	15,315
Interest revenue	219	244
Remeasurement of net defined benefit obligation		
— Return on plan assets (except net interests of period)	(101)	165
Contributions to the plan assets	490	646
Fair value of plan assets at December 31	<u><u><b>\$ 16,978</b></u></u>	<u><u><b>16,370</b></u></u>

d. Expense recognized in profit or loss

The expenses recognized in profit or loss of the Company in 2016 and 2015 were as follows:

	<u><b>2016</b></u>	<u><b>2015</b></u>
Current service cost	\$ 381	533
Net interest of net defined benefit obligation	110	115
	<u><u><b>\$ 491</b></u></u>	<u><u><b>648</b></u></u>

e. Remeasurement of net defined benefit obligation recognized in other comprehensive income

For the years ended December 31, 2016 and 2015, the accumulated remeasurement of net defined benefit obligation recognized in other comprehensive income was as follows:

	<u><b>2016</b></u>	<u><b>2015</b></u>
Accumulated amount on January 1	\$ 7,828	6,789
Recognized during the period	2,490	1,039
Accumulated amount on December 31	<u><u><b>\$ 10,318</b></u></u>	<u><u><b>7,828</b></u></u>

f. Actuarial assumptions

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

	<u><b>2016</b></u>	<u><b>2015</b></u>
Discount rate	1.10%	1.32%
Expected rate of return on plan assets	1.10%	1.32%
Future salary growth rate	2.50%	2.50%

The expected contribution to the defined benefit plan for the next year is \$491. The weighted average duration of the defined benefit obligation is 4 years.

g. 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

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

may significantly impact the amount of the defined benefit obligations.

For the years ended December 31, 2016 and 2015, 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, 2016		
Discount rate	(793)	829
Future salary increasing rate	673	(652)
December 31, 2015		
Discount rate	(717)	751
Future salary increasing rate	614	(594)

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.

(b) 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 \$9,241 and \$8,041 under defined contribution plan to the Bureau of the Labor Insurance in the year 2016 and 2015, respectively.

(9) Income taxes

(a) Income tax expense

The amount of income tax expense for the years 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Current income tax expense	<b>\$ 91,973</b>	<b>67,899</b>

The amount of income tax expense (benefit) recognized in other comprehensive income of the Company in 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Foreign exchange difference from translating financial reports of foreign operations	<b>\$ (1,507)</b>	<b>2,746</b>

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

Reconciliation of income tax expense (benefit) and profit before tax of the Company for 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Net income before tax	\$ 603,782	500,826
Income tax expense calculated in accordance with the domestic tax rate which the Company was located	102,643	85,140
Exempt income	(14,478)	(16,859)
Adjustments to prior year's income tax	7,473	(801)
10% surtax on undistributed earnings	-	73
Others	(3,665)	346
Total	<b>\$ 91,973</b>	<b>67,899</b>

(b) Deferred tax assets and liabilities

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Recognized deferred tax assets (liabilities):		
Foreign exchange difference from translating financial reports of foreign operations	<b>\$ (4,889)</b>	<b>(6,396)</b>

(c) Income tax assessment status

The Company's income tax returns through 2014 were assessed by the Tax Authority.

(d) The information about imputation system were as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Undistributed earnings:		
Prior to 1997	\$ -	106
After 1998	510,134	432,910
	<b>\$ 510,134</b>	<b>433,016</b>
Imputation credit account	<b>\$ 58,834</b>	<b>61,150</b>

  

	<b>2016 (estimated)</b>	<b>2015(actual)</b>
Deductible rate for earnings distributed of dividends to ROC residents	<b>18.21%</b>	<b>20.51%</b>

The above information was calculated based on the Tai-Tsai-Shuei No. 10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013.

(10) Capital and other equity

(a) Common stock

Under the resolution of shareholders' meeting, \$24,000 of unallocated surplus capital was transferred and was separated into 2,400 thousand shares of stock on May 20, 2015. It

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

was approved by Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, R.O.C. on July 3, 2015 and the base date is set on August 11, 2015.

As of December 31, 2016 and 2015, the Company had authorized capital of \$2,500,000 and \$2,500,000 respectively, with par value of \$10 dollar per share; the issued common stock shares were 122,398 thousand and 122,398 thousand shares, respectively.

(b) Capital surplus

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Share premium		
Capital addition-Share premium	\$ 371,105	371,105
Capital addition-Employee stock option	6,604	6,604
Difference between the acquisition or disposal price and the carrying amount of subsidiaries' shares	2,476	2,476
Changes in ownership interests in subsidiaries	995	-
	<u>\$ 381,180</u>	<u>380,185</u>

In accordance with the ROC Company Act, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

(c) Retained earnings

a. Legal reserve

According to Company Act, companies shall set aside 10 percent of net income after tax as legal reserve until it equals to the paid-in capital. When companies incur no loss, they are able to distribute new shares or cash dividends through legal reserve under the resolution of stockholders' meeting but companies can only distributed the part that the reserve exceeds 25% of the paid in capital.

b. 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

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

In accordance with Ruling No. 1010032090 issued by the Financial Supervisory Commission on July 10, 2012, the balance of reserve for bad debt loss which have been provided but not written-off for January 1, 2013 required reclassifying to special reserve. The special reserve can only be used to offset an accumulated deficit and converted to common stock when it reaches an amount equal to at least one-half of the common stock.

c. Undistributed earnings

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

According to the resolution of shareholders' meeting on May 27, 2016 and May 20, 2015, the Company's 2015 and 2014 earnings distribution for owners were as follows:

	<b>2015</b>	<b>2014</b>
Dividends for owners of common stock		
Cash	\$ 302,322	179,997
Stock	-	24,000
Total	<b>\$ 302,322</b>	<b>203,997</b>

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

(11) Earnings per share

The calculation of basic and dilutive earnings per share of the Company in 2016 and 2015 were as follows:

(a) Basic earnings per share

	<b>2016</b>	<b>2015</b>
Net income	<b>\$ 511,809</b>	<b>432,927</b>
Weighted-average number of common stock shares outstanding (thousands of shares)	<b>122,398</b>	<b>122,398</b>
Basic earnings per share (dollar)	<b>\$ 4.18</b>	<b>3.54</b>

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(b) Dilutived earnings per share

	<b>2016</b>	<b>2015</b>
Net income	<u><u>\$ 511,809</u></u>	<u><u>432,927</u></u>
Weighted-average number of common stock shares outstanding (thousands of shares)	122,398	122,398
Influence from stock dividends for employee (thousands of shares)	<u>205</u>	<u>211</u>
Weighted-average outstanding shares of dilutived earnings per share (thousands of shares)	<u><u>122,603</u></u>	<u><u>122,609</u></u>
Dilutived earnings per share (dollar)	<u><u>\$ 4.17</u></u>	<u><u>3.53</u></u>

(12) Items of Comprehensive Income

(a) Commission income - brokerage

	<b>2016</b>	<b>2015</b>
Brokerage commission-Domestic futures	\$ 819,979	805,602
Brokerage commission-Foreign futures	714,889	590,670
	<u><u>\$ 1,534,868</u></u>	<u><u>1,396,272</u></u>

(b) Futures commission expenses

	<b>2016</b>	<b>2015</b>
Re-consigned futures trading	\$ 218,655	176,237
Futures introducing broker business	158,440	148,812
	<u><u>\$ 377,095</u></u>	<u><u>325,049</u></u>

(c) Employee benefit, depreciation and amortization expenses

	<b>2016</b>	<b>2015</b>
Employee benefit expenses		
Salary	\$ 277,427	249,295
Labor and health insurance	16,331	14,518
Pension	9,732	8,689
Others	5,726	5,033
Depreciation	14,016	16,449
Amortization	4,812	5,210
	<u><u>\$ 328,044</u></u>	<u><u>299,194</u></u>

(d) Other operating expenses

	<b>2016</b>	<b>2015</b>
Postage expenses	\$ 17,030	16,170
Taxes	59,350	56,133
Rental	21,532	19,735
Information technology service	86,864	92,989
Others	92,371	83,945
	<u><u>\$ 277,147</u></u>	<u><u>268,972</u></u>



**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(e) Other income and expenses

	<b>2016</b>	<b>2015</b>
Interest revenue	\$ 188,837	163,734
Dividend revenue	3,150	2,704
Net gain (loss) on non-operating financial instruments at fair value through profit or loss	318	(1,391)
Net gain (loss) on foreign exchange	(5,998)	(2,160)
Net gain (loss) on disposal of investments	3,696	12,673
Other non-operating revenue - other	6,943	6,682
Other non-operating expense - other	(384)	(1,782)
	<b>\$ 196,562</b>	<b>180,460</b>

(f) 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, 2016 and 2015, the estimated amounts of remuneration to employee were \$7,424 and \$6,330, and to directors and supervisors by the Company were \$7,424 and \$6,330, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and directors and supervisors multiple the earnings allocation percentage as specified in the Company's articles. It is recognized as operating expense for the year, 2016 and 2015. 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 2015 were both \$6,330. The difference between actual employee bonuses of \$6,316 and actual remuneration to directors and supervisors of \$6,316 was \$28 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2016. Related information would be available at the Market Observation Post System website.

(13) Financial Instruments

(a) Credit risk

The carrying amount of financial assets represent the maximum credit exposure. As of December 31, 2016 and 2015, the maximum credit exposure amounted to \$24,763,671 and \$19,339,062, respectively. The main counterparties which the Company transacts with regarding cash and cash equivalents and customer margin deposit are both domestic and overseas financial institutions, the concentrated situation of credit risk was as follows:

The Company's financial assets credit risk distribution of risk exposure area (as shown in below), focusing on Taiwan (proportion 88.32%) on December 31, 2016, secondly was

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

Asia (proportion 6.01% excluded Taiwan), and then Oceania (proportion 5.67%). Area investment proportion didn't change much compared to the same period last year.

<b>Area</b>	<b>December 31,2016</b>	<b>December 31,2015</b>
Taiwan	\$ 21,167,307	16,274,629
Asia(excluded Tawian)	1,439,072	1,585,510
Oceania	1,359,868	835,911
Total	<b>\$ 23,966,247</b>	<b>18,696,050</b>

(b) 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.

	<b>Carrying amount</b>	<b>Contract cash flow</b>	<b>Within 6 months</b>	<b>6-12 months</b>	<b>1-2 year</b>	<b>2-5 year</b>	<b>More than 5 year</b>
<b>December 31, 2016</b>							
Financial liabilities at fair value through profit or loss	\$ 54,018	54,018	54,018	-	-	-	-
Futures traders' equity	22,443,105	22,443,105	22,443,105	-	-	-	-
Leverage contract trading-customers' equity	70	70	70				
Accounts payable	37,678	37,678	37,678	-	-	-	-
Other payable	114,462	114,462	114,462	-	-	-	-
	<b>\$ 22,649,333</b>	<b>22,649,333</b>	<b>22,649,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	<b>Carrying amount</b>	<b>Contract cash flow</b>	<b>Within 6 months</b>	<b>6-12 months</b>	<b>1-2 year</b>	<b>2-5 year</b>	<b>More than 5 year</b>
<b>December 31, 2015</b>							
Financial liabilities measured at fair value through profit or loss	\$ 92,730	92,730	92,730	-	-	-	-
Futures traders' equity	16,683,414	16,683,414	16,683,414	-	-	-	-
Accounts payable	55,028	55,028	55,028	-	-	-	-
Other payable	114,385	114,385	114,385				
	<b>\$ 16,945,557</b>	<b>16,945,557</b>	<b>16,945,557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(c) Currency risk

a. 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, 2016</b>			
	<b>Foreign Currency (dollar)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 328,225,483.03	32.2500	10,585,272
JPY	957,391,640.00	0.2756	263,857
HKD	101,212,909.06	4.1580	420,843
GBP	400,540.50	39.6100	15,865
EUR	19,653,000.75	33.9000	666,237
AUD	591,912.78	23.2850	13,783
SGD	67,023.26	22.2900	1,494
CHF	48,381.13	31.5250	1,525
CNY	47,577,845.60	4.6170	219,667
NZD	3.54	22.4000	-
CAD	32.43	23.9100	1
<u>Non-monetary items</u>			
USD	4,152,000.00	32.2500	133,902
JPY	36,180,000.00	0.2756	9,971
<u>Investments under equity method</u>			
HKD	233,380,359.07	4.1580	970,396
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 320,454,238.23	32.2500	10,334,649
JPY	926,456,305.00	0.2756	255,331
HKD	97,416,690.61	4.1580	405,059
GBP	399,993.22	39.6100	15,844
EUR	19,495,610.43	33.9000	660,901
SGD	76,766.35	22.2900	1,711
CHF	48,350.73	31.5250	1,524
CNY	47,561,524.93	4.6170	219,592
AUD	591,929.88	23.2850	13,783
NZD	3.71	22.4000	-

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

<b>December 31, 2015</b>			
	<b>Foreign</b>		<b>New Taiwan</b>
	<b>Currency (dollar)</b>	<b>Exchange rate</b>	<b>Dollars</b>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 234,486,752.94	32.8250	7,697,028
EUR	2,313,076.37	35.8800	82,993
GBP	311,789.24	48.6700	15,175
JPY	853,902,284.00	0.2727	232,859
HKD	64,561,464.59	4.2350	273,418
AUD	530,583.72	23.9850	12,726
SGD	885,316.98	23.2500	20,584
CHF	56,716.10	33.1850	1,882
CNY	7,746,569.01	4.9950	38,694
<u>Non-monetary items</u>			
USD	1,812,000.00	32.8250	59,479
<u>Investments under equity method</u>			
HKD	115,137,061.87	4.2350	487,606
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 232,957,836.32	32.8250	7,646,841
JPY	854,756,100.00	0.2727	233,092
HKD	62,407,683.83	4.2350	264,297
GBP	312,020.61	48.6700	15,186
EUR	1,986,711.01	35.8800	71,283
SGD	896,523.98	23.2500	20,844
CHF	56,636.10	33.1850	1,879
CNY	7,735,916.27	4.9950	38,641
AUD	530,544.72	23.9850	12,725

Due to the variety of currencies, the Company disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange gain (loss) amounted to (\$5,998) and (\$2,160) for the years ended December 31, 2016 and 2015, respectively.

b. Sensitivity analysis

The currency risk of the Company arises mainly from cash and cash equivalents, customers' margin accounts, financial assets at fair value through profit or loss, available-for-sale financial assets and futures traders' equity, which are denominated in foreign currency. Foreign exchange gain or loss occurs as foreign currency was

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

translated to NT currency. For the years ended December 31, 2016 and 2015, with all other variable factors that remain constant, when NT currency increases or decreases 1% contrary to other currency, the Company's comprehensive income will increase or decrease \$13,944 and \$6,177 ,respectively. The analytical basis was the same in both years.

(d) Analysis in interest rates

For the years ended December 31, 2016 and 2015, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, the Company's net income will increase or decrease by \$2,745 and \$2,884. This is mainly due to the Company's guaranty deposited for business operations in variable rates and settlement fund in variable rate.

(e) Fair value and hierarchy information

a. Fair value information

(1) 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.

(2) Definition of fair value hierarchy

A. 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. Taiwan government bonds, equity instruments, debt instruments and derivative instruments with public quote in an active market possessed by the Company belong to Level 1.

B. 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).

C. Level 3

Level 3 means input in this level are based neither on direct market data nor from the counter party.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

b. Based on fair value measurement

(1) 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, 2016		
		Public quote of the same financial instrument in an active market (Level 1)	Observable price except public quote in an active market (Level 2)	Based neither on direct market data nor from the counter party (Level 3)
<b>Non-derivative assets and liabilities</b>		<b>Total</b>		
<b>Assets:</b>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$	74,162	74,162	-
Stock investment		154,937	154,937	-
Others		92,285	92,285	-
Financial assets available-for-sale		74,401	74,401	-
<b>Derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss	\$	64,349	64,346	3
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss		54,018	54,017	1

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

December 31, 2015				
		Public quote of the same financial instrument in an active market (Level 1)	Observable price except public quote in an active market (Level 2)	Based neither on direct market data nor from the counter party (Level 3)
<u>Non-derivative assets and liabilities</u>	<u>Total</u>			
<b>Assets:</b>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 25,942	25,942	-	-
Stock investment	37,922	37,922	-	-
Others	20,027	20,027	-	-
Financial assets available-for-sale	59,479	59,479	-	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss	45,095	45,095	-	-
<b>Derivative assets and liabilities</b>			-	-
<b>Assets:</b>				
Financial assets at fair value through profit or loss	\$ 48,740	48,740	-	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss	47,635	47,635	-	-

(2) Valuation techniques

A. Non-derivative financial instruments

Non-derivative financial instruments are measured at quoted market price, mainly are market price announced by Stock Exchange and fund value announced by Association of Investment Trust and Investment Adviser.

B. Derivative financial instruments

Derivative financial instruments are measured at quoted market price, mainly are settled price announced by Stock Exchange.

C. Transfer between Level 1 and Level 2

There is no transfer between Level 1 and Level 2 for the years ended December 31, 2016 and 2015.

(3) Financial instruments not measured at fair value

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

For financial instruments not measured at fair value, such as cash and cash equivalents, customers' margin accounts, accounts receivables, deposits, future traders' equity and account payables. The carrying amount is a reasonable approximation of the fair value. Therefore, the Company does not disclose the fair value.

(15) Financial risk management

(a) General description

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

- a. Credit risk
- b. Liquidity risk
- c. Market risk

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

(b) Risk management structure

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

(b) 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



**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

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:

- a. Credit inquiry and assessment before trade: inquire client's credit and ascertain the legality before transaction
- b. Credit rating management: treat trades with special credit particularly.
- c. Credit supervision after transaction: regularly inspect client's profit and loss of positions. Evaluate and monitor credit enhancement (including collaterals) on a regular basis.
- d. 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.

(d) Liquidity risk

Liquidity risks are market liquidity risk and capital liquidity risk

a. 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.

b. 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 :

- a. Market liquidity risk management: To avoid loss caused by market liquidity risk, the

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

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.

- b. 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.
- (e) 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:

- a. 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)
- b. 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
- d. 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.

(16) Capital management

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

As of December 31, 2016, the Company didn't change the method of capital management.

**7. Related-party transactions**

(1) Relationships between parents and subsidiaries

The Company's subsidiaries were as follows:

	<u>Location</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
CSC Futures (HK) Ltd.	Hong kong	97.27%	95.00%
Capital International Technology Co., Ltd.	Taiwan	100.00%	100.00%
Capital True Partner Technology Co., Ltd	China	51.00%	51.00%
Capital Futures Technology (Shanghai) Co., Ltd.	China	100.00%	-

(2) Parent Company and ultimate controlling party

Capital Securities Corporation is both the Parent Company of the Company and the ultimate controlling party of the consolidated entity. It owns 59.01 percent of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

(3) Key management personnel compensation

	<u>2016</u>	<u>2015</u>
Short-term employee benefits	\$ 54,317	42,320
Post-employment benefits	883	726
Total	<u>\$ 55,200</u>	<u>43,046</u>

(4) Other significant related party transactions

(a) The amounts of futures trading between the Company and related parties in 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
<u>Commission income-brokerage</u>		
Parent Company	\$ 10,296	6,697
Subsidiaries	60,627	49,293
	<u>\$ 70,923</u>	<u>55,990</u>

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b><u>Futures traders' equity</u></b>		
Parent Company	\$ 308,212	874,376
Subsidiaries	1,377,458	1,111,269
Other related parties	4	4
	<u><u>\$ 1,685,674</u></u>	<u><u>1,985,649</u></u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b><u>Customers margin accounts- other futures commission merchants</u></b>		
Subsidiaries	<u><u>\$ 151,920</u></u>	<u><u>146,764</u></u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b><u>Futures margin</u></b>		
Subsidiaries	<u><u>\$ 9,137</u></u>	<u><u>5,718</u></u>

Transaction terms are the same as those with general clients.

Parent Company deposits margins to the Company for futures proprietary trading, and the Company paid the interest of excess margin annually. In 2016 and 2015, interest expense amounted to \$183 and \$424, respectively.

Subsidiaries deposit margins to the Company for futures proprietary trading, and the Company paid the interest of excess margin annually. In 2016 and 2015, interest expense amounted to \$430 and \$147, respectively.

(b) Accounts payable and receivable:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
<b><u>Accounts receivable</u></b>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Parent Company	<u><u>\$ 252</u></u>	<u><u>100</u></u>	<u><u>353</u></u>	<u><u>100</u></u>
<b><u>Accounts payable</u></b>				
Parent Company	\$ 12,704	100	14,266	96
Subsidiaries	-	-	585	4
	<u><u>\$ 12,704</u></u>	<u><u>100</u></u>	<u><u>14,851</u></u>	<u><u>100</u></u>
<b><u>Other receivables (Note 1)</u></b>				
Parent Company	<u><u>\$ 12</u></u>	<u><u>100</u></u>	<u><u>18</u></u>	<u><u>100</u></u>
<b><u>Other payables</u></b>				
Parent Company (Note 2)	<u><u>\$ 211</u></u>	<u><u>100</u></u>	<u><u>173</u></u>	<u><u>100</u></u>

(Note 1) Receivables for interest from bonds investment under resell agreements

(Note 2) Payables for stock investments settlement proceeds and allocated expense

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(c) Futures commission expenses

The Company delegated Parent Company to introducing brokers. In 2016 and 2015, futures commission expenses amounted to \$156,810 and \$146,813, respectively.

The Company delegated the subsidiaries for reconsigning foreign futures trading. In 2016 and 2015, futures commission expenses amounted to \$11,766 and \$16,855, respectively.

(d) Lease agreements-rental expense

The Company leased its office and parking lot from Parent Company. The rental expense was based on market price and paid monthly. In 2016 and 2015, rental expense amounted to \$15,525 and \$14,389 respectively, and the guarantee deposits paid for the contract both amounted to \$3,508.

(e) Lease agreements-rental revenue

The subsidiary leased its office from the Company. The rental revenue was based on market price and paid monthly. In 2016 and 2015, rental revenue both amounted to \$146.

(f) Information technology service

Computer information system service contract was signed between the Company and Parent Company. In 2016 and 2015, the service fee amounted to \$22,127 and \$18,434, respectively.

The Company signed an information technology system management service contract with its subsidiary, and the information technology fee for the years 2016 and 2015 amounted to \$15,592 and \$25,472, respectively.

(g) Securities commission income

The Company was delegated by Parent Company for securities introducing brokers. In 2016 and 2015, commission income amounted to \$2,936 and \$3,610, respectively.

(h) Stock service fee

In 2016 and 2015, the Company paid the stock service fee to Parent Company both amounted to \$353 .

(i) Human resource and legal service fees

In 2016 and 2015, the Company paid the human resource and legal service fee to Parent Company both amounted to \$ 300.

(j) Securities brokerage charge

In 2016 and 2015, the Company paid the securities brokerage charge to Parent Company amounted to \$61 and \$212, respectively.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(k) Reconsigning foreign trading charge

In 2016 and 2015, the Company paid the reconsigning foreign trading charge to Parent Company amounted to \$155 and \$111, respectively.

(l) Bonds under resell agreement

The Company conducted investments with the Parent Company for bonds purchased under resell agreements. In 2016 and 2015, the interest income amounted to \$1,532 and \$735, respectively. As of December 31, 2016 and 2015, the remaining investment amounted to \$148,803 and \$438,330, respectively. The maturity dates are from January 3 to February 20, 2017 and from January 5 to January 15, 2016, respectively. The agreed interest rate is 0.36% to 1.60% and 0.45%, respectively.

**8. Pledged assets : None**

**9. Material contingent liability and unrecognized contract commitment :**

- (1) The Company purchased the software system for business development since March 2016, the price amounted to NT\$6,760, as of December 31, 2016, the Company had outstanding balance NT\$3,212.
- (2) The Company purchased the trading system in August 2016 for operating leverage trading foreign currency margin business, the contract price was US\$100(Approximate NT\$3,225), as of December 31, 2016, the Company had outstanding balance US\$44(Approximate NT\$1,411).
- (3) The Company was planning a moving and decoration project in September 2016 for business development of Taichung branch, the total price was NT\$4,360, as of December 31, 2016, the Company had outstanding balance NT\$2,992.

**10. Significant catastrophic losses : None**

**11. Significant subsequent events :**

The Board of Directors of the Company approved to raise new cash capital on September 29, 2016 for \$380,000, and issued new common stock of 38,000 thousand shares with \$10 dollars face value per share. On December 21, 2016, the Board of Directors approved to issue the stock at \$31.38 per share. The capital increase plan got the approval by the FSC No. 1050044467 on November 15, 2016. The record date of a capital increase is February 10, 2017 and the registration of capital increase was completed on February 24, 2017.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

**12. Disclosure of information as related to derivative financial instruments**

As of December 31, 2016 and 2015, the open positions of futures and option contracts were as follows:

December 31, 2016						
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	18	\$ 32,699	33,253	
	TAIEX Futures	Short	369	(679,970)	(682,238)	
	Electronic Sector Index Futures	Short	1	(1,477)	(1,478)	
	Finance Sector Index Futures	Short	43	(46,101)	(46,345)	
	Non-Finance Non-Electronics Sub-Index Futures	Short	4	(4,547)	(4,542)	
	NT Dollar Gold Futures	Long	12	5,437	5,451	
	Stock Futures	Long	637	62,516	62,824	
	Stock Futures	Short	1,106	(66,012)	(65,787)	
	USD/CNY FX Futures	Short	26	(86,582)	(86,961)	
	Nifty 50 Index Futures	Short	357	(240,213)	(241,492)	
	Nifty 50 Index Futures	Long	19	7,800	7,754	
	USD/JPY FX Futures	Long	246	154,546	157,738	
	USD/JPY FX Futures	Short	267	(171,968)	(171,689)	
	EUR/USD FX Futures	Long	201	139,916	136,750	
	EUR/USD FX Futures	Short	603	(410,752)	(410,249)	
	Euro Dollar Futures	Long	64	270,616	272,809	
	SIN Futures	Short	15	(7,925)	(7,918)	
	JPY Dollar Futures	Short	4	(13,867)	(13,863)	
	MSCI Taiwan Index Futures	Long	317	351,842	351,475	
	VIX Futures	Short	95	(46,924)	(48,210)	
	Subtotal			(750,966)		
Options contract :	Stock Options (Call)	Long	749	\$ 2,082	1,869	
	Stock Options (Call)	Short	114	(599)	(436)	
	Stock Options (Put)	Short	141	(468)	(349)	
	Stock Options (Put)	Long	887	3,116	2,690	
	TAIEX Options (Call)	Long	17,152	32,412	27,409	
	TAIEX Options (Call)	Short	4,724	(25,652)	(26,724)	
	TAIEX Options (Put )	Short	7,271	(14,172)	(6,203)	
	TAIEX Options (Put )	Long	9,607	13,012	6,769	
	TAIEX Weekly Options (Call)	Long	16,137	3,295	3,533	
	TAIEX Weekly Options (Call)	Short	3,610	(6,169)	(10,107)	
	TAIEX Weekly Options (Put)	Short	4,375	(10,588)	(5,786)	
	TAIEX Weekly Options (Put)	Long	14,685	2,411	1,081	
	Electronic Sector Index Options(Call)	Long	256	721	855	
	Electronic Sector Index Options(Call)	Short	1	(5)	(7)	
	Electronic Sector Index Options(Put)	Long	85	271	164	
	Electronic Sector Index Options(Put)	Short	263	(1,009)	(722)	
	Finance Sector Index Options(Call)	Long	825	2,591	2,854	
	Finance Sector Index Options(Put)	Long	813	1,693	1,078	
	Finance Sector Index Options(Put)	Short	95	(198)	(118)	
	Gold option (call)	Short	54	(125)	(190)	
	Gold option (call)	Long	7	26	27	
	Gold option (put)	Long	13	68	67	
	Gold option (put)	Short	5	(4)	(2)	
	USD/CNY FX Options(Call)	Short	4	(93)	(103)	
	USD/CNY FX Options(Call)	Long	153	5,194	5,225	
	USD/CNY FX Options(Put)	Short	153	(951)	(809)	
	Mini USD/CNY FX Options(Call)	Long	64	10,652	10,725	
	Mini USD/CNY FX Options(Put)	Short	80	(3,489)	(2,461)	
	Subtotal			14,022		
				\$ (736,944)		
Total						

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

December 31,2015

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	62	\$ 102,645	102,399	
	TAIEX Futures	Short	332	(552,317)	(549,134)	
	Electronic Sector Index Futures	Short	21	(27,203)	(27,392)	
	Finance Sector Index Futures	Long	19	18,764	18,586	
	Non-Finance Non-Electronics Sub- Index Futures	Long	8	8,083	8,240	
	Stock Futures	Long	1,006	116,697	115,481	
	Stock Futures	Short	1,223	(110,855)	(110,690)	
	Crude Oil Futures	Long	14	16,659	17,022	
	Coffee Futures	Long	2	3,013	3,119	
	Platinum Futures	Long	2	2,926	2,932	
	Soy bean Futures	Short	4	(5,699)	(5,674)	
	Sugar No.11 Futures	Long	5	2,787	2,801	
	Subtotal			(424,500)		
Options contract :	Stock Options (Call)	Long	753	\$ 1,575	2,032	
	Stock Options (Call)	Short	77	(177)	(112)	
	Stock Options (Put)	Long	851	1,653	1,640	
	Stock Options (Put)	Short	44	(184)	(183)	
	TAIEX Options (Call)	Short	5,296	(14,887)	(10,036)	
	TAIEX Options (Call)	Long	11,155	24,824	19,779	
	TAIEX Options (Put )	Short	10,601	(40,192)	(33,518)	
	TAIEX Options (Put )	Long	13,662	23,544	18,063	
	TAIEX Weekly Options (Call)	Long	871	728	787	
	TAIEX Weekly Options (Call)	Short	214	(881)	(919)	
	TAIEX Weekly Options (Put)	Short	160	(964)	(899)	
	TAIEX Weekly Options (Put)	Long	1,607	1,843	1,775	
	Electronic Sector Index Options(Call)	Short	140	(434)	(194)	
	Electronic Sector Index Options(Call)	Long	574	3,135	2,536	
	Electronic Sector Index Options(Put)	Long	269	1,195	1,143	
	Electronic Sector Index Options(Put)	Short	58	(829)	(637)	
	Finance Sector Index Options(Call)	Short	475	(935)	(362)	
	Finance Sector Index Options(Call)	Long	174	371	178	
	Finance Sector Index Options(Put)	Long	187	863	656	
	Finance Sector Index Options(Put)	Short	190	(780)	(740)	
	Gold option (Call)	Short	12	(10)	(4)	
	Gold option (Call)	Long	33	190	150	
	Gold option (Put)	Long	1	1	1	
	Gold option (Put)	Short	12	(29)	(31)	
	Subtotal			(380)		
Total				\$ (424,880)		



**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

**13. Restrictions and enforcement of the Company's various financial ratios under futures trading law**

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	<u>Stockholders' equity</u> (Total liabilities –futures traders' equity)	<u>3,167,389</u> 272,752	11.61	<u>2,951,929</u> 323,878	9.11	≥ 1	Satisfactory to requirement
17	<u>Current Assets</u> <u>Current Liabilities</u>	<u>24,406,882</u> 22,699,891	1.08	<u>18,986,411</u> 16,992,310	1.12	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>3,167,389</u> 1,115,000	284.07%	<u>2,951,929</u> 1,115,000	264.75%	≥ 60% ≥ 40%	"
22	<u>Post-adjustment net capital</u> Total customer margin deposits required for open positions of customers	<u>1,873,933</u> 3,607,236	51.95%	<u>2,064,456</u> 2,337,827	88.31%	≥ 20% ≥ 15%	"

**14. Unique risks to specific futures commission merchant services**

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

**15. Others : None**

**16. Disclosures Required**

(1) Information on significant transactions

- (a) Loans to others : Exhibit 1
- (b) Endorsement and guarantees for others : None
- (c) Acquisition of real estate amounting to over NT\$300,000 thousands or 20% of paid-in capital : None
- (d) Disposal of real estate amounting to over NT\$300,000 thousands or 20% of paid-in capital : None
- (e) Discount of commissions of handling fees with related parties amounting to over NT\$5,000 thousands : None

# CAPITAL FUTURES CORPORATION

## Notes To Financial Report (Cont'd)

- (f) Receivables from related parties amounting to over NT\$100,000 thousands or 20% of paid-in capital : None
- (g) Details of material transactions between parent and subsidiaries: Please refer to the consolidated financial report

### (2) Information on reinvestment business (exclude investment in Mainland China)

Names of investor company	Names of investee company	Area	Date of establishment	Approval date and number of FSC	Main business scope	Amount of Original Investment		Ownership as of December 31, 2016			Operating income of investee company	Current income or loss of investee company	Recognized gain (loss) on investment	Cash dividend	Note
						Current Period	Last Period	Number of shares	Ratio	Book value					
Capital Futures Corporation	CSC Futures (HK) Ltd.	Hong Kong	1998.12.9	Gin Guan Zheng Zhi No. 1010027412 letter	Futures brokerage	862,631	450,631	214,000	97.27%	928,880	643,870	77,457	73,626	-	Sunsiadiary
Capital Futures Corporation	Capital International Information Technology Co., Ltd.	Taiwan	2014.12.29	Gin Guan Zheng Zhi No. 1030038387 letter	Consultancy, Information software service	50,000	50,000	5,000	100.00%	45,739	2,030	(5,326)	(5,122)	-	Sunsiadiary
Capital Futures Corporation	True Partner Capital advisor Co., Ltd.	Hong Kong	2010.5.31	Gin Guan Zheng Zhi No. 1040027513 letter	Assets Manangement	36,701	36,701	245	49.00%	41,516	66,027	10,276	5,035	-	Assosiate

### (3) Information on branch units or representative offices overseas: None

### (4) Information on investments in China:

#### (a) Investment in Mainland China and related information :

Name of the investee in Mainland China	Major oerations	Issued capital	Method of investme nt (Note 1)	Accumulated remittance as of January 1, 2016	Remittance or recoverable investment this period		Accumulated remittance as of December 31, 2016	Net gains or losses of investee	Direct or indirect shareholdings (%) by the company	Investment gains and losses recognized during this period (Note 2)	Ending balance of investment	Investment income remitted back as of December 31, 2016
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management , consulting and information service business	5,013	C	24,372	-	-	24,372	(8,321)	51.00%	(4,040) B (2)	21,396	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management , consulting and information service business	- Note 3	C	-	- Note 3	-	- Note 3	-	100.00%	-	-	-

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: Capital Futures Technology (Shanghai) Co., Ltd. established in .October,2016 but the paid-in capitals CNY\$4,000 thousands was completed until January 10, 2017.

**CAPITAL FUTURES CORPORATION**  
**Notes To Financial Report (Cont'd)**

(b) Limitation of investment in China:

Unit: NT\$ thousands

<b>Name of the Company</b>	<b>Accumulative remittance from Taiwan to Mainland China</b>	<b>Amount of investment approved by Investment Commission, Ministry of Economic Affairs (MOEA)</b>	<b>Limit on the amount of investment in Mainland China by MOEA</b>
Capital International Technology Co., Ltd.	24,372	24,372	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 thousands.

**17. Segment information**

Please refer to the consolidated financial report for the year ended December 31, 2016.

**CAPITAL FUTURES CORPORATION**  
**NOTES TO SEPARATE FINANCIAL REPORT (CONT'D)**  
(Amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

Exhibit 1: Loans to others

No.	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related Party	Maximum Balance of the Period	Ending Balance	Capital Employed	Range of interest Rate	Type of Loans	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on loans to a single business	Limit on the Amount of Loans
													Name	Value		
1	CSC Futures (HK) Ltd.	AP Capital Investment Limited	Account receivables - Customer	No	44,815	44,815	-	5%	2	-	Tradings	-		-	44,815	381,980
1	CSC Futures (HK) Ltd.	Klaw Trading Limited	Account receivables - Customer	No	44,815	44,815	3,201	5%	2	-	Tradings	-		-	44,815	381,980
1	CSC Futures (HK) Ltd.	Three Arrows Capital, Ltd.	Account receivables - Customer	No	44,815	44,815	13,294	5%	2	-	Tradings	-		-	44,815	381,980
1	CSC Futures (HK) Ltd.	Future Leading Investment Pte. Ltd.	Account receivables - Customer	No	44,815	44,815	-	3.5%	2	-	Tradings	-		-	44,815	381,980

Remark The credit line is USD \$1,400,000. Total credit line is 40% of CSC Futures (HK) Ltd. Net income on Financial report.

Note1: 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.

Note2: Type of Loans

1. Business transactions
2. Necessaries of short-term financing□