

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	June 30, 2014		December 31, 2013		June 30, 2013		LIABILITIES AND EQUITY	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets							Current Liabilities						
Cash and cash equivalents (Note 6(1))	\$ 1,332,125	2	2,006,379	3	1,312,055	2	Short-term borrowings (Note 6(9))	\$ 2,815,000	4	2,019,000	3	1,210,000	2
Financial assets at fair value through profit or loss - current (Note 6(2))	23,382,083	33	19,519,949	29	15,617,878	26	Commercial paper payable (Note 6(10))	7,047,995	10	2,299,582	3	3,099,531	5
Available-for-sale financial assets - current (Note 6(2))	-	-	-	-	14,390	-	Financial liabilities at fair value through profit or loss - current (Note 6(11))	1,679,745	2	1,343,111	2	1,128,560	2
Bonds purchased under resale agreements (Notes 6(3) and 8)	340,684	1	558,394	1	830,223	2	Bonds sold under repurchase agreements (Note 6(12))	12,044,068	17	13,115,259	19	11,498,751	19
Receivable for securities provided as collateral	19,655,765	28	17,747,936	26	17,500,074	29	Guaranty deposited for short sales	1,404,599	2	2,366,747	4	1,498,402	3
Refinancing margin	8,219	-	190,114	-	-	-	Proceeds payable from short sales	1,657,887	2	3,008,916	5	1,717,455	3
Receivable on refinancing collateral	6,858	-	158,152	-	10,943	-	Securities lending refundable deposits	512,323	1	1,779,917	3	562,526	1
Receivable on securities business money lending	-	-	-	-	540	-	Notes payable	90	-	858	-	342	-
Collateral for securities borrowed	134,341	-	369,830	1	243,916	-	Accounts payable (Note 6(13))	8,299,690	12	7,253,187	11	5,521,706	9
Securities borrowing margin	123,121	-	1,288,233	2	457,249	1	Advance receipts	14,422	-	148,287	-	6,922	-
Notes receivable	7,860	-	8,556	-	4,095	-	Receipts under custody	126,587	-	560,640	1	128,002	-
Accounts receivable (Note 6(4))	7,756,202	11	7,707,100	11	5,884,347	10	Other payables	1,743,693	3	735,181	1	939,065	2
Prepayments	18,711	-	28,066	-	22,243	-	Other financial liabilities - current (Note 6(22))	1,022,496	1	289,377	-	184,986	-
Other receivables	178,782	-	28,044	-	118,574	-	Current income tax liabilities	246,738	-	243,628	-	539,247	1
Current income tax assets	22,089	-	22,089	-	38,316	-	Provisions - current (Note 6(16))	42,821	-	42,821	-	43,880	-
Other current assets	584,248	1	1,054,713	2	499,647	1	Long-term liabilities - current portion (Note 6(14))	-	-	-	-	299,789	-
	<u>53,551,088</u>	<u>76</u>	<u>50,687,555</u>	<u>75</u>	<u>42,554,490</u>	<u>71</u>	Other current liabilities	4,583	-	-	-	2,744	-
								<u>38,662,737</u>	<u>54</u>	<u>35,206,511</u>	<u>52</u>	<u>28,381,908</u>	<u>47</u>
							Non-current Liabilities						
Non-current Assets							Other financial liabilities - non-current (Note 6(22))	786,268	1	1,399,141	2	1,083,303	2
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	208,389	-	208,135	-	208,156	-	Deferred income tax liabilities	467,486	1	453,340	1	460,717	1
Financial assets carried at cost - non-current (Note 6(2))	603,444	1	636,539	1	639,539	1	Guarantee deposits received	22,031	-	19,008	-	17,753	-
Investments accounted for under equity method (Note 6(5))	3,281,682	5	3,127,503	5	3,007,413	5	Accrued pension liabilities - non-current	447,016	1	447,133	1	461,015	1
Property and equipment (Notes 6(6) and 8)	5,059,119	7	5,643,817	8	5,653,495	10	Other non-current liabilities	51,361	-	51,361	-	52,420	-
Investment property (Notes 6(7) and 8)	1,910,091	3	1,364,191	2	1,384,752	2		<u>1,774,162</u>	<u>3</u>	<u>2,369,983</u>	<u>4</u>	<u>2,075,208</u>	<u>4</u>
Intangible Assets (Note 6(8))	3,536,951	5	3,543,873	5	3,541,933	6	Total Liabilities	<u>40,436,899</u>	<u>57</u>	<u>37,576,494</u>	<u>56</u>	<u>30,457,116</u>	<u>51</u>
Deferred income tax assets	724,727	1	783,007	1	934,727	2	Equity						
Other non-current assets	1,635,035	2	1,629,391	3	1,662,603	3	Common stock (Note 6(18))	23,690,730	33	23,690,730	35	23,690,730	40
	<u>16,959,438</u>	<u>24</u>	<u>16,936,456</u>	<u>25</u>	<u>17,032,618</u>	<u>29</u>	Capital surplus						
							Premium from stock issuance	1,940,208	3	1,940,208	3	1,940,208	3
							Treasury stock transactions	107,031	-	107,031	-	107,031	-
							Paid-in capital from merger	658,234	1	658,234	1	658,234	1
							Difference between consideration and carrying amount of subsidiaries acquired and disposed	143	-	-	-	-	-
							Changes in ownership interests in subsidiaries	6,287	-	-	-	-	-
							Retained earnings						
							Legal reserve	753,136	1	605,958	1	605,958	1
							Special reserve	1,756,283	3	1,628,318	2	1,628,318	3
							Unappropriated earnings (Note 6(17))	1,170,933	2	1,423,960	2	498,053	1
							Exchange differences on translation of foreign operations	(17,988)	-	(19,525)	-	(10,420)	-
							Unrealized gain or loss on available-for-sale financial assets	8,630	-	12,603	-	11,880	-
							Total Equity	<u>30,073,627</u>	<u>43</u>	<u>30,047,517</u>	<u>44</u>	<u>29,129,992</u>	<u>49</u>
TOTAL ASSETS	<u>\$ 70,510,526</u>	<u>100</u>	<u>67,624,011</u>	<u>100</u>	<u>59,587,108</u>	<u>100</u>	TOTAL LIABILITIES AND EQUITY	<u>\$ 70,510,526</u>	<u>100</u>	<u>67,624,011</u>	<u>100</u>	<u>59,587,108</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

CAPITAL SECURITIES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	Jan. 1~ Jun. 30, 2014		Jan. 1~ Jun. 30, 2013	
	Amount	%	Amount	%
Income:				
Brokerage commissions (Note 6(20))	\$ 1,352,041	45	1,033,510	46
Revenues from securities business money lending	38	-	33	-
Revenues from securities lending	23,728	1	52,103	2
Underwriting commissions (Note 6(20))	78,578	3	142,022	7
Commissions on wealth management business	20,489	1	2,643	-
Gains (loss) on sale of trading securities (Note 6(20))	981,612	33	153,562	7
Securities management, distribution, and management fees	69,335	2	71,113	3
Interest revenue (Note 6(20))	672,704	22	581,731	26
Dividend revenue	29,391	1	3,080	-
Gain (loss) on measurement of trading securities at fair value through profit or loss	250,797	8	(58,537)	(2)
Gain (loss) on covering of borrowed securities and bonds with resale agreements	(64,737)	(2)	12,880	1
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	46,502	2	13,243	1
Gain (loss) on stock warrants issued (Notes 6(20) & 6(22))	(283,234)	(10)	179,877	8
Futures commission revenues	48,146	2	55,993	2
Gain (loss) on derivative financial instruments - futures (Note 6(22))	(121,850)	(4)	(12,069)	(1)
Gain (loss) on derivative financial instruments - OTC (Note 6(22))	(165,650)	(6)	(62,729)	(3)
Other operating revenues	60,536	2	71,380	3
	2,998,426	100	2,239,835	100
Expenses:				
Brokerage fees	84,580	3	62,421	3
Brokerage and clearing fees - proprietary trading	5,905	-	3,251	-
Clearing and exchange fees - refinancing	1,075	-	841	-
Clearing and exchange fees - underwriting	1,495	-	944	-
Financial costs	78,128	3	63,191	3
Securities commission expense - introducing brokers	1,519	-	1,238	-
Other operating expenditure	3,683	-	2,925	-
Employee benefits expenses (Note 6(20))	1,155,396	38	1,101,614	49
Depreciation & amortization expenses (Note 6(20))	95,906	3	98,718	5
Other operating expenses (Note 6(20))	622,188	21	561,314	25
	2,049,875	68	1,896,457	85
Other income and expenses				
Share of profits of associates and joint venture (Note 6(5))	76,675	2	118,670	5
Other gains and losses (Note 6(20))	155,376	5	191,358	9
	232,051	7	310,028	14
Income before tax	1,180,602	39	653,406	29
Income tax expense (Note 6(17))	(92,403)	(3)	(98,020)	(4)
Net income	1,088,199	36	555,386	25
Other comprehensive income :				
Exchange differences on translation of foreign operations	3,620	-	52,478	2
Unrealized gain or loss on available-for-sale financial assets	-	-	29,965	1
Share of other comprehensive income of subsidiaries, associates and joint venture	(5,741)	-	17,880	1
Income tax benefit (expense) related to components of other comprehensive income (Note 6(17))	(315)	-	(9,466)	-
Other comprehensive income for the period, net of income tax	(2,436)	-	90,857	4
Total comprehensive income for the period	\$ 1,085,763	36	646,243	29
Basic earnings per share (Note 6(19))	\$	0.46	\$	0.23
Diluted earnings per share (Note 6(19))	\$	0.46	\$	0.23

The accompanying notes are an integral part of the financial statements.

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CHANGES IN EQUITY
Years Ended June 30, 2014 and 2013
(New Taiwan Dollars in Thousands)

	Common stock	Capital surplus	Retained earnings			Others		Total equity
			Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gain or loss on available- for-sale financial assets	
Balance, January 1, 2013	\$ 23,690,730	2,705,473	500,532	1,281,093	750,679	(56,638)	(32,759)	28,839,110
Net income for the six months ended June 30, 2013	-	-	-	-	555,386	-	-	555,386
Other comprehensive income for the six months ended June 30, 2013	-	-	-	-	-	46,218	44,639	90,857
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	555,386	46,218	44,639	646,243
Appropriations of prior year's earnings :								
Legal reserve	-	-	105,426	-	(105,426)	-	-	-
Special reserve	-	-	-	347,225	(347,225)	-	-	-
Cash dividends	-	-	-	-	(355,361)	-	-	(355,361)
Balance, June 30, 2013	<u>\$ 23,690,730</u>	<u>2,705,473</u>	<u>605,958</u>	<u>1,628,318</u>	<u>498,053</u>	<u>(10,420)</u>	<u>11,880</u>	<u>29,129,992</u>
Balance, January 1, 2014	\$ 23,690,730	2,705,473	605,958	1,628,318	1,423,960	(19,525)	12,603	30,047,517
Net income for the six months ended June 30, 2014	-	-	-	-	1,088,199	-	-	1,088,199
Other comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	1,537	(3,973)	(2,436)
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	1,088,199	1,537	(3,973)	1,085,763
Appropriations of prior year's earnings :								
Legal reserve	-	-	147,178	-	(147,178)	-	-	-
Special reserve	-	-	-	294,357	(294,357)	-	-	-
Cash dividends	-	-	-	-	(1,066,083)	-	-	(1,066,083)
Difference between consideration and carrying amount of subsidiaries disposed	-	143	-	-	-	-	-	143
Changes in ownership interests in subsidiaries	-	6,287	-	-	-	-	-	6,287
Reversal of special reserve for deduction of stockholders' equity	-	-	-	(166,392)	166,392	-	-	-
Balance, June 30, 2014	<u>\$ 23,690,730</u>	<u>2,711,903</u>	<u>753,136</u>	<u>1,756,283</u>	<u>1,170,933</u>	<u>(17,988)</u>	<u>8,630</u>	<u>30,073,627</u>

The accompanying notes are an integral part of the financial statements.

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013
(New Taiwan Dollars in Thousands)

	Jan. 1- Jun. 30, 2014	Jan. 1- Jun. 30, 2013
Cash flows from operating activities:		
Income before income tax for the period	\$ 1,180,602	653,406
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	79,475	82,314
Amortization expense	16,431	16,404
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	(250,797)	58,537
Net Loss (gain) on non-operating financial instruments at fair value through profit or loss	(352)	2,431
Interest expenses	78,128	63,191
Cash dividend received from long-term investments under equity method	163,371	95,039
Share of profits of associates and joint venture	(76,675)	(118,670)
Loss (gain) on disposal of property and equipment	(3,169)	-
Amortization of discount on commercial paper payable - long term	-	(92)
Net changes of income and expenses having no effects on cash flows	<u>6,412</u>	<u>199,154</u>
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(3,611,239)	(1,259,248)
Decrease (increase) in available-for-sale financial assets	-	211,974
Decrease (increase) in bonds purchased under resale agreements	217,710	901,178
Decrease (increase) in receivable for securities provided as collateral	(1,907,829)	(1,666,544)
Decrease (increase) in refinancing margin	181,895	13,443
Decrease (increase) in receivable on refinancing collateral	151,294	8,095
Decrease (increase) in receivable on securities business money lending	-	(540)
Decrease (increase) in collateral for securities borrowed	235,489	77,670
Decrease (increase) in security borrowing margin	1,165,112	617,573
Decrease (increase) in notes receivable	696	5,198
Decrease (increase) in accounts receivable	(49,102)	(766,400)
Decrease (increase) in prepayments	9,355	3,128
Decrease (increase) in other receivables	(150,738)	22,663
Decrease (increase) in current tax assets	-	20,476
Decrease (increase) in other current assets	470,465	75,660
Decrease (increase) in guaranty deposited for business operations	(9,650)	(8,200)
Decrease (increase) in settlement fund	(5,359)	8,074
Decrease (increase) in other non-current assets	2,293	19,843
Changes in operating assets:	<u>(3,299,608)</u>	<u>(1,715,957)</u>
Net changes of operating liabilities:		
Increase (decrease) in bonds sold under repurchase agreements	(1,071,191)	169,582
Increase (decrease) in financial liabilities at fair value through profit or loss	336,634	(666,695)
Increase (decrease) in guaranty deposited for short sales	(962,148)	(1,056,819)
Increase (decrease) in proceeds payable from short sales	(1,351,029)	(1,677,187)
Increase (decrease) in securities lending refundable deposits	(1,267,594)	(1,225,019)
Increase (decrease) in notes payable	(768)	(735)
Increase (decrease) in accounts payable	1,046,503	924,413
Increase (decrease) in advance receipts	(133,865)	(1,709)
Increase (decrease) in receipts under custody	(434,053)	(2,488)
Increase (decrease) in other payables	735	(121,930)
Increase (decrease) in other current liabilities	4,583	2,744
Increase (decrease) in other financial liabilities	120,246	(364,439)
Increase (decrease) in guarantee deposits received	3,023	(357)
Increase (decrease) in accrued pension liabilities	(117)	(1,464)
Increase (decrease) in other non-current liabilities	-	(19,114)
Changes in operating liabilities:	<u>(3,709,041)</u>	<u>(4,041,217)</u>
Net changes in operating assets and liabilities:	<u>(7,008,649)</u>	<u>(5,757,174)</u>
Total Cash generated from adjustment items	<u>(7,002,237)</u>	<u>(5,558,020)</u>
Cash generated by operating activities	(5,821,635)	(4,904,614)
Interest paid	(136,434)	(112,915)
Income tax paid	(17,182)	(552,076)
Net cash provided by (used in) operating activities	<u>(5,975,251)</u>	<u>(5,569,605)</u>
Cash flows from investing activities:		
Acquisition of long term investments under the equity method	(236,567)	-
Proceeds from capital reduction of financial assets carried at cost	33,095	7,000
Increase in deferred debits	(1,162)	(628)
Acquisitions of property and equipment	(37,023)	(9,382)
Proceeds from disposal of property and equipment	5,500	-
Acquisitions of intangible assets	(7,259)	(3,463)
Net cash provided by (used in) investing activities	<u>(243,416)</u>	<u>(6,473)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	796,000	1,210,000
Increase in commercial paper payable	4,748,413	3,099,531
Net cash provided by (used in) financing activities	<u>5,544,413</u>	<u>4,309,531</u>
Increase (decrease) in cash and cash equivalents	<u>(674,254)</u>	<u>(1,266,547)</u>
Cash and cash equivalents, beginning of the year	<u>2,006,379</u>	<u>2,578,602</u>
Cash and cash equivalents, end of this period	<u>\$ 1,332,125</u>	<u>1,312,055</u>

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