

**CAPITAL FUTURES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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

Table of contents

| Contents | Page |
|---|-------|
| 1. Cover Page | 1 |
| 2. Table of Contents | 2 |
| 3. Independent Auditors' Review Report | 3 |
| 4. Consolidated Balance Sheets | 4 |
| 5. Consolidated Statement of Comprehensive Income | 5 |
| 6. Consolidated Statement of Changes in Equity | 6 |
| 7. Consolidated Statement of Cash Flows | 7 |
| 8. Notes to the Consolidated Financial Statements | |
| (1) Company history | 8 |
| (2) Approval date and procedures of the consolidated financial statements | 8 |
| (3) New standards, amendments and interpretations adopted | 8~9 |
| (4) Summary of significant accounting policies | 10~12 |
| (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty | 12 |
| (6) Explanation of significant accounts | 12~45 |
| (7) Related-party transactions | 45~50 |
| (8) Pledged assets | 50 |
| (9) Significant commitments and contingencies | 50 |
| (10) Losses due to major disasters | 50 |
| (11) Significant subsequent events | 50 |
| (12) Derivative instrument transactions | 51~53 |
| (13) Restrictions and enforcement of the Company's various financial ratios under Futures Trading Act | 54 |
| (14) Specific inherent risks in operating as futures dealer | 54 |
| (15) Other | 54 |
| (16) Other disclosures | |
| (a) Information on significant transactions | 55~56 |
| (b) Information on investees | 56 |
| (c) Information on overseas branches and representative offices | 57 |
| (d) Information on investment in Mainland China | 57 |
| (e) Major shareholders | 57 |
| (17) Segment information | 58 |
| 9. Disclosures of Securities Dealing Department | 59~71 |



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Independent Auditors' Review Report

To the Board of Directors of
Capital Futures Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Capital Futures Corporation and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$39,619 thousands and \$43,943 thousands, constituting 0.08% and 0.09% of consolidated total assets as of March 31, 2022 and 2021, respectively, total liabilities amounting to \$4,688 thousands and \$2,531 thousands, constituting 0.01% and 0.01% of consolidated total liabilities as of March 31, 2022 and 2021, respectively, and total comprehensive income(loss) amounting to \$(1,363) thousands and \$(2,113) thousands, constituting (0.75)% and (1.17)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2022 and 2021, respectively.



Furthermore, as stated in note 6(d), the other equity accounted investments of Capital Futures Corporation and its subsidiaries in its investee companies of \$0 thousands and \$49,762 thousands as of March 31, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$0 thousands and \$501 thousands for the three months ended March 31, 2022 and 2021, respectively, and its equity in other comprehensive income (loss) on these investee companies of \$0 thousands and \$(16) thousands for the three months ended March 31, 2022 and 2021, respectively, and its subsidiaries, respectively were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Capital Futures Corporation and its subsidiaries as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 9, 2022

Notes to Readers

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

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

**(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards**

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

| | | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | | | | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | |
|----------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|---|---|----------------------|------------|-------------------|------------|-------------------|------------|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | | | | | |
| 111100 | Cash and cash equivalents (Note 6(a)) | \$ 5,398,170 | 10 | 5,248,044 | 12 | 5,328,138 | 12 | 211100 | Short-term borrowings (Note 6(j)) | \$ 141,907 | - | 109,784 | - | - | - |
| 112000 | Financial assets at fair value through profit or loss- current (Note 6(b)) | 433,586 | 1 | 357,902 | 1 | 528,883 | 1 | 212000 | Financial liabilities at fair value through profit or loss- current (Note 6(b)) | 87,328 | - | 67,806 | - | 88,680 | - |
| 113200 | Financial assets at fair value through other comprehensive income- current (Note 6(b)) | 46,595 | - | 28,268 | - | 206,465 | - | 214080 | Futures traders' equity (Note 6(g)) | 44,100,210 | 86 | 39,205,280 | 84 | 38,816,621 | 84 |
| 114010 | Bonds purchased under resale agreements (Note 6(b)) | 113,018 | - | 84,013 | - | 57,552 | - | 214100 | Leverage contract trading - customers' equity | 698,525 | 2 | 630,830 | 2 | 430,832 | 1 |
| 114070 | Customers margin accounts (Note 6(g)) | 44,133,631 | 85 | 39,255,077 | 84 | 38,897,714 | 84 | 214130 | Accounts payable | 100,968 | - | 45,693 | - | 104,915 | - |
| 114080 | Receivable - futures margin (Note 6(h)) | 27 | - | - | - | 137 | - | 214140 | Accounts payable- related parties (Note 7) | 19,006 | - | 11,448 | - | 19,566 | - |
| 114100 | Security borrowing margin | - | - | - | - | 46,494 | - | 214150 | Advance receipts | 3,037 | - | 3,252 | - | 4,246 | - |
| 114130 | Accounts receivable | 29,731 | - | 18,034 | - | 56,777 | - | 214160 | Receipts under custody | 5,550 | - | 4,920 | - | 5,437 | - |
| 114140 | Accounts receivable- related parties (Note 7) | 1,998 | - | 3,011 | - | 1,727 | - | 214170 | Other payables | 134,792 | - | 136,080 | - | 100,330 | - |
| 114150 | Prepayments | 7,653 | - | 7,803 | - | 11,169 | - | 214180 | Other payables- related parties (Note 7) | 972 | - | 1,293 | - | 5,402 | - |
| 114170 | Other receivables | 423,844 | 1 | 409,498 | 1 | 184,750 | 1 | 214600 | Current income tax liabilities | 58,569 | - | 38,213 | - | 97,124 | - |
| 114180 | Other receivables- related parties (Note 7) | 5,682 | - | 4,181 | - | 3,822 | - | 215100 | Provisions- current | 5,884 | - | 5,618 | - | 5,885 | - |
| 114300 | Leverage contract trading-customers' margin accounts | 777,255 | 2 | 624,232 | 1 | 429,988 | 1 | 216000 | Lease liabilities- current (Note 6(k)) | 27,979 | - | 24,112 | - | 24,041 | - |
| 114600 | Current income tax assets | 238 | - | 230 | - | 237 | - | 219000 | Other current liabilities | 20,788 | - | 9,768 | - | 12,771 | - |
| 114710 | Non-current assets classified as held for sale (Note 6(c)) | - | - | 50,112 | - | - | - | | | 45,405,515 | 88 | 40,294,097 | 86 | 39,715,850 | 85 |
| 119000 | Other current assets | 2 | - | 2 | - | 2 | - | Non-current liabilities: | | | | | | | |
| | | 51,371,430 | 99 | 46,090,407 | 99 | 45,753,855 | 99 | 226000 | Lease liabilities- non-current (Note 6(k)) | 29,075 | - | 23,017 | - | 25,630 | - |
| Non-current assets: | | | | | | | | | | | | | | | |
| 123200 | Financial assets at fair value through other comprehensive income- non- current (Note 6(b)) | 1,529 | - | 1,581 | - | 1,526 | - | 228000 | Deferred income tax liabilities | 26,605 | - | 16,324 | - | 14,874 | - |
| 124100 | Investments under equity method (Note 6(d)) | - | - | - | - | 49,762 | - | 229000 | Other non-current liabilities | - | - | - | - | 7,750 | - |
| 125000 | Property and equipment (Note 6(e)) | 41,115 | - | 47,372 | - | 54,883 | - | | | 55,680 | - | 39,341 | - | 48,254 | - |
| 125800 | Right-of-use assets (Note 6(f)) | 56,922 | - | 47,037 | - | 49,720 | - | 906003 | Total liabilities | 45,461,195 | 88 | 40,333,438 | 86 | 39,764,104 | 85 |
| 127000 | Intangible assets (Note 6(i)) | 67,322 | - | 70,581 | - | 76,410 | - | Equity attributable to owners of parent: | | | | | | | |
| 128000 | Deferred income tax assets | - | - | - | - | 417 | - | 301010 | Common stock (Note 6(n)) | 2,104,376 | 4 | 2,104,376 | 5 | 2,104,376 | 5 |
| 129000 | Other non-current assets | 356,212 | 1 | 350,558 | 1 | 344,712 | 1 | 302000 | Capital surplus (Note 6(n)) | 1,663,251 | 3 | 1,663,621 | 4 | 1,874,058 | 4 |
| | | 523,100 | 1 | 517,129 | 1 | 577,430 | 1 | 304010 | Legal reserve | 626,803 | 1 | 626,803 | 1 | 564,658 | 1 |
| 906001 | Total assets | \$ 51,894,530 | 100 | 46,607,536 | 100 | 46,331,285 | 100 | 304020 | Special reserve | 1,446,574 | 3 | 1,446,574 | 3 | 1,280,666 | 3 |
| | | | | | | | | 304040 | Unappropriated earnings (Note 6(n)) | 677,680 | 1 | 522,796 | 1 | 782,583 | 2 |
| | | | | | | | | 305000 | Other equity | (87,876) | - | (115,806) | - | (66,043) | - |
| | | | | | | | | | | 6,430,808 | 12 | 6,248,364 | 14 | 6,540,298 | 15 |
| | | | | | | | | 306000 | Non-controlling interests | 2,527 | - | 25,734 | - | 26,883 | - |
| | | | | | | | | 906004 | Total equity | 6,433,335 | 12 | 6,274,098 | 14 | 6,567,181 | 15 |
| | | | | | | | | 906002 | Total liabilities and equity | \$ 51,894,530 | 100 | 46,607,536 | 100 | 46,331,285 | 100 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

| | | For the three months ended March 31, | | | |
|--|--|---|------------|----------------|------------|
| | | 2022 | | 2021 | |
| | | Amount | % | Amount | % |
| Income: | | | | | |
| 401000 | Brokerage fee revenue (Note 6(p)) | \$ 494,759 | 73 | 469,589 | 73 |
| 410000 | Net gains (losses) on sale of trading securities | (3,899) | (1) | 14,787 | 2 |
| 421300 | Dividend revenue | 324 | - | 1,199 | - |
| 421500 | Net gains (losses) on measurement of trading securities at fair value through profit or loss | (78) | - | 1,059 | - |
| 421610 | Net gains (losses) on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss | - | - | 210 | - |
| 424100 | Futures commission revenue (Note 6(p)) | 74,271 | 11 | 97,232 | 15 |
| 424200 | Securities commission revenue | 6,621 | 1 | 4,591 | 1 |
| 424400 | Net gains (losses) on derivative instruments- futures (Note 6(p)) | 54,421 | 8 | 19,412 | 3 |
| 424500 | Net gains (losses) on derivative instruments - OTC (Note 6(p)) | 42,834 | 6 | 20,502 | 3 |
| 424800 | Management fee revenue | 151 | - | 940 | - |
| 424900 | Consulting fee revenue | 4,040 | 1 | 5,585 | 1 |
| 428000 | Other operating revenue | 6,556 | 1 | 8,809 | 2 |
| | | <u>680,000</u> | <u>100</u> | <u>643,915</u> | <u>100</u> |
| Expenses: | | | | | |
| 501000 | Brokerage fees | 76,861 | 11 | 97,383 | 15 |
| 502000 | Brokerage fees - proprietary trading | 2,016 | - | 137 | - |
| 521200 | Financial costs | 1,756 | - | 1,097 | - |
| 425300 | Expected credit impairment losses and reversal gains (Note 6(q)) | (55) | - | (64) | - |
| 524100 | Futures commission expenses (Note 6(p)) | 145,106 | 21 | 132,805 | 21 |
| 524300 | Clearing and settlement expenses | 49,188 | 7 | 45,902 | 7 |
| 528000 | Other operating expenditure | 1,998 | - | 1,371 | - |
| 531000 | Employee benefit expenses (Note 6(p)) | 142,075 | 21 | 119,340 | 19 |
| 532000 | Depreciation and amortization expenses (Note 6(p)) | 16,342 | 3 | 19,652 | 3 |
| 533000 | Other operating expenses (Note 6(p)) | 117,727 | 18 | 99,116 | 15 |
| | | <u>553,014</u> | <u>81</u> | <u>516,739</u> | <u>80</u> |
| | | <u>126,986</u> | <u>19</u> | <u>127,176</u> | <u>20</u> |
| Net operating income | | | | | |
| Non-operating income and expenses: | | | | | |
| 601000 | Shares of profit of associates and joint ventures under equity method (Note 6(d)) | - | - | 501 | - |
| 602000 | Other gains and losses (Note 6(p)) | 59,889 | 9 | 69,648 | 11 |
| | | <u>59,889</u> | <u>9</u> | <u>70,149</u> | <u>11</u> |
| 902001 | Net income before income tax | 186,875 | 28 | 197,325 | 31 |
| 701000 | Less: Income tax expenses (Note 6(m)) | 32,148 | 5 | 38,123 | 6 |
| | Net income | <u>154,727</u> | <u>23</u> | <u>159,202</u> | <u>25</u> |
| Other comprehensive income: | | | | | |
| 805500 | Components that may not be reclassified subsequently to profit or loss: | | | | |
| 805540 | Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income | (463) | - | 21,757 | 3 |
| 805599 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | Subtotal of components that may not be reclassified subsequently into profit or loss | <u>(463)</u> | <u>-</u> | <u>21,757</u> | <u>3</u> |
| 805600 | Components that may be reclassified subsequently to profit or loss: | | | | |
| 805610 | Exchange differences on translation of foreign operations | 26,497 | 4 | (803) | - |
| 805699 | Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(m)) | - | - | (4) | - |
| | Subtotal of components that may be reclassified subsequently to profit or loss | <u>26,497</u> | <u>4</u> | <u>(799)</u> | <u>-</u> |
| 805000 | Other comprehensive income | 26,034 | 4 | 20,958 | 3 |
| 902006 | Total comprehensive income | <u>\$ 180,761</u> | <u>27</u> | <u>180,160</u> | <u>28</u> |
| Net income attributable to: | | | | | |
| 913100 | Shareholders of the parent | \$ 154,884 | 23 | 159,578 | 25 |
| 913200 | Non-controlling interests | (157) | - | (376) | - |
| | | <u>\$ 154,727</u> | <u>23</u> | <u>159,202</u> | <u>25</u> |
| Comprehensive income attributable to: | | | | | |
| 914100 | Shareholders of the parent | \$ 180,685 | 27 | 180,572 | 28 |
| 914200 | Non-controlling interests | 76 | - | (412) | - |
| | | <u>\$ 180,761</u> | <u>27</u> | <u>180,160</u> | <u>28</u> |
| 975000 | Basic earnings per share (Dollar) (Note 6(o)) | <u>\$ 0.74</u> | | <u>0.76</u> | |
| 985000 | Diluted earnings per share (Dollar) (Note 6(o)) | <u>\$ 0.74</u> | | <u>0.76</u> | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the three months ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

| | Stock | | Retained earnings | | | Other equity | | | | | Non-controlling interests | Total equity |
|---|---------------------|------------------|-------------------|------------------|-------------------------|---|---|--|---|---------------|---------------------------|--------------|
| | Common stocks | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translation of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Equity related to non-current assets classified as held for sale | Total equity attributable to owners of parent | | | |
| Balance at January 1, 2021 | \$ 2,104,376 | 1,873,996 | 564,658 | 1,280,666 | 623,005 | (89,953) | 2,916 | - | 6,359,664 | 27,295 | 6,386,959 | |
| Net income for the three months ended March 31, 2021 | - | - | - | - | 159,578 | - | - | - | 159,578 | (376) | 159,202 | |
| Other comprehensive income | - | - | - | - | - | (763) | 21,757 | - | 20,994 | (36) | 20,958 | |
| Total comprehensive income | - | - | - | - | 159,578 | (763) | 21,757 | - | 180,572 | (412) | 180,160 | |
| Right of inclusion options exercised | - | 62 | - | - | - | - | - | - | 62 | - | 62 | |
| Balance at March 31, 2021 | \$ 2,104,376 | 1,874,058 | 564,658 | 1,280,666 | 782,583 | (90,716) | 24,673 | - | 6,540,298 | 26,883 | 6,567,181 | |
| Balance at January 1, 2022 | \$ 2,104,376 | 1,663,621 | 626,803 | 1,446,574 | 522,796 | (117,825) | 4,148 | (2,129) | 6,248,364 | 25,734 | 6,274,098 | |
| Net income for the three months ended March 31, 2022 | - | - | - | - | 154,884 | - | - | - | 154,884 | (157) | 154,727 | |
| Other comprehensive income | - | - | - | - | - | 26,264 | (463) | - | 25,801 | 233 | 26,034 | |
| Total comprehensive income | - | - | - | - | 154,884 | 26,264 | (463) | - | 180,685 | 76 | 180,761 | |
| Disposal of subsidiaries or investments accounted for using equity method | - | - | - | - | - | - | - | 2,129 | 2,129 | - | 2,129 | |
| Difference between consideration and carrying amount of subsidiaries acquired | - | (370) | - | - | - | - | - | - | (370) | - | (370) | |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | (23,283) | (23,283) | |
| Balance at March 31, 2022 | \$ 2,104,376 | 1,663,251 | 626,803 | 1,446,574 | 677,680 | (91,561) | 3,685 | - | 6,430,808 | 2,527 | 6,433,335 | |

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | For the three months ended March 31, | |
|--|---|------------------|
| | 2022 | 2021 |
| Cash flows from (used in) operating activities: | | |
| Net income before income tax | \$ 186,875 | 197,325 |
| Adjustments: | | |
| Adjustments to reconcile: | | |
| Depreciation expenses | 14,250 | 17,190 |
| Amortization expenses | 2,092 | 2,462 |
| Expected credit impairment losses and reversal gains | (55) | (64) |
| Net gain on financial assets or liabilities at fair value through profit or loss | (3,145) | (3,005) |
| Interest expenses | 1,756 | 1,097 |
| Interest income (including financial income) | (41,107) | (51,693) |
| Dividend revenue | (324) | (1,199) |
| Shares of profit of associates and joint ventures under equity method | - | (501) |
| Losses on disposal of property and equipment | 10 | - |
| Impairment losses | 1,250 | 1,206 |
| Losses on disposal of reinvestment | 1,210 | - |
| Total adjustments to reconcile | (24,063) | (34,507) |
| Changes in operating assets and liabilities: | | |
| Increase in financial assets at fair value through profit or loss | (72,539) | (75,453) |
| Decrease (increase) in bond purchased under resale agreements | (29,005) | 186,978 |
| Decrease (increase) in customer margin accounts | (4,878,554) | 276,486 |
| Decrease (increase) in receivable-futures margin | 28 | (73) |
| Increase in leverage contract trading - customer's margin accounts | (153,023) | (77,026) |
| Increase in security borrowing margin | - | (46,494) |
| Decrease (increase) in accounts receivable | (11,697) | 74,998 |
| Decrease in accounts receivable - related parties | 1,013 | 1,008 |
| Decrease (increase) in prepayments | 150 | (3,890) |
| Increase in other receivables | (13,877) | (110,104) |
| Decrease (increase) in other receivables- related parties | (1,496) | 16 |
| Increase in net defined benefit assets | (643) | - |
| Decrease in other current assets | - | 3 |
| Increase in clearing and settlement fund | (4,794) | (6,328) |
| Increase in refundable deposits | (217) | (1,508) |
| Increase in financial liabilities at fair value through profit or loss | 19,522 | 27,541 |
| Increase (decrease) in futures traders' equity | 4,894,930 | (324,368) |
| Increase in leverage contract trading - customer's equity | 67,695 | 78,776 |
| Increase (decrease) in accounts payable | 55,275 | (32,066) |
| Increase in accounts payable - related parties | 7,558 | 4,887 |
| Increase (decrease) in advance receipts | (215) | 473 |
| Increase in receipts under custody | 630 | 359 |
| Decrease in other payables | (1,657) | (43,159) |
| Increase (decrease) in other payables - related parties | (324) | 520 |
| Increase in provisions for liabilities | 266 | 308 |
| Increase (decrease) in other current liabilities | 11,020 | (2,477) |
| Increase in other non-current liabilities | - | 263 |
| Total changes in operating assets and liabilities | (109,954) | (70,330) |
| Total adjustments | (134,017) | (104,837) |
| Cash inflow generated from operations | 52,858 | 92,488 |
| Interest received | 40,568 | 53,931 |
| Dividends received | 389 | 1,074 |
| Interest paid | (1,490) | (756) |
| Income taxes paid | (1,511) | (3,134) |
| Net cash flows from operating activities | 90,814 | 143,603 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (18,738) | (65,681) |
| Acquisition of property and equipment | (592) | - |
| Acquisition of intangible assets | - | (541) |
| Proceeds from disposal of non-current assets held-for-sale | 51,031 | - |
| Net cash flows from (used in) investing activities | 31,701 | (66,222) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 32,123 | - |
| Acquisition of ownership interests in subsidiaries | (23,653) | - |
| Payments of lease liabilities | (6,938) | (8,530) |
| Proceeds from right of inclusion options exercised | - | 62 |
| Net cash flows from (used in) financing activities | 1,532 | (8,468) |
| Effect of exchange rate changes on cash and cash equivalents | 26,079 | (768) |
| Net increase in cash and cash equivalents | 150,126 | 68,145 |
| Cash and cash equivalents at beginning of period | 5,248,044 | 5,259,993 |
| Cash and cash equivalents at end of period | \$ 5,398,170 | 5,328,138 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

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

(1) Company history

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

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on May 9, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, the Regulations Governing the Preparation of Financial Reports by Securities Firms and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements.

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 4 (c) of the consolidated financial statements for the year ended December 31, 2021.

Subsidiaries included in the consolidated financial report are as follows:

| Name of the investor | Subsidiaries | Business type | Ratio of Equity Ownership | | | Note |
|--|---|---|---------------------------|-------------------|----------------|----------|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| The Company | CSC Futures (HK) Ltd. | Futures dealing business and other businesses permitted by local law of Hong Kong | 100.00 % | 97.27 % | 97.27 % | (Note 1) |
| The Company | Capital International Technology Corp. | Management consulting and information service business. | 100.00 % | 100.00 % | 100.00 % | (Note 2) |
| Capital International Technology Corp. | Capital True Partner Technology Co., Ltd. | Management consulting and information service business. | 51.00 % | 51.00 % | 51.00 % | (Note 2) |
| Capital International Technology Corp. | Capital Futures Technology (Shanghai) Co., Ltd. | Management, consulting and information service business. | 100.00 % | 100.00 % | 100.00 % | (Note 2) |

Note 1: The Company acquired 100% of the equity on February 15, 2022.

Note 2: These companies are individually immaterial subsidiaries, and financial statements have not been reviewed by the independent auditors. These subsidiaries, in aggregate, represented total consolidated assets of \$39,619 and \$43,943 and total consolidated liabilities of \$4,688 and \$2,531 as of March 31, 2022 and 2021, respectively, and total consolidated comprehensive income (loss) of \$(1,363) and \$(2,113) for the three months ended March 31, 2022 and 2021, respectively.

(d) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(e) Income tax

The Group estimated and disclosed interim income tax under IAS 34 “Interim Financial Reporting” Appendix B12.

Income tax expense is best estimated by multiplying pretax income for the interim reporting period using the effective annual tax rate as forecasted by the management, and is recognized as current tax expense.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the related rules of Preparing Financial Reports of Managed Futures Enterprises, the Regulations Governing the Preparation of Financial Reports by Securities Firms and IAS 34 “Interim Financial Reporting” 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.

In these consolidated financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those of Note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-------------------------------|-----------------------|------------------------------|-----------------------|
| Cash | \$ 118 | 139 | 117 |
| Demand deposits | 643,098 | 755,294 | 357,951 |
| Time deposits | 3,764,814 | 3,738,248 | 4,217,490 |
| Futures margin- excess margin | 990,140 | 744,369 | 687,711 |
| Commercial paper | - | 9,994 | 64,869 |
| Total | <u>\$ 5,398,170</u> | <u>5,248,044</u> | <u>5,328,138</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|-----------------------|------------------------------|-----------------------|
| Open-ended funds and money-market instruments | \$ 40,000 | 20,000 | 40,000 |
| Open-ended funds and money-market instruments valuation adjustment | 1,799 | 566 | (982) |
| Trading securities- proprietary trading | 105,655 | 112,398 | 257,190 |
| Trading securities- proprietary trading valuation adjustment | (605) | (522) | 12,009 |
| Securities invested by securities broker | - | 15,000 | 69,329 |
| Securities invested by securities broker valuation adjustment | - | (1,990) | 6,546 |
| Call options- non-hedging | 108,151 | 59,268 | 19,465 |
| Futures margin- proprietary fund- non-hedging | 36,544 | 68,855 | 65,307 |
| Leverage derivatives- non-hedging | 140,557 | 81,844 | 60,019 |
| Equity derivatives- non-hedging | <u>1,485</u> | <u>2,483</u> | <u>-</u> |
| Total | <u>\$ 433,586</u> | <u>357,902</u> | <u>528,883</u> |

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remained constantly), the impact on after-tax comprehensive income for the three months ended March 31, 2022 and 2021, will increase \$1,468 and \$3,841, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remained constantly, there will be the same amount but opposite direction of influence.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-----------------------|------------------------------|-----------------------|
| Equity investments at fair value through other comprehensive income | | | |
| Listed stocks | \$ 44,320 | 25,582 | 162,627 |
| OTC stocks | - | - | 20,572 |
| | <u>44,320</u> | <u>25,582</u> | <u>183,199</u> |
| Valuation adjustment | 2,275 | 2,686 | 23,266 |
| Total | <u>\$ 46,595</u> | <u>28,268</u> | <u>206,465</u> |

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

During the three months ended March 31, 2022 and 2021, the dividends of \$124 and \$200, related to equity investment at fair value through other comprehensive income held on the years then ended, respectively, were recognized.

No strategic investments were disposed of during the three months ended March 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(iii) Bonds purchased under resale agreements

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|------------------------------|------------------------------|------------------------------|
| Bonds purchased under resale agreements | \$ <u>113,018</u> | <u>84,013</u> | <u>57,552</u> |
| Resale price under the agreements | \$ <u>113,038</u> | <u>84,021</u> | <u>57,563</u> |
| Interest rates | <u>0.23%~0.38%</u> | <u>0.20%~0.21%</u> | <u>0.18%~0.19%</u> |
| Date of repurchase | <u>2022.04.06~2022.04.22</u> | <u>2022.01.03~2022.01.14</u> | <u>2021.04.21~2021.04.29</u> |

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

Equity instruments at fair value through other comprehensive income:

| Investee Company | <u>March 31, 2022</u> | | <u>December 31, 2021</u> | | <u>March 31, 2021</u> | |
|----------------------------------|-----------------------|-----------------|--------------------------|--------------|-----------------------|--------------|
| | Ownership ratio | Amount | Ownership ratio | Amount | Ownership ratio | Amount |
| Taiwan Futures Exchange Co., Ltd | 0.0042 % | \$ <u>1,529</u> | 0.0042 % | <u>1,581</u> | 0.0042 % | <u>1,526</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

During the three months ended March 31, 2022 and 2021, the dividends of \$0 and \$0, related to equity investments at fair value through other comprehensive income held on the year ended, were recognized. No strategic investments were disposed of during the three months ended March 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-----------------------|------------------------------|-----------------------|
| Put options - non-hedging | \$ 78,313 | 51,130 | 53,801 |
| Liabilities on sale of borrowed securities - non-hedging | - | - | 34,290 |
| Liabilities on sale of borrowed securities valuation adjustment - non-hedging | - | - | (210) |
| Leverage derivatives- non-hedging | 8,693 | 16,671 | 799 |
| Equity derivatives- non-hedging | <u>322</u> | <u>5</u> | <u>-</u> |
| | <u>\$ 87,328</u> | <u>67,806</u> | <u>88,680</u> |

(c) Non-current assets held for sale

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

(d) Investments under equity method

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-----------|-----------------------|------------------------------|-----------------------|
| Associate | <u>\$ -</u> | <u>-</u> | <u>49,762</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Associate

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

| Name of associate | Relationship with the Company | Principal place of business /Register country of company | Ownership equity and % of right to vote | | |
|-------------------------------------|--|--|---|-------------------|----------------|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| True Partner Advisor Hong Kong Ltd. | Its main business is assets management, and it's the Company's strategic alliances to expand assets managing business. | Hong Kong | - % | 49.00 % | 49.00 % |

On November 11, 2021, the Board of Directors of the Group approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group. All shares would be transferred on February 15, 2022. Thus the investments accounted for using equity method were reclassified as assets to held-for-sale, please refer to note 6(c).

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|-----------------------|---|-----------------------|
| Carrying amount of interest in associate | \$ - | - | 49,762 |
| | | <u>For the three months ended March 31,</u> | |
| | | <u>2022</u> | <u>2021</u> |
| Group's share of total comprehensive income in the investee's: | | | |
| Profit from continuing operations | | - | 501 |
| Other comprehensive losses | | - | (16) |
| Total comprehensive income | | \$ - | 485 |

(ii) Collateral and pledge

As of March 31, 2022, December 31 and March 31, 2021, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Property and equipment

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

| | <u>Office equipment</u> | <u>Leasehold improvements</u> | <u>Total</u> |
|----------------------------------|-----------------------------|-----------------------------------|----------------|
| Cost: | | | |
| Balance at January 1, 2022 | \$ 116,554 | 16,704 | 133,258 |
| Additions | 437 | 155 | 592 |
| Disposal | (21) | - | (21) |
| Effect of exchange rate changes | 1,321 | 100 | 1,421 |
| Balance at March 31, 2022 | <u>\$ 118,291</u> | <u>16,959</u> | <u>135,250</u> |
| Balance at January 1, 2021 | \$ 146,301 | 25,244 | 171,545 |
| Disposal | (58) | - | (58) |
| Effect of exchange rate changes | (79) | (3) | (82) |
| Balance at March 31, 2021 | <u>\$ 146,164</u> | <u>25,241</u> | <u>171,405</u> |
| Accumulated depreciation: | | | |
| Balance at January 1, 2022 | \$ 76,661 | 9,225 | 85,886 |
| Depreciation | 6,189 | 972 | 7,161 |
| Disposal | (11) | - | (11) |
| Effect of exchange rate changes | 1,080 | 19 | 1,099 |
| Balance at March 31, 2022 | <u>\$ 83,919</u> | <u>10,216</u> | <u>94,135</u> |
| Balance at January 1, 2021 | \$ 90,631 | 17,642 | 108,273 |
| Depreciation | 7,200 | 1,188 | 8,388 |
| Disposal | (58) | - | (58) |
| Effect of exchange rate changes | (78) | (3) | (81) |
| Balance at March 31, 2021 | <u>\$ 97,695</u> | <u>18,827</u> | <u>116,522</u> |
| Carrying amounts: | | | |
| Balance at January 1, 2022 | <u>\$ 39,893</u> | <u>7,479</u> | <u>47,372</u> |
| Balance at March 31, 2022 | <u>\$ 34,372</u> | <u>6,743</u> | <u>41,115</u> |
| Balance at March 31, 2021 | <u>\$ 48,469</u> | <u>6,414</u> | <u>54,883</u> |

As of March 31, 2022, December 31 and March 31, 2021, the Group did not provide any property and equipment as collateral and pledge.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Right-of-use assets

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

| | <u>Buildings</u> | <u>Equipment</u> | <u>Total</u> |
|----------------------------------|------------------|------------------|----------------|
| Cost: | | | |
| Balance at January 1, 2022 | \$ 80,426 | 7,383 | 87,809 |
| Additions | 13,987 | 2,512 | 16,499 |
| Derecognition | (3,149) | - | (3,149) |
| Effect of exchange rate changes | 694 | - | 694 |
| Balance at March 31, 2022 | <u>\$ 91,958</u> | <u>9,895</u> | <u>101,853</u> |
| Balance at January 1, 2021 | \$ 94,062 | 11,591 | 105,653 |
| Effect of exchange rate changes | (41) | - | (41) |
| Balance at March 31, 2021 | <u>\$ 94,021</u> | <u>11,591</u> | <u>105,612</u> |
| Accumulated depreciation: | | | |
| Balance at January 1, 2022 | \$ 37,421 | 3,351 | 40,772 |
| Depreciation | 6,479 | 610 | 7,089 |
| Derecognition | (3,149) | - | (3,149) |
| Effect of exchange rate changes | 219 | - | 219 |
| Balance at March 31, 2022 | <u>\$ 40,970</u> | <u>3,961</u> | <u>44,931</u> |
| Balance at January 1, 2021 | \$ 41,062 | 6,087 | 47,149 |
| Depreciation | 8,082 | 720 | 8,802 |
| Effect of change rate changes | (59) | - | (59) |
| Balance at March 31, 2021 | <u>\$ 49,085</u> | <u>6,807</u> | <u>55,892</u> |
| Carrying amounts: | | | |
| Balance at January 1, 2022 | <u>\$ 43,005</u> | <u>4,032</u> | <u>47,037</u> |
| Balance at March 31, 2022 | <u>\$ 50,988</u> | <u>5,934</u> | <u>56,922</u> |
| Balance at March 31, 2021 | <u>\$ 44,936</u> | <u>4,784</u> | <u>49,720</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Customers margin accounts/futures traders' equity

As of March 31, 2022, December 31 and March 31, 2021, the differences between customers' margin accounts and futures traders' equity were reconciled as follows:

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|-----------------------|------------------------------|-----------------------|
| Customers margin accounts | | | |
| Cash in bank | \$ 32,724,780 | 27,671,541 | 29,057,385 |
| Balance of the futures clearing house | 7,266,417 | 7,926,606 | 6,064,525 |
| Balance of other futures commission merchants | 4,139,028 | 3,652,626 | 3,774,442 |
| Marketable securities | <u>3,406</u> | <u>4,304</u> | <u>1,362</u> |
| Balance of customers margin accounts | <u>44,133,631</u> | <u>39,255,077</u> | <u>38,897,714</u> |
| Plus adjustment items: | | | |
| Commission cost | 3,300 | 3,439 | 1,730 |
| Others | 30,171 | 364 | 6 |
| Deduction adjustment items: | | | |
| Brokerage fee revenue | (13,912) | (12,674) | (12,188) |
| Futures transaction tax | (2,426) | (1,652) | (2,523) |
| Interest income | (451) | (523) | (762) |
| Temporary credits | (572) | (3,122) | (27,122) |
| Remittance amount of the customers after the market closed | (18,381) | (7,535) | (10,071) |
| Other receivables | <u>(31,150)</u> | <u>(28,094)</u> | <u>(30,163)</u> |
| Balance of futures traders' equity | <u>\$ 44,100,210</u> | <u>39,205,280</u> | <u>38,816,621</u> |

(h) Receivable - futures margin

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-----------------------|------------------------------|-----------------------|
| Receivable - futures margin - current | \$ 285 | 258 | 395 |
| Less: Loss allowance | <u>258</u> | <u>258</u> | <u>258</u> |
| Subtotal | <u>27</u> | <u>-</u> | <u>137</u> |
| Receivable - futures margin - non-current | 6,707 | 6,762 | 6,934 |
| Less: Loss allowance | <u>6,707</u> | <u>6,762</u> | <u>6,934</u> |
| Subtotal | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 27</u> | <u>-</u> | <u>137</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

| | <u>For the three months ended March 31,</u> | |
|---|---|--------------|
| | <u>2022</u> | <u>2021</u> |
| Balance on January 1 | \$ 7,020 | 7,801 |
| Impairment losses recognized (reversed) | (55) | (64) |
| Amounts written off | - | (545) |
| Balance on March 31 | <u>\$ 6,965</u> | <u>7,192</u> |

(i) Intangible assets

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

| | <u>Goodwill</u> | <u>The seats of</u> | <u>Computer</u> | <u>Total</u> |
|--|------------------|------------------------|-----------------|----------------|
| | <u>(Note2)</u> | <u>foreign futures</u> | <u>software</u> | |
| | | <u>exchanges</u> | | |
| | | <u>(Note1)</u> | | |
| Cost: | | | | |
| Balance at January 1, 2022 | \$ 22,088 | 49,955 | 28,178 | 100,221 |
| Effect of exchange rate changes | - | 171 | 153 | 324 |
| Balance at March 31, 2022 | <u>\$ 22,088</u> | <u>50,126</u> | <u>28,331</u> | <u>100,545</u> |
| Balance at January 1, 2021 | \$ 22,088 | 50,153 | 29,293 | 101,534 |
| Additions | - | - | 541 | 541 |
| Effect of exchange rate changes | - | (4) | (32) | (36) |
| Balance at March 31, 2021 | <u>\$ 22,088</u> | <u>50,149</u> | <u>29,802</u> | <u>102,039</u> |
| Amortization and impairment losses: | | | | |
| Balance at January 1, 2022 | \$ 6,155 | 3,871 | 19,614 | 29,640 |
| Amortization | - | - | 2,092 | 2,092 |
| Impairment losses | 1,250 | - | - | 1,250 |
| Effect of exchange rate changes | - | 118 | 123 | 241 |
| Balance at March 31, 2022 | <u>\$ 7,405</u> | <u>3,989</u> | <u>21,829</u> | <u>33,223</u> |
| Balance at January 1, 2021 | \$ 1,204 | 4,007 | 16,777 | 21,988 |
| Amortization | - | - | 2,462 | 2,462 |
| Impairment loss | 1,206 | - | - | 1,206 |
| Effect of exchange rate changes | - | (3) | (24) | (27) |
| Balance at March 31, 2021 | <u>\$ 2,410</u> | <u>4,004</u> | <u>19,215</u> | <u>25,629</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Goodwill (Note2)</u> | <u>The seats of foreign futures exchanges (Note1)</u> | <u>Computer software</u> | <u>Total</u> |
|----------------------------|-----------------------------|---|------------------------------|---------------|
| Carrying value: | | | | |
| Balance at January 1, 2022 | \$ <u>15,933</u> | <u>46,084</u> | <u>8,564</u> | <u>70,581</u> |
| Balance at March 31, 2022 | \$ <u>14,683</u> | <u>46,137</u> | <u>6,502</u> | <u>67,322</u> |
| Balance at March 31, 2021 | \$ <u>19,678</u> | <u>46,145</u> | <u>10,587</u> | <u>76,410</u> |

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

2. The Group recognized an impairment loss of \$1,250 and \$1,206 for the three months ended March 31, 2022 and 2021, by using the discount rate of 4.60% and 4.65% on the basis of the future recoverable amount of sub-subsidiary from Mainland China.

(j) Short-term borrowings

| <u>Nature of borrowings</u> | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-----------------------------|-----------------------|------------------------------|-----------------------|
| Credit loan | \$ <u>141,907</u> | <u>109,784</u> | <u>-</u> |
| Interest rate range | <u>1.70%</u> | <u>1.46%</u> | <u>-</u> |

(k) Lease liabilities

The Group's lease liabilities were as follows:

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-------------|-----------------------|------------------------------|-----------------------|
| Current | \$ <u>27,979</u> | <u>24,112</u> | <u>24,041</u> |
| Non-current | \$ <u>29,075</u> | <u>23,017</u> | <u>25,630</u> |

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

The amounts recognized in profit or loss were as follows :

| | <u>For the three months ended March 31,</u> | |
|---|---|--------------|
| | <u>2022</u> | <u>2021</u> |
| Interest on lease liabilities | \$ <u>206</u> | <u>172</u> |
| Expenses relating to short-term leases | \$ <u>603</u> | <u>1,028</u> |
| Expenses relating to leases of low-value, excluding short-term leases of low-value assets | \$ <u>76</u> | <u>76</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

| | For the three months ended March 31, | |
|-------------------------------|---|--------------|
| | 2022 | 2021 |
| Total cash outflow for leases | \$ 7,823 | 9,806 |

(i) Real estate leases

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

(ii) Other leases

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

(l) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

The Group recognized expenses in profit or loss for the three months ended March 31, 2022 and 2021 were \$(606) and \$290, respectively.

(ii) Defined contribution plans

The Group's expenses under the pension plan contributed to the Bureau of Labor Insurance for the three months ended March 31, 2022 and 2021 were \$3,412 and \$3,249, respectively.

(iii) The pension costs of foreign subsidiaries in accordance with the local laws and regulations for the three months ended March 31, 2022 and 2021 were \$692 and \$765, respectively.

(m) Income taxes

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

The Company and its subsidiary Capital International Technology Corp. are founded in Taiwan. The corporate income tax rates are both 20% for the three months ended March 31, 2022 and 2021.

The subsidiary CSC Futures (HK) Ltd. is founded in Hong Kong. The corporate income tax rates are both 16.5% for the three months ended March 31, 2022 and 2021.

The tax rates of reinvestment business of subsidiaries including Capital True Partner Technology Co., Ltd. and Capital Futures Technology (Shanghai) Co., Ltd. founded in Mainland China are both 25% for the three months ended March 31, 2022 and 2021.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income tax expense

- 1) The amounts of income tax expense (benefit) for the three months ended March 31, 2022 and 2021 were as follows:

| | For the three months ended March 31, | |
|-----------------------------|---|---------------|
| | 2022 | 2021 |
| Current income tax expense | \$ 21,867 | 38,500 |
| Deferred income tax expense | 10,281 | (377) |
| Total | <u>\$ 32,148</u> | <u>38,123</u> |

- 2) The amounts of income tax expense (benefit) recognized in other comprehensive income of the Group for the three months ended March 31, 2022 and 2021 were as follows:

| | For the three months ended March 31, | |
|--|---|-------------|
| | 2022 | 2021 |
| Exchange difference on translation of foreign operations | \$ - | (4) |

(iii) Income tax assessment status

The Company's income tax returns through 2019 were assessed by the Tax Authority.

The subsidiary Capital International Technology Corp.'s income tax returns through 2020 were assessed by the Tax Authority.

(n) Capital and other equity

(i) Common stock

As of March 31, 2022, December 31 and March 31, 2021, the company had authorized capital both of \$2,500,000, with par value of \$10 per share and 250,000 thousand shares; the issued common stock were 210,438 thousand shares.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|----------------------------|------------------------------|-------------------------|
| Share premium | | | |
| Capital addition-Share premium | \$ 1,635,556 | 1,635,556 | 1,845,993 |
| Capital addition-Employee stock option | 24,134 | 24,134 | 24,134 |
| Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed | 2,106 | 2,476 | 2,476 |
| Changes in ownership interests in subsidiaries | 995 | 995 | 995 |
| Right of inclusion options exercised | <u>460</u> | <u>460</u> | <u>460</u> |
| | <u><u>\$ 1,663,251</u></u> | <u><u>1,663,621</u></u> | <u><u>1,874,058</u></u> |

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

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

3) Undistributed earnings

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

The Company's fiscal year 2021 earnings distribution proposed by the board meeting on March 11, 2022 and fiscal year 2020 earnings distribution and cash dividends from capital surplus resolved by the shareholders' meeting on May 20, 2021, were as follows:

| | For the years ended December 31, | | | |
|----------------|---|-------------------------------|----------------|-------------------------------|
| | 2021 | | 2020 | |
| | Amount | Per share (dollar) | Amount | Per share (dollar) |
| Cash dividends | \$ 336,700 | 1.60 | 603,955 | 2.87 |

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Earnings per share

The basic earnings per share and diluted earnings per share for the three months ended March 31, 2022 and 2021 were calculated as follows:

(i) Basic earnings per share

| | For the three months ended March 31, | |
|--|---|----------------|
| | 2022 | 2021 |
| Net income attributable to common shareholders of the Company | \$ <u>154,884</u> | <u>159,578</u> |
| Weighted-average number of common stock shares outstanding (thousands of shares) | <u>210,438</u> | <u>210,438</u> |
| Basic earnings per share (dollar) | \$ <u>0.74</u> | <u>0.76</u> |

(ii) Diluted earnings per share

| | For the three months ended March 31, | |
|---|---|----------------|
| | 2022 | 2021 |
| Net income attributable to common shareholders of the Company | \$ <u>154,884</u> | <u>159,578</u> |
| Weighted-average number of common stock shares outstanding (thousands of shares) | 210,438 | 210,438 |
| Effect of potentially dilutive common stock - Employee remuneration (thousands of shares) | 84 | 57 |
| Weighted-average outstanding shares of diluted earnings per share (thousands of shares) | <u>210,522</u> | <u>210,495</u> |
| Diluted earnings per share (dollar) | \$ <u>0.74</u> | <u>0.76</u> |

(p) Items of the statements of comprehensive income

(i) Brokerage fee revenue

| | For the three months ended March 31, | |
|--|---|----------------|
| | 2022 | 2021 |
| Consignment trading handling fee revenue- Domestic futures | \$ 247,160 | 260,996 |
| Consignment trading handling fee revenue- Foreign futures | <u>247,599</u> | <u>208,593</u> |
| | \$ <u>494,759</u> | <u>469,589</u> |

(ii) Futures commission revenue

| | For the three months ended March 31, | |
|---|---|---------------|
| | 2022 | 2021 |
| Futures commission revenue- CSC Futures (HK) Ltd. | \$ <u>74,271</u> | <u>97,232</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(iii) Net gains (losses) on derivative instruments

| | For the three months ended March 31, | |
|---|---|-----------------|
| | 2022 | 2021 |
| Non-hedging | | |
| Net gains (losses) on futures contracts | | |
| Gains on futures contracts | \$ 107,414 | 89,658 |
| Losses on futures contracts | (174,828) | (36,655) |
| | \$ (67,414) | 53,003 |
| Non-hedging | | |
| Net gains (losses) on option contracts | | |
| Gains on option contracts | \$ 148,315 | 51,622 |
| Losses on option contracts | (26,143) | (85,213) |
| | \$ 122,172 | (33,591) |
| Net gains (losses) on leverage derivatives | | |
| Gains on leverage derivatives | \$ 538,596 | 151,361 |
| Losses on leverage derivatives | (501,236) | (130,859) |
| | \$ 37,360 | 20,502 |
| Net gains (losses) on equity derivatives | | |
| Gains on equity derivatives | \$ 37,965 | - |
| Losses on equity derivatives | (32,491) | - |
| | \$ 5,474 | - |
| Net gains (losses) on derivative financial instruments - overseas subsidiaries | \$ (337) | - |
| Non-hedging | | |
| Total gains on derivative financial instruments | \$ 832,290 | 292,641 |
| Total losses on derivative financial instruments | (734,698) | (252,727) |
| Net gains (losses) on derivative financial instruments - overseas subsidiaries | (337) | - |
| | \$ 97,255 | 39,914 |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Futures commission expenses

| | For the three months ended March 31, | |
|---|---|----------------|
| | 2022 | 2021 |
| Re-consigned futures trading | \$ 74,689 | 60,357 |
| Futures introducing broker business | 48,633 | 46,454 |
| Commission expenses - CSC Futures (HK) Ltd. | 21,784 | 25,994 |
| | \$ 145,106 | 132,805 |

(v) Employee benefit, depreciation and amortization expenses

| | For the three months ended March 31, | |
|------------------------------------|---|----------------|
| | 2022 | 2021 |
| Employee benefit expenses | | |
| Salary expense | \$ 128,549 | 105,378 |
| Labor and health insurance expense | 7,715 | 7,426 |
| Pension expense | 3,498 | 4,304 |
| Others | 2,313 | 2,232 |
| Depreciation expense | 14,250 | 17,190 |
| Amortization expense | 2,092 | 2,462 |
| | \$ 158,417 | 138,992 |

(vi) Other operating expenses

| | For the three months ended March 31, | |
|--------------------------------|---|---------------|
| | 2022 | 2021 |
| Postage expense | \$ 14,715 | 14,890 |
| Taxes | 21,799 | 18,249 |
| Rental expense | 689 | 1,104 |
| Information technology expense | 54,315 | 37,102 |
| Professional service fee | 2,935 | 3,391 |
| Others | 23,274 | 24,380 |
| | \$ 117,727 | 99,116 |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Other gains and losses

| | For the three months ended March 31, | |
|--|---|----------------------|
| | 2022 | 2021 |
| Interest income | \$ 41,107 | 51,693 |
| Net gains (losses) on non-operating financial instruments at fair value through profit or loss | 3,223 | 1,736 |
| Net losses on foreign exchange | 16,667 | 2,205 |
| Net gains (losses) on disposal of investments | (4,524) | 13,789 |
| Gains (losses) on disposal of property and equipment | (10) | - |
| Other non-operating revenue - other | 4,695 | 1,967 |
| Other non-operating expense - other | (1,269) | (1,742) |
| | <u>\$ 59,889</u> | <u>69,648</u> |

(viii) Remuneration to employees, directors and supervisors

According to the Company's Articles of Incorporation, the Company should aside 0.6%-2.0% of annual profit to be distributed as employees' bonus, and aside not higher than 3% of annual profit to be distributed as remuneration to directors and supervisors. However, the Company's accumulated losses should first be covered. People to receive shares or cash include the employees of subsidiaries meeting certain specific requirements.

For the three months ended March 31, 2022 and 2021, the estimated amounts of remuneration to employee were \$3,150 and \$2,350, and to directors and supervisors by the Company were \$3,150 and \$2,350, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and directors and supervisors multiple the earnings allocation percentage as specified in the Company's articles. It was recognized as operating expense for the three months ended March 31, 2022 and 2021. If the actual distribution amount differs from the estimated amount in the following year, the difference is treated as a change in accounting estimate and recognized as profit or loss in the following year. The difference is recognized as profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

The estimated amounts of remuneration to employee and director and supervisors by the Company for fiscal years of 2021 and 2020 were both \$7,195 and \$9,071, respectively. There was no difference between accounting estimates and board's resolutions. Related information would be available at the Market Observation Post System website.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represent the maximum credit exposure. As of March 31, 2022, December 31 and March 31, 2021 the maximum credit exposure amounted to \$51,524,859, \$46,209,098 and \$45,544,217, respectively.

2) Concentration of credit risk

The exposure of credit risk by geographic region in March 31, 2022 as shown in below, mainly focusing on Taiwan (accounted for 85.90%), secondly in Asia (accounted for 12.91% excluded Taiwan), thirdly in North America (accounted for 0.90%). The proportion of investment by geographic region did not change significantly compared to the same period last year.

| <u>Area</u> | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|------------------------|-----------------------|------------------------------|-----------------------|
| Taiwan | \$ 44,260,483 | 40,050,017 | 39,727,276 |
| Asia (excluded Taiwan) | 6,652,260 | 5,512,355 | 5,424,515 |
| North America | 465,469 | 444,031 | 292,136 |
| Europe | 121,896 | 178,761 | 83,916 |
| Oceania | 24,751 | 23,934 | 16,374 |
| Total | <u>\$ 51,524,859</u> | <u>46,209,098</u> | <u>45,544,217</u> |

3) Impairment losses

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

| | <u>March 31, 2022</u> | | <u>December 31, 2021</u> | | <u>March 31, 2021</u> | |
|-----------------------------|--------------------------------------|-------------------|--------------------------------------|-------------------|--------------------------------------|-------------------|
| | <u>Gross carrying amount</u> | <u>Impairment</u> | <u>Gross carrying amount</u> | <u>Impairment</u> | <u>Gross carrying amount</u> | <u>Impairment</u> |
| Current | \$ 468,247 | 6,965 | 441,744 | 7,020 | 254,405 | 7,192 |
| Past due 0~30 days | - | - | - | - | - | - |
| Past due 31~120 days | - | - | - | - | - | - |
| Past due 121~360 days | - | - | - | - | - | - |
| Past due more than 360 days | - | - | - | - | - | - |
| | <u>\$ 468,247</u> | <u>6,965</u> | <u>441,744</u> | <u>7,020</u> | <u>254,405</u> | <u>7,192</u> |

Allowance for doubtful debts under receivables is recorded for the bad debt expense or impairment losses. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of March 31, 2022, December 31 and March 31, 2021, the loss allowance of receivables were recognized \$6,965, \$7,020 and \$7,192, respectively.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Credit risk of receivables

Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statement for the year ended December 31, 2021. The Group regards a financial asset as a default when the client of brokerage business is unable to fulfill the margin call or settlement obligation or accrued receivables past due, as well as other receivable of stock default that the company as securities interactive business, which the counterparty is unable to pay the Group. Thus, the Group regarded the financial assets as default and recognized impairment losses. The movement of loss allowance for the three months ended March 31, 2022 and 2021 was as follows:

| | For the three months ended March 31, 2022 | | | | | Total |
|-------------------------------|--|--|---------------------------------------|---|------------------------------|--------------|
| | 12-month ECL | Lifetime ECL-not impaired | Lifetime ECL - credit impaired | | | |
| | | | Accounts receivable | Receivable- futures margin | Other receivables | |
| Balance on January 1 | \$ - | - | - | 7,020 | - | 7,020 |
| Reversal of impairment losses | - | - | - | (55) | - | (55) |
| Balance on March 31 | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>6,965</u> | <u>-</u> | <u>6,965</u> |

| | For the three months ended March 31, 2021 | | | | | Total |
|-------------------------------|--|--|---------------------------------------|---|------------------------------|--------------|
| | 12-month ECL | Lifetime ECL-not impaired | Lifetime ECL - credit impaired | | | |
| | | | Accounts receivable | Receivable- futures margin | Other receivables | |
| Balance on January 1 | \$ - | - | - | 7,801 | - | 7,801 |
| Reversal of impairment losses | - | - | - | (64) | - | (64) |
| Amounts written off | - | - | - | (545) | - | (545) |
| Balance on March 31 | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>7,192</u> | <u>-</u> | <u>7,192</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

| | <u>Carrying amount</u> | <u>Contract cash flow</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 year</u> | <u>2-5 year</u> | <u>More than 5 year</u> |
|--|----------------------------|-------------------------------|----------------------------|------------------------|-----------------|-----------------|-----------------------------|
| March 31, 2022 | | | | | | | |
| Short-term borrowings | \$ 141,907 | 141,907 | 141,907 | - | - | - | - |
| Financial liabilities at fair value through profit or loss | 87,328 | 87,328 | 87,328 | - | - | - | - |
| Futures traders' equity | 44,100,210 | 44,100,210 | 44,100,210 | - | - | - | - |
| Leverage contract trading- customers' equity | 698,525 | 698,525 | 698,525 | - | - | - | - |
| Accounts payable | 119,974 | 119,974 | 119,974 | - | - | - | - |
| Receipts under custody | 5,550 | 5,550 | 5,550 | - | - | - | - |
| Other payables | 135,764 | 135,764 | 135,764 | - | - | - | - |
| Lease liabilities | 57,054 | 58,039 | 14,294 | 14,199 | 16,402 | 13,144 | - |
| | <u>\$ 45,346,312</u> | <u>45,347,297</u> | <u>45,303,552</u> | <u>14,199</u> | <u>16,402</u> | <u>13,144</u> | <u>-</u> |
| December 31, 2021 | | | | | | | |
| Short-term borrowings | \$ 109,784 | 109,784 | 109,784 | - | - | - | - |
| Financial liabilities at fair value through profit or loss | 67,806 | 67,806 | 67,806 | - | - | - | - |
| Futures traders' equity | 39,205,280 | 39,205,280 | 39,205,280 | - | - | - | - |
| Leverage contract trading- customers' equity | 630,830 | 630,830 | 630,830 | - | - | - | - |
| Accounts payable | 57,141 | 57,141 | 57,141 | - | - | - | - |
| Receipts under custody | 4,920 | 4,920 | 4,920 | - | - | - | - |
| Other payables | 137,373 | 137,373 | 137,373 | - | - | - | - |
| Lease liabilities | 47,129 | 48,106 | 12,542 | 12,082 | 16,751 | 6,731 | - |
| | <u>\$ 40,260,263</u> | <u>40,261,240</u> | <u>40,225,676</u> | <u>12,082</u> | <u>16,751</u> | <u>6,731</u> | <u>-</u> |
| March 31, 2021 | | | | | | | |
| Financial liabilities at fair value through profit or loss | \$ 88,680 | 88,680 | 88,680 | - | - | - | - |
| Futures traders' equity | 38,816,621 | 38,816,621 | 38,816,621 | - | - | - | - |
| Leverage contract trading- customers' equity | 430,832 | 430,832 | 430,832 | - | - | - | - |
| Accounts payable | 124,481 | 124,481 | 124,481 | - | - | - | - |
| Receipts under custody | 5,437 | 5,437 | 5,437 | - | - | - | - |
| Other payables | 105,732 | 105,732 | 105,732 | - | - | - | - |
| Lease liabilities | 49,671 | 50,282 | 13,558 | 10,896 | 19,251 | 6,577 | - |
| | <u>\$ 39,621,454</u> | <u>39,622,065</u> | <u>39,585,341</u> | <u>10,896</u> | <u>19,251</u> | <u>6,577</u> | <u>-</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

| | March 31, 2022 | | |
|----------------------------------|--------------------------------------|----------------------|-------------------------------|
| | Foreign currency (dollar) | Exchange rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 712,747,786.82 | 28.6250 | 20,402,405 |
| EUR | 10,118,963.76 | 31.9200 | 322,997 |
| GBP | 2,686,634.55 | 37.6200 | 101,071 |
| JPY | 1,012,666,156.00 | 0.2353 | 238,280 |
| HKD | 152,436,268.62 | 3.6560 | 557,307 |
| AUD | 1,313,125.04 | 21.4200 | 28,127 |
| CHF | 177,792.49 | 30.9400 | 5,501 |
| SGD | 970,442.70 | 21.1600 | 20,535 |
| KRW | 861,806,288.00 | 0.0238 | 20,511 |
| CNY | 64,633,412.61 | 4.5060 | 291,238 |
| MYR | 28,543.89 | 6.5360 | 187 |
| THB | 3,322,246.55 | 0.8651 | 2,874 |
| NZD | 91,553.27 | 19.8900 | 1,821 |
| CAD | 87,432.33 | 22.8800 | 2,000 |
| ZAR | 590,547.22 | 1.9820 | 1,170 |
| <u>Non-monetary items</u> | | | |
| USD | 6,482,548.09 | 28.6250 | 185,563 |
| JPY | 2,452,802.00 | 0.2353 | 577 |
| GBP | 4,740.28 | 37.6200 | 178 |
| AUD | 4,425.86 | 21.4200 | 95 |
| CHF | 96.23 | 30.9400 | 3 |
| ZAR | 540.60 | 1.9820 | 1 |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | March 31, 2022 | | |
|-------------------------------------|--------------------------------------|----------------------|-------------------------------|
| | Foreign currency (dollar) | Exchange rate | New Taiwan Dollars |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 680,233,628.81 | 28.6250 | 19,471,688 |
| EUR | 10,040,015.66 | 31.9200 | 320,477 |
| GBP | 2,558,424.79 | 37.6200 | 96,248 |
| JPY | 1,022,345,206.08 | 0.2353 | 240,558 |
| HKD | 254,294,504.48 | 3.6560 | 929,701 |
| AUD | 1,262,057.02 | 21.4200 | 27,033 |
| CHF | 38,525.98 | 30.9400 | 1,192 |
| SGD | 711,092.32 | 21.1600 | 15,047 |
| KRW | 825,376,956.27 | 0.0238 | 19,644 |
| CNY | 57,858,409.07 | 4.5060 | 260,710 |
| MYR | 14,198.00 | 6.5360 | 93 |
| THB | 1,516,760.00 | 0.8651 | 1,312 |
| CAD | 781.58 | 22.8800 | 18 |
| ZAR | 9,355.52 | 1.9820 | 19 |
| <u>Non-monetary items</u> | | | |
| USD | 219,146.84 | 28.6250 | 6,273 |
| CAD | 5,733.37 | 22.8800 | 131 |
| CNY | 560,085.99 | 4.5060 | 2,524 |
| NZD | 4,369.22 | 19.8900 | 87 |
| SGD | 6.31 | 21.1600 | - |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | March 31, 2021 | | |
|---|--------------------------------------|----------------------|-------------------------------|
| | <u>Foreign currency (dollar)</u> | <u>Exchange rate</u> | <u>New Taiwan Dollars</u> |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 624,403,303.66 | 28.5350 | 17,817,348 |
| EUR | 7,253,034.23 | 33.4800 | 242,832 |
| GBP | 2,853,058.43 | 39.2300 | 111,925 |
| JPY | 785,093,743.00 | 0.2577 | 202,319 |
| HKD | 125,553,803.80 | 3.6700 | 460,782 |
| AUD | 1,821,930.69 | 21.7100 | 39,554 |
| CHF | 69,150.09 | 30.2800 | 2,094 |
| SGD | 5,579,831.02 | 21.2100 | 118,348 |
| KRW | 402,622,334.00 | 0.0254 | 10,227 |
| CNY | 137,800,307.61 | 4.3440 | 598,605 |
| MYR | 164,416.44 | 6.5725 | 1,081 |
| THB | 4,779,184.91 | 0.9149 | 4,372 |
| NZD | 41,721.22 | 19.9500 | 832 |
| CAD | 3,621.98 | 22.6500 | 82 |
| ZAR | 442,818.86 | 1.9200 | 850 |
| <u>Non-monetary items</u> | | | |
| USD | 4,456,255.10 | 28.5350 | 127,159 |
| AUD | 902.13 | 21.7100 | 20 |
| CNY | 240,495.76 | 4.3440 | 1,045 |
| NZD | 422.41 | 19.9500 | 8 |
| CAD | 69.16 | 22.6500 | 2 |
| CHF | 112.31 | 20.2800 | 3 |
| ZAR | 2,754.90 | 1.9200 | 5 |
| <u>Investments under equity method</u> | | | |
| HKD | 13,559,234.60 | 3.6700 | 49,762 |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | March 31, 2021 | | |
|-------------------------------------|--------------------------------------|----------------------|-------------------------------|
| | Foreign currency (dollar) | Exchange rate | New Taiwan Dollars |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 580,068,736.44 | 28.5350 | 16,552,261 |
| EUR | 7,175,105.99 | 33.4800 | 240,223 |
| GBP | 2,764,485.95 | 39.2300 | 108,451 |
| JPY | 787,632,741.33 | 0.2577 | 202,973 |
| HKD | 166,666,241.45 | 3.6700 | 611,665 |
| AUD | 1,758,605.66 | 21.7100 | 38,179 |
| CHF | 52,154.03 | 30.2800 | 1,579 |
| SGD | 634,389.48 | 21.2100 | 13,455 |
| KRW | 382,618,634.66 | 0.0254 | 9,719 |
| CNY | 27,286,869.34 | 4.3440 | 118,534 |
| MYR | 150,039.39 | 6.5725 | 986 |
| THB | 3,953,700.00 | 0.9149 | 3,617 |
| ZAR | 8,860.06 | 1.9200 | 17 |
| <u>Non-monetary items</u> | | | |
| USD | 1,951.38 | 28.5350 | 56 |
| JPY | 1,593,514.00 | 0.2577 | 411 |
| GBP | 8,447.36 | 39.2300 | 331 |
| SGD | 61.82 | 21.2100 | 1 |

The Group disclosed the summarized information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$19,820 and \$2,529 for the three months ended March 31, 2022 and 2021, respectively.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, customers' margin accounts, financial assets at fair value through profit or loss and futures traders' equity, which are denominated in foreign currency. Foreign exchange gain or loss occurs as foreign currency was translated to TWD currency. For the three months ended March 31, 2022 and 2021, with all other variable factors remain constant, a strengthening (weakening) 1% of the TWD against the above major foreign currency, would cause after-tax comprehensive income result in a decrease or an increase by \$6,317 and \$15,094, respectively. The analytical basis was the same in both years.

(iv) Analysis in interest rates

For the three months ended March 31, 2022 and 2021, with all other variable factors remain constant, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income result in an increase or a decrease by \$1,711 and \$1,717. This is mainly due to the Group's time deposits in variable rate, guarantee deposited for business operations in variable rate and settlement fund in variable rate.

(v) Fair value and hierarchy information

1) Fair value information

a) General description

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Based on fair value measurement

a) Hierarchy information of fair value

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

| March 31, 2022 | | | | |
|---|------------|---|--|--|
| Assets and Liabilities items | Total | Public quote of the same financial instrument in an active market (Level 1) | Observable price except public quote in an active market (Level 2) | Based neither on direct market data nor from the counter party (Level 3) |
| Fair value evaluated on a recurring basis | | | | |
| <u>Non derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificate | \$ 41,799 | 41,799 | - | - |
| Stock investment | 105,050 | 105,050 | - | - |
| Financial assets at fair value through other comprehensive income | 48,124 | 46,595 | - | 1,529 |
| <u>Derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| | \$ 286,737 | 144,695 | 142,042 | - |
| Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| | 87,328 | 78,313 | 9,015 | - |
| December 31, 2021 | | | | |
| Assets and Liabilities items | Total | Public quote of the same financial instrument in an active market (Level 1) | Observable price except public quote in an active market (Level 2) | Based neither on direct market data nor from the counter party (Level 3) |
| Fair value evaluated on a recurring basis | | | | |
| <u>Non derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificate | \$ 33,576 | 33,576 | - | - |
| Stock investment | 111,876 | 111,876 | - | - |
| Financial assets at fair value through other comprehensive income | 29,849 | 28,268 | - | 1,581 |
| <u>Derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| | \$ 212,450 | 128,123 | 84,327 | - |
| Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| | 67,806 | 51,130 | 16,676 | - |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Assets and Liabilities items | March 31, 2021 | | | |
|---|----------------|---|--|--|
| | Total | Public quote of the same financial instrument in an active market (Level 1) | Observable price except public quote in an active market (Level 2) | Based neither on direct market data nor from the counter party (Level 3) |
| <u>Fair value evaluated on a recurring basis</u> | | | | |
| <u>Non derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificate | \$ 174,150 | 174,150 | - | - |
| Stock investment | 209,942 | 209,942 | - | - |
| Financial assets at fair value through other comprehensive income | 207,991 | 206,465 | - | 1,526 |
| Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | 34,080 | 34,080 | - | - |
| <u>Derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | \$ 144,791 | 84,772 | 60,019 | - |
| Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | 54,600 | 53,801 | 799 | - |

b) Valuation techniques

i) Non-derivative financial instruments

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

ii) Derivative financial instruments

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

iii) Transfer between Level 1 and Level 2

There is no transfer between Level 1 and Level 2 for the three months ended March 31, 2022 and 2021.

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

(In Thousands Dollars)

| Item | For the three months ended March 31, 2022 | | | | | | | Ending Balance |
|---|---|-------------------------------------|---|---------------------|------------------------|---------------------------|--------------------------|----------------|
| | Beginning Balance | Gains and losses on valuation | | Addition | | Reduction | | |
| | | Amount recognized in profit or loss | Amount recognized in comprehensive income | Purchased or issued | Transferred to Level 3 | Sold, disposed or settled | Transferred from Level 3 | |
| Financial assets at fair value through other comprehensive income | \$ 1,581 | - | (52) | - | - | - | - | 1,529 |

| Item | For the three months ended March 31, 2021 | | | | | | | Ending Balance |
|---|---|-------------------------------------|---|---------------------|------------------------|---------------------------|--------------------------|----------------|
| | Beginning Balance | Gains and losses on valuation | | Addition | | Reduction | | |
| | | Amount recognized in profit or loss | Amount recognized in comprehensive income | Purchased or issued | Transferred to Level 3 | Sold, disposed or settled | Transferred from Level 3 | |
| Financial assets at fair value through other comprehensive income | \$ 1,349 | - | 177 | - | - | - | - | 1,526 |

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

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

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

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

| | Change in fair value recognized in other comprehensive income | |
|---|--|--------------------|
| | Favorable | Unfavorable |
| March 31, 2022 | | |
| Financial assets fair value through other comprehensive income | \$ <u>15</u> | <u>(15)</u> |
| December 31, 2021 | | |
| Financial assets fair value through other comprehensive income | \$ <u>16</u> | <u>(16)</u> |
| March 31, 2021 | | |
| Financial assets fair value through other comprehensive income | \$ <u>15</u> | <u>(15)</u> |

Favorable and unfavorable movements of the Group refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the unobservable inputs to different extent. If the fair value of a financial instrument is affected by more than one input, the above table only illustrates the effect as a result of one single input, and the correlation and variance among multiple inputs are not listed here.

- c) Financial instruments not measured at fair value

For financial instruments not measured at fair value, such as cash and cash equivalents, bonds purchased under resale agreements, customers' margin accounts, accounts receivable, deposits, future traders' equity, leverage contract traders' equity, account payables and receipts under custody. The carrying amount is a reasonable approximation of the fair value. Therefore, the Group does not disclose the fair value.

- (r) Financial risk management

There were no material changes in the Group's financial risk management goals and policies as disclosed in Note 6(r) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly riskfree rates (referred to as ‘IBOR reform’). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an ‘unreformed contract’).

The Group’s remaining IBOR exposures at the reporting date are corporate debt securities indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). The Group had finished the process of implementing appropriate fallback clauses for all US dollar LIBOR-indexed exposures by the end of 2021. These clauses automatically switch the instrument from USD LIBOR to SOFR when US dollar LIBOR either ceases to be provided or is no longer representative. Please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2021 for further details.

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on March 31, 2022 and on December 31, 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

| | <u>USD LIBOR</u> | | | |
|------------------------------|---|-------|--|-------|
| | <u>Total amount of unreformed contracts</u> | | <u>Amount with appropriate fallback clause</u> | |
| March 31, 2022 | | | | |
| Financial liabilities | | | | |
| Credit loan | USD | 5,000 | USD | 5,000 |
| | | | | |
| | <u>USD LIBOR</u> | | | |
| | <u>Total amount of unreformed contracts</u> | | <u>Amount with appropriate fallback clause</u> | |
| December 31, 2021 | | | | |
| Financial liabilities | | | | |
| Credit loan | USD | 4,000 | USD | 4,000 |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Capital management

There were no material changes in the Group's financial risk management goals, policies and procedures as disclosed in Note 6(t) of the consolidated financial statements for the year ended December 31, 2021.

(u) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow for the three months ended March 31, 2022 and 2021, were as follows:

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

| | January 1, 2022 | Cash flows | Non-cash changes | | | March 31, 2022 |
|--|--------------------|----------------|------------------|---------------------------------|-----------------------|-------------------|
| | | | Other | Foreign exchange movement | Fair value changes | |
| Lease liabilities | \$ 47,129 | (7,144) | 16,599 | 470 | - | 57,054 |
| Total liabilities from financing activities | <u>\$ 47,129</u> | <u>(7,144)</u> | <u>16,599</u> | <u>470</u> | <u>-</u> | <u>57,054</u> |

| | January 1, 2021 | Cash flows | Non-cash changes | | | March 31, 2021 |
|--|--------------------|----------------|------------------|---------------------------------|-----------------------|-------------------|
| | | | Other | Foreign exchange movement | Fair value changes | |
| Lease liabilities | \$ 58,479 | (8,702) | (127) | 21 | - | 49,671 |
| Total liabilities from financing activities | <u>\$ 58,479</u> | <u>(8,702)</u> | <u>(127)</u> | <u>21</u> | <u>-</u> | <u>49,671</u> |

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Names and relationship with related parties

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

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--|------------------------------------|
| Capital Securities Corporation | The parent company |
| CSC Securities (HK) Ltd. | Associate |
| CSC International Holdings Ltd. | Associate |
| Capital Investment Trust Corp. | Associate |
| Funds issued by Capital Investment Trust Corp. | Funds issued by associate |
| Other related parties | Key management personnel |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

| | For the three months ended March 31, | |
|------------------------------|---|---------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 28,667 | 27,489 |
| Post-employment benefits | 257 | 250 |
| Total | \$ 28,924 | 27,739 |

(d) Significant transactions with related parties

- (i) The amounts of futures trading between the Group and related parties for the three months ended March 31, 2022 and 2021 were as follows:

| | For the three months ended March 31, | |
|--|---|--------------|
| | 2022 | 2021 |
| <u>Brokerage fee revenue</u> | | |
| Capital Securities Corporation | \$ 6,329 | 2,300 |
| Funds issued by Capital Investment Trust Corp. | 18 | 60 |
| Other related parties | 115 | 60 |
| Total | \$ 6,462 | 2,420 |

| | December 31, | | |
|--|-----------------------|------------------|-----------------------|
| | March 31, 2022 | 2021 | March 31, 2021 |
| <u>Futures traders' equity</u> | | | |
| Capital Securities Corporation | \$ 2,077,686 | 1,406,887 | 1,085,570 |
| Funds issued by Capital Investment Trust Corp. | 267,676 | 269,049 | 316,808 |
| Other related parties | 588 | 763 | 245 |
| Total | \$ 2,345,950 | 1,676,699 | 1,402,623 |

Transaction terms are the same as those with general clients.

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

| | For the three months ended March 31, | |
|--------------------------------|---|-------------|
| | 2022 | 2021 |
| <u>Interest expense</u> | | |
| Capital Securities Corporation | \$ 12 | 9 |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Accounts payable and receivable:

| <u>Accounts receivable</u> | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-----------------------|------------------------------|-----------------------|
| Capital Securities Corporation | \$ <u>1,998</u> | <u>3,011</u> | <u>1,727</u> |
| | | | |
| <u>Accounts payable</u> | | | |
| Capital Securities Corporation | \$ <u>19,006</u> | <u>11,448</u> | <u>19,566</u> |
| | | | |
| <u>Other receivables (Note 1)</u> | | | |
| Capital Securities Corporation | \$ 4,878 | 3,846 | 3,822 |
| CSC Securities (HK) Ltd. | <u>804</u> | <u>335</u> | <u>-</u> |
| Total | \$ <u>5,682</u> | <u>4,181</u> | <u>3,822</u> |
| | | | |
| <u>Other payables</u> | | | |
| Capital Securities Corporation (Note 2) | \$ 364 | 344 | 4,576 |
| CSC Securities (HK) Ltd. (Note 3) | <u>608</u> | <u>949</u> | <u>826</u> |
| Total | \$ <u>972</u> | <u>1,293</u> | <u>5,402</u> |

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

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

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

(iii) Bonds purchased under resale agreements

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|------------------------------|---|------------------------------|
| Bonds purchased under resale agreements | \$ <u>113,018</u> | <u>84,013</u> | <u>57,552</u> |
| Resale price under the agreements | \$ <u>113,038</u> | <u>84,021</u> | <u>57,563</u> |
| Interest rates | <u>0.23%~0.38%</u> | <u>0.20%~0.21%</u> | <u>0.18%~0.19%</u> |
| Date of repurchase | <u>2022.04.06~2022.04.22</u> | <u>2022.01.03~2022.01.14</u> | <u>2021.04.21~2021.04.29</u> |
| | | <u>For the three months ended March 31,</u> | |
| | | <u>2022</u> | <u>2021</u> |
| Interest income | | \$ <u>38</u> | <u>32</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Leases

The Group signed three-year lease contracts and rented the office and parking spaces from Capital Securities Corporation. As of March 31, 2022, December 31 and March 31, 2021, the total value of effective contracts were both \$53,289. For the three months ended March 31, 2022 and 2021, the Group recognized the amount of \$69 and \$115 as interest expense. As of March 31, 2022, December 31 and March 31, 2021, lease liabilities amounted to \$23,265, \$27,880 and \$40,926, respectively, and refundable deposits were both amounted to \$4,633.

The Group signed two-year lease contracts and rented the office from CSC Securities (HK) Ltd. As of March 31, 2022, December 31 and March 31, 2021, the total value of effective contracts were \$0 (HKD\$0 thousands), \$0(HKD\$0 thousands) and \$24,435 (HKD\$6,112 thousands), respectively. For the three months ended March 31, 2022 and 2021, the Group recognized the amount of \$0 and \$28 as interest expense. As of March 31, 2022, December 31 and March 31, 2021, lease liabilities were amounted to \$0, \$0, and \$1,847, respectively.

The Group signed one-year lease contracts and rented the office from CSC International Holdings Ltd. As of March 31, 2022 and December 31, 2021, the total value of effective contract were both \$552 (CNY\$127 thousands). For the three months ended March 31, 2022 and 2021, the Group recognized the amount of \$0 as interest expense. As of March 31, 2022 and December 31, 2021 lease liabilities were amounted to \$95 and \$229.

(v) Rental expenses

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

| Related parties | For the three months ended March 31, | |
|--------------------------------|---|-------------|
| | 2022 | 2021 |
| Capital Securities Corporation | <u>\$ 207</u> | <u>248</u> |

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

(vi) Securities commission income

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

| Related parties | For the three months ended March 31, | |
|--------------------------------|---|--------------|
| | 2022 | 2021 |
| Capital Securities Corporation | \$ 6,486 | 4,278 |
| CSC Securities (HK) Ltd. | 135 | 313 |
| | <u>\$ 6,621</u> | <u>4,591</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Interest income (Rent deposit interest)

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ <u>9</u> | <u>9</u> |

(viii) Securities brokerage charge

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|---------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ 48,356 | 46,099 |
| CSC Securities (HK) Ltd. | - | 168 |
| | \$ <u>48,356</u> | <u>46,267</u> |

(ix) Information technology expenses

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|---------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ <u>12,048</u> | <u>12,376</u> |

(x) Stock service fees

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ <u>144</u> | <u>126</u> |

(xi) Human resource and legal service fees

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ <u>75</u> | <u>75</u> |

(xii) Securities transaction fees

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ <u>-</u> | <u>11</u> |

(xiii) Discretionary service commission fees

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ <u>-</u> | <u>40</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xiv) Management service fees

| Related parties | For the three months ended March 31, | |
|--------------------------|---|-------------|
| | 2022 | 2021 |
| CSC Securities (HK) Ltd. | \$ 837 | 894 |

(xv) Stationery and printing fees

| Related parties | For the three months ended March 31, | |
|--------------------------------|---|-------------|
| | 2022 | 2021 |
| Capital Securities Corporation | \$ 1 | 1 |

(8) Pledged assets:None

(9) Significant commitments and contingencies:None

(10) Losses due to major disasters:None

(11) Significant subsequent events:None

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Derivative instrument transactions:

- (a) As of March 31, 2022, December 31 and March 31, 2021, the open positions of futures and option contracts were as follows:

March 31, 2022

| 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 | 48 | \$ 164,641 | 162,864 | |
| | TAIEX Futures | Short | 190 | (667,532) | (667,477) | |
| | Mini Taix Futures | Long | 61 | 51,178 | 51,475 | |
| | Mini Taix Futures | Short | 922 | (808,224) | (810,574) | |
| | Electronic Sector Index Futures | Long | 35 | 115,133 | 115,345 | |
| | Financial Insurance Index Futures | Long | 2 | 3,565 | 3,636 | |
| | Financial Insurance Index Futures | Short | 87 | (161,684) | (163,160) | |
| | Mini Taix Weekly Futures | Long | 121 | 107,008 | 106,831 | |
| | Mini Financial Futures | Long | 316 | 146,965 | 148,157 | |
| | Mini Electronic Futures | Short | 185 | (75,874) | (76,208) | |
| | Subtotal | | | (1,124,824) | | |
| Options contract: | | | | | | |
| | TAIEX Options (Call) | Long | 4,030 | \$ 65,540 | 77,920 | |
| | TAIEX Options (Call) | Short | 3,002 | (29,624) | (23,578) | |
| | TAIEX Options (Put) | Long | 2,872 | 28,981 | 23,241 | |
| | TAIEX Options (Put) | Short | 3,666 | (56,348) | (47,024) | |
| | TAIEX Weekly Options (Call) | Long | 812 | 2,601 | 2,047 | |
| | TAIEX Weekly Options (Call) | Short | 796 | (3,416) | (2,418) | |
| | TAIEX Weekly Options (Put) | Long | 1,055 | 2,731 | 3,032 | |
| | TAIEX Weekly Options (Put) | Short | 486 | (2,923) | (3,542) | |
| | Electronic Sector Index Options(Call) | Long | 39 | 295 | 179 | |
| | Electronic Sector Index Options(Call) | Short | 132 | (1,509) | (1,256) | |
| | Electronic Sector Index Options(Put) | Long | 19 | 266 | 209 | |
| | Electronic Sector Index Options(Put) | Short | 62 | (644) | (3) | |
| | Finance Insurance Index Options(Call) | Long | 69 | 398 | 1,449 | |
| | Finance Insurance Index Options(Call) | Short | 68 | (152) | (454) | |
| | Finance Insurance Index Options(Put) | Long | 59 | 339 | 74 | |
| | Finance Insurance Index Options(Put) | Short | 59 | (308) | (38) | |
| | Subtotal | | | 6,227 | | |
| Total | | | | \$ (1,118,597) | | |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2021

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

March 31, 2021

| Item | Trading category | Open positions | | Contract size or paid for (received from) premium | Fair value | Note |
|-------------------|-----------------------------|----------------|---------------------|---|------------|------|
| | | Long/Short | Number of contracts | | | |
| Futures contract: | | | | | | |
| | TAIEX Futures | Long | 60 | \$ 197,616 | 197,018 | |
| | TAIEX Futures | Short | 17 | (51,512) | (53,544) | |
| | Mini Taiex Futures | Long | 107 | 81,820 | 86,490 | |
| | Mini Taiex Futures | Short | 267 | (219,872) | (219,199) | |
| | Mini Taiex Weekly Futures | Long | 11 | 9,109 | 9,048 | |
| | Corn Futures | Long | 5 | 3,731 | 3,906 | |
| | Coffee Futures | Long | 3 | 4,122 | 3,964 | |
| | Subtotal | | | <u>25,014</u> | | |
| Options contract: | | | | | | |
| | Stock Options (Call) | Long | 5 | \$ 1 | 1 | |
| | TAIEX Options (Call) | Long | 872 | 8,250 | 10,622 | |
| | TAIEX Options (Call) | Short | 695 | (25,064) | (38,031) | |
| | TAIEX Options (Put) | Long | 1,716 | 17,676 | 8,296 | |
| | TAIEX Options (Put) | Short | 1,416 | (31,391) | (15,673) | |
| | TAIEX Weekly Options (Call) | Long | 124 | 280 | 246 | |
| | TAIEX Weekly Options (Call) | Short | 24 | (74) | (59) | |
| | TAIEX Weekly Options (Put) | Long | 63 | 260 | 300 | |
| | TAIEX Weekly Options (Put) | Short | 7 | (33) | (38) | |
| | Subtotal | | | <u>(30,095)</u> | | |
| Total | | | | <u>\$ (5,081)</u> | | |

- (b) As of March 31, 2022, December 31 and March 31, 2021, the nominal amount of open positions of leverage derivatives contracts were as follows:

| Item | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|-----------------------------|---------------------|----------------------|------------------|
| Leverage derivatives- long | \$ <u>2,860,622</u> | <u>3,800,382</u> | <u>1,991,991</u> |
| Leverage derivatives- short | \$ <u>2,851,148</u> | <u>3,787,547</u> | <u>1,992,863</u> |
| Equity derivatives- long | \$ <u>72,359</u> | <u>131,113</u> | <u>-</u> |
| Equity derivatives- short | \$ <u>72,357</u> | <u>131,101</u> | <u>-</u> |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

| Art. | Calculation formula | Current Period | | Last Period | | Standard | Enforcement |
|------|---|----------------|----------|-------------|----------|----------|-----------------------------|
| | | Calculation | Ratio | Calculation | Ratio | | |
| 17 | Stockholders' equity | | | | | ≥ 1 | Satisfactory to requirement |
| | (Total liabilities– futures traders' equity) | 6,430,808 | 5.49 | 6,540,298 | 6.94 | | |
| | | 1,171,443 | | 941,921 | | | |
| 17 | Current Assets | 48,773,993 | 1.12 | 43,719,998 | 1.13 | ≥ 1 | " |
| | Current Liabilities | 43,642,153 | | 38,554,732 | | | |
| 22 | Stockholders' equity | 6,430,808 | 576.75 % | 6,540,298 | 586.57 % | ≥ 60% | " |
| | Minimum paid-in capital | 1,115,000 | | 1,115,000 | | ≥ 40% | |
| 22 | Post-adjustment net capital | | 54.36 % | | 63.97 % | ≥ 20% | " |
| | Total customer margin deposits required for open positions of customers | 4,985,389 | | 4,876,556 | | ≥ 15% | |
| | | 9,171,615 | | 7,623,344 | | | |

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

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

(15) Other:None

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(16) Other disclosures:

(a) Information on significant transactions:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number (Note 1) | Name of lender | Name of borrower | Account name | Related party | Maximum balance of the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 2) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing |
|--------------------|-----------------------------|---------------------|-------------------------------------|------------------|-------------------------------------|-------------------|---|---|---|---|---|---------------------------|------------|-------|--------------------------------------|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | CSC Futures (HK) Ltd. | F190402 | Account receivables -Customer | No | 39,734 | 39,734 | - | 5% | 1 | 11,827 | | - | | - | 175,054 | 875,270 |
| 1 | CSC Futures (HK) Ltd. | F611702 | Account receivables -Customer | No | 397,340 | 397,340 | 397,340 | 1.46%~ 2.71% | 1 | 213,183 | | - | | - | 397,340 | 875,270 |
| 1 | CSC Futures (HK) Ltd. | F613059 | Account receivables -Customer | No | 85,144 | 85,144 | - | 1.21%~ 3.21% | 1 | 29,388 | | - | | - | 175,054 | 875,270 |
| 1 | CSC Futures (HK) Ltd. | F612688 | Account receivables -Customer | No | 14,191 | 14,191 | 7,095 | 3.21% | 1 | 3,048 | | - | | - | 175,054 | 875,270 |
| 1 | CSC Futures (HK) Ltd. | F612687 | Account receivables -Customer | No | - | - | - | 3.21% | 1 | 467 | | - | | - | 175,054 | 875,270 |
| 1 | CSC Futures (HK) Ltd. | F612851 | Account receivables -Customer | No | 56,763 | 56,763 | - | 3.21% | 1 | 9,621 | | - | | - | 175,054 | 875,270 |
| 1 | CSC Futures (HK) Ltd. | F613091 | Account receivables -Customer | No | 42,572 | 42,572 | 12,772 | 3.21% | 1 | 2,288 | | - | | - | 175,054 | 875,270 |

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

Note 1: Type of Numbering

(1) 0 represents Parent company

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

Note 2: Type of Loans

(1) Business transactions

(2) Necessaries of short-term financing

(ii) Guarantees and endorsements for other parties:None

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

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

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

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

(vii) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|-----|---|---|---------------------------|---------------------------------|--------|---------------------|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 1 | CSC Futures (HK) Ltd. | Capital True Partner Technology Co., Ltd. | 3 | Information technology expenses | 133 | General transaction | 0.02% |
| 2 | Capital True Partner Technology Co., Ltd. | CSC Futures (HK) Ltd. | 3 | Other operating revenue | 133 | General transaction | 0.02% |
| 1 | CSC Futures (HK) Ltd. | Capital True Partner Technology Co., Ltd. | 3 | Other prepayment | 134 | | -% |
| 2 | Capital True Partner Technology Co., Ltd. | CSC Futures (HK) Ltd. | 3 | Other unearned revenue | 134 | | -% |
| 2 | Capital True Partner Technology Co., Ltd. | Capital Futures Corp. | 2 | Other operating revenue | 5,642 | General transaction | 0.83% |

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|-----|---|---|------------------------|------------------------------|-----------|---------------------|--|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | Capital Futures Corp. | Capital True Partner Technology Co., Ltd. | 1 | Professional service fees | 5,642 | General transaction | 0.86% |
| 0 | Capital Futures Corp. | Capital True Partner Technology Co., Ltd. | 1 | Other payables | 1,904 | | -% |
| 2 | Capital True Partner Technology Co., Ltd. | Capital Futures Corp. | 2 | Accounts receivable | 1,904 | | -% |
| 1 | CSC Futures (HK) Ltd. | Capital Futures Corp. | 2 | Futures traders' equity | 582,416 | | 1.12% |
| 0 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 1 | Customers' margin account | 582,416 | | 1.12% |
| 0 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 1 | Futures traders' equity | 5,074,783 | | 9.78% |
| 1 | CSC Futures (HK) Ltd. | Capital Futures Corp. | 2 | Customers' margin account | 4,736,749 | | 9.13% |
| 0 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 1 | Customers' margin account | 338,034 | | 0.65% |
| 1 | CSC Futures (HK) Ltd. | Capital Futures Corp. | 2 | Futures commission revenue | 2,653 | General transaction | 0.39% |
| 0 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 1 | Futures commission expenses | 2,653 | General transaction | 0.39% |
| 0 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 1 | Brokerage fee revenue | 34,880 | General transaction | 5.13% |
| 1 | CSC Futures (HK) Ltd. | Capital Futures Corp. | 2 | Futures commission expenses | 34,880 | General transaction | 5.13% |
| 1 | CSC Futures (HK) Ltd. | Capital Futures Corp. | 2 | Interest revenue | 232 | General transaction | 0.03% |
| 0 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 1 | Financial cost | 232 | General transaction | 0.03% |
| 0 | Capital Futures Corp. | CSC Futures (HK) Ltd. | 1 | Other payables | 9,127 | | 0.02% |
| 1 | CSC Futures (HK) Ltd. | Capital Futures Corp. | 2 | Other receivables | 9,127 | | 0.02% |
| 3 | Capital International Technology Corp. | Capital Futures Corp. | 2 | Professional service revenue | 768 | General transaction | 0.11% |
| 0 | Capital Futures Corp. | Capital International Technology Corp. | 1 | Repair expenses | 768 | General transaction | 0.11% |
| 3 | Capital International Technology Corp. | Capital Futures Corp. | 2 | Accounts receivable | 768 | | -% |
| 0 | Capital Futures Corp. | Capital International Technology Corp. | 1 | Other prepayment | 768 | | -% |

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

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

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

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

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

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Date of establishment | FSC Rule No. | Main businesses and products | Original investment amount | | Balance as of March 31, 2022 | | | Revenue of investee | Net income (losses) of investee | Share of profits/losses of investee | Cash dividend | Note |
|-----------------------------|--|-----------|-----------------------|--|---|----------------------------|-------------------|------------------------------|-------------------------|----------------|---------------------|---------------------------------|-------------------------------------|---------------|-------------------|
| | | | | | | March 31, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | | | |
| Capital Futures Corporation | CSC Futures (HK) Ltd. | Hong Kong | 1998.12.9 | Gin Guan Zheng Zhi No. 1010027412 letter | Futures dealing business and other businesses permitted by local law of Hong Kong | 886,284 | 862,631 | 220,000 | 100.00 % | 875,270 | 80,525 | (2,515) | (2,401) | - | Subsidiary |
| Capital Futures Corporation | Capital International Technology Co., Ltd. | Taiwan | 2014.12.29 | Gin Guan Zheng Zhi No. 1030038387 letter | Management consulting and information service business | 50,000 | 50,000 | 5,000 | 100.00 % | 32,404 | 768 | (1,932) | (1,932) | - | Subsidiary |
| Capital Futures Corporation | True Partner Advisor Hong Kong Ltd. | Hong Kong | 2010.5.31 | Gin Guan Zheng Zhi No. 1040027513 letter | Assets Management | - | 36,701 | - | - % | - | - | - | - | - | Associate (Note1) |

Note1: On November 11, 2021, the Board of Directors of the Company approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Company. All shares were transferred on February 15, 2022. The Company does not disclose profit and loss information because it is no longer material.

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) Information on overseas branches and representative offices: None
- (d) Information on investment in Mainland China:
- (i) Investment in Mainland China and related information:

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of March 31, 2022 | Net income (losses) of the investee | Direct or indirect share holdings(%) by the company | Highest percentage of ownership | Investment income (losses) (Note 2) | Book value | Accumulated remittance of earnings in current period |
|---|--|---------------------------------|-------------------------------|---|------------------|--------|--|-------------------------------------|---|---------------------------------|-------------------------------------|------------|--|
| | | | | | Outflow | Inflow | | | | | | | |
| Capital True Partner Technology Co., Ltd. | Management consulting and information service business | 5,013 | (C) | 24,372 | - | - | 24,372 | (86) | 51.00% | 51.00% | (44) B (3) | 17,314 | - |
| Capital Futures Technology (Shanghai) Co., Ltd. | Management consulting and information service business | 18,863 | (C) | 18,863 | - | - | 18,863 | (1,122) | 100.00% | 100.00% | (1,122) B (3) | 10,934 | - |

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

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

Note 2: Investment gains and losses recognized during the period

- A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:
 - (1) The recognition of investment gains or losses is based on the financial statements audited by international certified public accountant cooperated with certified public accountant of the Republic of China.
 - (2) The recognition of investment gains or losses is based on the financial statements audited by certified public accountant of the Company.
 - (3) The recognition of investment gains or losses is based on the financial statements provided by the investee without audited by certified public account.

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

- (ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

| Company Name | Accumulated Investment in Mainland China as of March 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|---|--|---------------------------|
| Capital International Technology Corp. | 43,235 | 43,235 | 80,000 |

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

- (e) Major shareholders:

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

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

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

(Continued)

CAPITAL FUTURES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(17) Segment information:

(a) General information

The Group has one reportable segment: the brokerage segment. This segment is mainly involved in futures brokerage business. The Group's other operating segments are mainly involved in futures and securities business on a proprietary basis and advisory business, etc. For the three months ended March 31, 2022 and 2021, none of the above segments met the quantitative thresholds for reportable segments.

(b) Information about reportable segments and their measurement and reconciliations

The Group does not allocate the income tax expense or extraordinary gain/loss to the reportable segment. The reported information of operating segments are consistent with the internal reports provided to the chief operating decision-maker. All accounting policies of the Group's operating segments' are no material difference from the ones described in Note 4 "significant accounting policies". The Group evaluates segment performance based on the net profit before tax excluding any extraordinary activity and foreign exchange gain/loss. The Group does not evaluate segment's performance based on its assets and liabilities so that there was no disclosure of assets and liabilities of the operating segment.

| | For the three months ended March 31, 2022 | | | |
|------------------------|--|----------------|---|----------------|
| | Brokerage business | Others | Adjustment and elimination | Total |
| Segment revenue | \$ 606,658 | 105,156 | (31,814) | 680,000 |
| Segment profit or loss | \$ 184,681 | 2,194 | - | 186,875 |
| | For the three months ended March 31, 2021 | | | |
| | Brokerage business | Others | Adjustment and elimination | Total |
| Segment revenue | \$ 606,987 | 79,759 | (42,831) | 643,915 |
| Segment profit or loss | \$ 176,402 | 20,923 | - | 197,325 |

(c) Information about regions

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

(d) Information about major customers

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

CAPITAL FUTURES CORPORATION

Financial Statements of Securities Dealing Department

For the Three Months Ended March 31, 2022 and 2021

Table of contents

| Contents | Page |
|---|-------|
| 1. Cover Page | 59 |
| 2. Table of Contents | 60 |
| 3. Securities Dealing Department's Balance Sheets | 61 |
| 4. Securities Dealing Department's Statements of Comprehensive Income | 62 |
| 5. Notes to the Financial Statements of Securities Dealing Department | |
| (1) Company history | 63 |
| (2) Approval date and procedures of the financial statements | 63 |
| (3) New standards, amendments and interpretations adopted | 63 |
| (4) Summary of significant accounting policies | 63 |
| (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty | 63 |
| (6) Explanation of significant accounts | 63~69 |
| (7) Related-party transactions | 69~71 |
| (8) Pledged assets | 71 |
| (9) Significant commitments and contingencies | 71 |
| (10) Losses due to major disasters | 71 |
| (11) Significant subsequent events | 71 |
| (12) Other | 71 |
| (13) Other disclosures | |
| (a) Information on significant transactions | 71 |
| (b) Information on investees | 71 |
| (c) Information on overseas branches and representative offices | 71 |
| (d) Information on investment in Mainland China | 71 |
| (e) Major shareholders | 71 |
| (14) Segment information | 71 |

(English Translation of Financial Statements of Securities Dealing Department Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION
Securities Dealing Department's Balance Sheets
March 31, 2022, December 31, 2021, and March 31, 2021
(Expressed in Thousands of New Taiwan Dollars)

| | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | | | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | |
|---|--------------------------|-------------------|--------------------------|-------------------|-------------------------|-------------------|--|--------------------------|-------------------|--------------------------|-------------------|-------------------------|-------------------|
| | Amount | % | Amount | % | Amount | % | | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | | | |
| 111100 Cash and cash equivalents (Note 6(a)) | \$ 791,734 | 80 | 808,458 | 82 | 547,703 | 52 | 212000 Financial liabilities at fair value through profit or loss- current (Note 6(d)) | \$ - | - | - | - | 34,080 | 3 |
| 112000 Financial assets at fair value through profit or loss-current (Note 6(b)) | 104,958 | 10 | 111,780 | 11 | 180,571 | 17 | 214130 Accounts payable | 15,781 | 2 | 3,891 | 1 | 59,262 | 6 |
| 113200 Financial assets at fair value through comprehensive income- current (Note 6(b)) | 46,595 | 5 | 28,268 | 3 | 206,465 | 20 | 214170 Other payables | 1,334 | - | 2,250 | - | 4,181 | - |
| 114100 Security borrowing margin | - | - | - | - | 46,494 | 4 | 216000 Lease liabilities- current | <u>292</u> | <u>-</u> | <u>270</u> | <u>-</u> | <u>288</u> | <u>-</u> |
| 114130 Accounts receivable | 28,686 | 3 | 17,094 | 2 | 51,965 | 5 | | <u>17,407</u> | <u>-2</u> | <u>6,411</u> | <u>-1</u> | <u>97,811</u> | <u>-9</u> |
| 114150 Prepayments | 6 | - | 3 | - | 19 | - | Non-current liabilities: | | | | | | |
| 114170 Other receivables | 225 | - | 288 | - | 342 | - | 226000 Lease liabilities- non-current | <u>113</u> | <u>-</u> | <u>157</u> | <u>-</u> | <u>356</u> | <u>-</u> |
| 114600 Current income tax assets | <u>44</u> | <u>-</u> | <u>44</u> | <u>-</u> | <u>90</u> | <u>-</u> | Total liabilities | <u>17,520</u> | <u>-2</u> | <u>6,568</u> | <u>-1</u> | <u>98,167</u> | <u>-9</u> |
| | <u>972,248</u> | <u>98</u> | <u>965,935</u> | <u>98</u> | <u>1,033,649</u> | <u>98</u> | Equity: | | | | | | |
| Non-current assets: | | | | | | | | | | | | | |
| 125000 Property and equipment | 436 | - | 521 | - | 711 | - | 301000 Common stock | 800,000 | 81 | 800,000 | 81 | 800,000 | 76 |
| 125800 Right-of-use assets | 402 | - | 424 | - | 642 | - | 304000 Retained earnings | 171,589 | 17 | 176,236 | 18 | 132,214 | 13 |
| 127000 Intangible assets | 32 | - | 51 | - | 86 | - | 305000 Other equity | <u>2,275</u> | <u>-</u> | <u>2,686</u> | <u>-</u> | <u>23,266</u> | <u>-2</u> |
| 129000 Other non-current assets (Note 6(c)) | <u>18,266</u> | <u>2</u> | <u>18,559</u> | <u>2</u> | <u>18,559</u> | <u>2</u> | Total equity | 973,864 | 98 | 978,922 | 99 | 955,480 | 91 |
| | <u>19,136</u> | <u>2</u> | <u>19,555</u> | <u>2</u> | <u>19,998</u> | <u>2</u> | | | | | | | |
| Total assets | \$ <u>991,384</u> | <u>100</u> | <u>985,490</u> | <u>100</u> | <u>1,053,647</u> | <u>100</u> | Total liabilities and equity | \$ <u>991,384</u> | <u>100</u> | <u>985,490</u> | <u>100</u> | <u>1,053,647</u> | <u>100</u> |

See accompanying notes to financial statements of securities dealing department.

(English Translation of Financial Statements of Securities Dealing Department Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION

Securities Dealing Department's Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

| | | For the three months ended March 31, | | | |
|---|--|---|----------------|---------------|------------|
| | | 2022 | | 2021 | |
| | | Amount | % | Amount | % |
| Income: | | | | | |
| 410000 | Net gains (losses) on sale of trading securities | \$ (3,899) | (787) | 14,248 | 70 |
| 421300 | Dividend revenue | 324 | 65 | 220 | 1 |
| 421500 | Net gains (losses) on measurement of trading securities at fair value through profit or loss | (73) | (15) | 5,395 | 26 |
| 421610 | Net gains on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss | - | - | 210 | 1 |
| 428000 | Other operating losses | <u>3,153</u> | <u>637</u> | <u>324</u> | <u>2</u> |
| | | <u>(495)</u> | <u>(100)</u> | <u>20,397</u> | <u>100</u> |
| Expenses: | | | | | |
| 502000 | Brokerage fees- proprietary trading | 75 | 15 | 137 | 1 |
| 521200 | Financial costs | 1 | - | 2 | - |
| 528000 | Other operating expenditure | 110 | 23 | 347 | 2 |
| 531000 | Employee benefits expense | 1,753 | 354 | 2,304 | 11 |
| 532000 | Depreciation and amortization expense | 176 | 36 | 188 | 1 |
| 533000 | Other operating expenses | <u>2,604</u> | <u>526</u> | <u>4,488</u> | <u>22</u> |
| | | <u>4,719</u> | <u>954</u> | <u>7,466</u> | <u>37</u> |
| Net operating income | | <u>(5,214)</u> | <u>(1,054)</u> | <u>12,931</u> | <u>63</u> |
| Non-operating income and expenses: | | | | | |
| 602000 | Other gains and losses | <u>567</u> | <u>115</u> | <u>852</u> | <u>4</u> |
| | | <u>567</u> | <u>115</u> | <u>852</u> | <u>4</u> |
| 902001 | Net income before income tax | (4,647) | (939) | 13,783 | 67 |
| 701000 | Less: Income tax expenses | - | - | - | - |
| | Net income | <u>(4,647)</u> | <u>(939)</u> | <u>13,783</u> | <u>67</u> |
| 805000 | Other comprehensive income: | | | | |
| 805500 | Components that may not be reclassified subsequently to profit or loss: | | | | |
| 805540 | Unrealized gains from investments in equity instruments at fair value through other comprehensive income | (411) | (83) | 21,580 | 106 |
| 805599 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | Subtotal of components that may not be reclassified subsequently to profit or loss | <u>(411)</u> | <u>(83)</u> | <u>21,580</u> | <u>106</u> |
| 805000 | Other comprehensive income | <u>(411)</u> | <u>(83)</u> | <u>21,580</u> | <u>106</u> |
| 902006 | Total comprehensive income | <u>\$ (5,058)</u> | <u>(1,022)</u> | <u>35,363</u> | <u>173</u> |

See accompanying notes to financial statements of securities dealing department.

(English Translation of Financial Statements of Securities Dealing Department Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL FUTURES CORPORATION

Notes to the Financial Statements of Securities Dealing Department

For the three months ended March 31, 2022 and 2021

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

(1) Company history

Securities Dealing Department of Capital Futures Corporation (the “Department”) was approved by the Securities and Futures Bureau of the Financial Supervisory Commission to conduct securities-related proprietary business on July 7, 2015 and started its operations on September 1, 2015.

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

The financial statements of the Department were authorized for issuance by the Board of Directors on May 9, 2022.

(3) New standards, amendments and interpretations adopted:

The new standards, amendments and interpretations of the Department apply in line with the consolidated financial report. Please refer to the consolidated financial report.

(4) Summary of significant accounting policies:

The financial statements of the Department have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

The accounting policies of the Department are consistent with the consolidated financial report, please refer to the consolidated financial report.

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

The preparation of the financial statements of the Department, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms and IAS 34 "Interim Financial Reporting", requires management to make judgments estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-----------------|-----------------------|------------------------------|-----------------------|
| Demand deposits | \$ 502,634 | 519,358 | 228,195 |
| Time deposits | <u>289,100</u> | <u>289,100</u> | <u>319,508</u> |
| Total | <u>\$ 791,734</u> | <u>808,458</u> | <u>547,703</u> |

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(b) Financial assets

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|-----------------------|------------------------------|-----------------------|
| Trading securities- proprietary trading | \$ 105,410 | 112,159 | 175,838 |
| Trading securities- proprietary trading valuation adjustment | (452) | (379) | 4,733 |
| Total | <u>\$ 104,958</u> | <u>111,780</u> | <u>180,571</u> |

If there is an increase in the securities price of 1% on the reporting date (assume that all other variables remained the same), the impact on after-tax comprehensive income for the three months ended March 31, 2022 and 2021 will increase \$1,050 and \$1,806, respectively. Conversely, if there is a decrease in the securities price of 1% on the reporting date based on all other variables remained the same, there will be the same amount but opposite direction of influence.

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-----------------------|------------------------------|-----------------------|
| Equity investments at fair value through other comprehensive income | | | |
| Listed stocks | \$ 44,320 | 25,582 | 162,627 |
| OTC stocks | - | - | 20,572 |
| | 44,320 | 25,582 | 183,199 |
| Valuation adjustment | 2,275 | 2,686 | 23,266 |
| Total | <u>\$ 46,595</u> | <u>28,268</u> | <u>206,465</u> |

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

During the three months ended March 31, 2022 and 2021, the dividends of \$124 and \$200, respectively, related to equity investment at fair value through other comprehensive income held on the years then ended, were recognized.

No strategic investments were disposed of during the three months ended March 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(c) Other non-current assets

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-------------------------|------------------------------|-----------------------|
| Guarantee deposited for business operations | \$ 10,000 | 10,000 | 10,000 |
| Settlement fund | 8,266 | 8,559 | 8,559 |
| Total | \$ <u>18,266</u> | <u>18,559</u> | <u>18,559</u> |

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-----------------------|------------------------------|-----------------------|
| Liabilities on sale of borrowed securities - non-hedging | \$ - | - | 34,290 |
| Liabilities on sale of borrowed securities valuation adjustment - non-hedging | - | - | (210) |
| Total | \$ <u>-</u> | <u>-</u> | <u>34,080</u> |

(e) Financial Instruments

(i) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. As of March 31, 2022, December 31 and March 31, 2021, the maximum credit exposure amounted to \$990,464, \$984,447 and \$1,052,099, respectively.

(ii) Liquidity risk

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

| | <u>Carrying amount</u> | <u>Contract cash flow</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 year</u> | <u>2-5 year</u> | <u>More than 5 year</u> |
|--------------------------|-------------------------|---------------------------|------------------------|--------------------|-------------------|-----------------|-------------------------|
| March 31, 2022 | | | | | | | |
| Accounts payable | \$ 15,781 | 15,781 | 15,781 | - | - | - | - |
| Other payables | 1,334 | 1,334 | 1,334 | - | - | - | - |
| Lease liabilities | 405 | 407 | 147 | 147 | 113 | - | - |
| Total | \$ <u>17,520</u> | <u>17,522</u> | <u>17,262</u> | <u>147</u> | <u>113</u> | <u>-</u> | <u>-</u> |
| December 31, 2021 | | | | | | | |
| Accounts payable | \$ 3,891 | 3,891 | 3,891 | - | - | - | - |
| Other payables | 2,250 | 2,250 | 2,250 | - | - | - | - |
| Lease liabilities | 427 | 430 | 139 | 134 | 157 | - | - |
| Total | \$ <u>6,568</u> | <u>6,571</u> | <u>6,280</u> | <u>134</u> | <u>157</u> | <u>-</u> | <u>-</u> |

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

| | <u>Carrying amount</u> | <u>Contract cash flow</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 year</u> | <u>2-5 year</u> | <u>More than 5 year</u> |
|--|----------------------------|-------------------------------|----------------------------|------------------------|-----------------|-----------------|-----------------------------|
| March 31, 2021 | | | | | | | |
| Financial liabilities at fair value through profit or loss | \$ 34,080 | 34,080 | 34,080 | - | - | - | - |
| Accounts payable | 59,262 | 59,262 | 59,262 | - | - | - | - |
| Other payables | 4,181 | 4,181 | 4,181 | - | - | - | - |
| Lease liabilities | 644 | 652 | 148 | 145 | 269 | 90 | - |
| Total | <u>\$ 98,167</u> | <u>98,175</u> | <u>97,671</u> | <u>145</u> | <u>269</u> | <u>90</u> | <u>-</u> |

(iii) Currency risk

1) Exposure to foreign currency risk

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

| | March 31, 2022 | | |
|-------------------------------------|--|----------------------|-------------------------------|
| | <u>Foreign currency (dollar)</u> | <u>Exchange rate</u> | <u>New Taiwan Dollars</u> |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 3,473,022.24 | 28.6250 | 99,415 |
| HKD | 101.26 | 3.6560 | - |
| CNY | 45.30 | 4.5060 | - |
| <u>Non-monetary items</u> | | | |
| USD | 273,600.00 | 28.6250 | 7,832 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| SGD | 2,373.91 | 21.1600 | 50 |

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

| December 31, 2021 | | | |
|-------------------------------------|--|----------------------|-------------------------------|
| | Foreign currency (dollar) | Exchange rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 3,404,631.92 | 27.6800 | 94,240 |
| HKD | 101.26 | 3.5490 | - |
| CNY | 45.30 | 4.3440 | - |
| <u>Non-monetary items</u> | | | |
| USD | 504,420.00 | 27.6800 | 13,962 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| SGD | 321.70 | 20.4600 | 7 |
| March 31, 2021 | | | |
| | Foreign currency (dollar) | Exchange rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 4,263,879.28 | 28.5350 | 121,670 |
| HKD | 2,878,003.27 | 3.6700 | 10,562 |
| CNY | 7,130,207.18 | 4.3440 | 30,974 |
| <u>Non-monetary items</u> | | | |
| USD | 1,338,960.00 | 28.5350 | 38,207 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| SGD | 2,373.91 | 21.2100 | 50 |

For the three months ended March 31, 2022 and 2021, the foreign exchange gains (including realized and unrealized) were \$3,153 and \$324, respectively.

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(iv) Sensitivity analysis

The currency risk of the Department arises mainly from cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivable, other receivables, other payables and lease liabilities which are denominated in foreign currency. As of three months ended March 31, 2022 and 2021, with all other variable factors remained constantly, a strengthening (weakening) 1% of the TWD against the USD, would cause after-tax comprehensive income result in a decrease or an increase by \$858 and \$1,611, respectively. The analytical basis was the same in both years.

(v) Analysis in interest rates

For the three months ended March 31, 2022 and 2021, with all other variable factors remained constantly, when the interest rate increases or decreases by 100 basis points, would cause after-tax comprehensive income resulting in an increase or a decrease by \$17 and \$17. This is mainly due to the Department's settlement fund in variable rate.

(vi) Fair value and hierarchy information

1) Fair value information

The fair value information of the Department is consistent with the consolidated financial report. Please refer to the consolidated financial report.

2) Based on fair value measurement

a) Hierarchy information of fair value

The Department'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:

| Assets and Liabilities items | March 31, 2022 | | | |
|---|----------------|---|--|--|
| | Total | Public quote of the same financial instrument in an active market (Level 1) | Observable price except public quote in an active market (Level 2) | Based neither on direct market data nor from the counter party (Level 3) |
| Fair value evaluated on a recurring basis | | | | |
| <u>Non-derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stock investment | \$ 104,958 | 104,958 | - | - |
| Financial assets at fair value through other comprehensive income | | | | |
| Stock investment | 46,595 | 46,595 | - | - |

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

| | | December 31, 2021 | | |
|---|------------|---|--|--|
| Assets and Liabilities items | Total | Public quote of the same financial instrument in an active market (Level 1) | Observable price except public quote in an active market (Level 2) | Based neither on direct market data nor from the counter party (Level 3) |
| <u>Fair value evaluated on a recurring basis</u> | | | | |
| <u>Non-derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stock investment | \$ 111,780 | 111,780 | - | - |
| Financial assets at fair value through other comprehensive income | | | | |
| Stock investment | 28,268 | 28,268 | - | - |
| | | March 31, 2021 | | |
| Assets and Liabilities items | Total | Public quote of the same financial instrument in an active market (Level 1) | Observable price except public quote in an active market (Level 2) | Based neither on direct market data nor from the counter party (Level 3) |
| <u>Fair value evaluated on a recurring basis</u> | | | | |
| <u>Non-derivative assets and liabilities</u> | | | | |
| Assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stock investment | \$ 180,571 | 180,571 | - | - |
| Financial assets at fair value through other comprehensive income | | | | |
| Stock investment | 206,465 | 206,465 | - | - |
| Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| | 34,080 | 34,080 | - | - |

b) Valuation techniques

The evaluation techniques of the Department in terms of fair value are in consistent with the consolidated financial report. Please refer to the consolidated financial report.

3) Financial instruments not measured at fair value

For financial instruments not measured at fair value, such as cash and cash equivalents, accounts receivable, deposits and accounts payable. The carrying amount is a reasonable approximation of the fair value. Therefore, the Department did not disclose the fair value.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(b) Names and relationship with related parties

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

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|--|--------------------------------------|
| Capital Securities Corporation | The parent company |
| Capital International Technology Co., Ltd. | A Subsidiary |

(c) Key management personnel compensation : None.

(d) Significant transactions with related parties

(i) Leases

The Department signed lease contracts from Capital Securities Corporation for the rental of office premises. As of March 31, 2022, December 31 and March 31, 2021, the total value of effective contracts were all \$807. For the three months ended March 31, 2022 and 2021, the Department recognized the amount of \$1 and \$2 as interest expense. As of March 31, 2022, December 31 and March 31, 2021, lease liabilities were amounted to \$356, \$422 and \$620, respectively.

(ii) Rental expenses

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

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ <u>24</u> | <u>24</u> |

The rental rate between the Department and the related parties are determined based on the market price and are paid on a monthly basis.

(iii) Information technology expenses

| <u>Related parties</u> | <u>For the three months ended March 31,</u> | |
|--------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Capital Securities Corporation | \$ <u>243</u> | <u>255</u> |

(Continued)

CAPITAL FUTURES CORPORATION
Notes to the Financial Statements of Securities Dealing Department

(iv) Repair and maintenance expenses

| | For the three months ended March 31, | |
|--|---|-------------|
| Related parties | 2022 | 2021 |
| Capital International Technology Co., Ltd. | \$ 16 | 16 |

(8) Pledged assets:None

(9) Significant commitments and contingencies:None

(10) Losses due to major disasters:None

(11) Significant subsequent events:None

(12) Other:

(a) Specific inherent risks in operating as securities dealer:

The main risk exposure of the Department is market price risk. The market price of the securities held by the Department is measured at fair value, i.e., the market price of the securities held is subject to fluctuations of the weighted index. Based on risk management, the Department uses appropriate hedging strategies to reduce risk exposure.

(13) Other disclosures:

(a) Information on significant transactions:None

(b) Information on investees:None

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

(d) Information on investment in Mainland China:None

(e) Major shareholders:None

(14) Segment information:

This Department only engages in securities proprietary business as a single industry, therefore it is not applicable.