

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

ASSETS	(Unaudited) March 31, 2014		December 31, 2013		(Unaudited) March 31, 2013		LIABILITIES AND EQUITY	(Unaudited) March 31, 2014		December 31, 2013		(Unaudited) March 31, 2013	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets							Current Liabilities						
Cash and cash equivalents (Note 6(1))	\$ 3,339,566	4	4,554,344	6	3,819,948	6	Short-term borrowings (Note 6(10))	\$ 1,619,000	2	2,019,000	3	1,602,000	2
Financial assets at fair value through profit or loss - current (Note 6(2))	24,994,063	31	20,303,606	26	13,356,351	19	Commercial paper payable (Note 6(11))	5,198,779	6	2,299,582	3	-	-
Available-for-sale financial assets - current (Note 6(2))	-	-	-	-	118,751	-	Financial liabilities at fair value through profit or loss - current (Note 6(12))	2,820,674	4	1,358,286	2	3,778,011	6
Bonds purchased under resale agreements (Notes 6(3) and 8)	2,082,470	3	558,394	1	1,258,507	2	Bonds sold under repurchase agreements (Note 6(13))	15,536,727	19	13,115,259	17	10,198,741	16
Receivable for securities provided as collateral	19,375,614	24	17,887,398	23	16,463,621	24	Guaranty deposited for short sales	1,451,147	2	2,366,747	3	1,644,088	2
Refinancing margin	93,891	-	190,114	-	692	-	Proceeds payable from short sales	1,713,788	2	3,008,916	4	2,078,574	3
Receivable on refinancing collateral	81,763	-	158,152	-	1,631	-	Securities lending refundable deposits	759,602	1	1,779,917	2	1,371,940	2
Customers margin account (Note 6(5))	8,249,950	10	8,649,790	11	8,847,111	13	Futures traders' equity (Note 6(14))	8,189,564	10	8,604,857	11	8,825,001	13
Collateral for securities borrowed	123,049	-	369,830	1	189,628	-	Notes payable	471	-	858	-	471	-
Securities borrowing margin	251,158	-	1,288,233	2	1,816,916	3	Accounts payable (Note 6(15))	8,919,813	11	7,681,332	10	4,375,542	6
Notes receivable	7,683	-	8,556	-	3,548	-	Advance receipts	18,249	-	150,905	-	7,356	-
Accounts receivable (Note 6(4))	7,620,671	9	7,857,896	10	7,145,092	10	Receipts under custody	137,737	-	562,918	1	126,469	-
Prepayments	30,743	-	44,625	-	39,220	-	Other payables	651,430	1	855,360	1	613,209	1
Other receivables	40,621	-	49,193	-	48,537	-	Other financial liabilities - current (Note 6(24))	234,440	-	289,377	-	216,814	-
Other financial assets - current (Note 6(24))	-	-	-	-	98	-	Current income tax liabilities	281,454	-	257,890	-	815,675	1
Current income tax assets	22,089	-	22,208	-	62,480	-	Provisions - current (Note 6(18))	46,900	-	46,900	-	47,539	-
Other current assets	686,174	1	1,146,631	1	609,891	1	Long-term liabilities - current portion (Note 6(16))	-	-	-	-	299,987	-
	<u>66,999,505</u>	<u>82</u>	<u>63,088,970</u>	<u>81</u>	<u>53,782,022</u>	<u>78</u>	Other current liabilities	79,442	-	5,323	-	7,432	-
								<u>47,659,217</u>	<u>58</u>	<u>44,403,427</u>	<u>57</u>	<u>36,008,849</u>	<u>52</u>
Non-current Assets							Non-current Liabilities						
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	209,018	-	208,135	-	207,590	-	Long-term borrowings (Note 6(16))	-	-	-	-	400,000	1
Financial assets carried at cost - non-current (Note 6(2))	643,772	1	667,167	1	677,167	1	Other financial liabilities - non-current (Note 6(24))	1,269,749	2	1,399,141	2	1,134,370	2
Available-for-sale financial assets - non-current (Note 6(2))	68,798	-	71,334	-	55,870	-	Deferred income tax liabilities	443,294	1	453,839	1	415,492	-
Investments accounted for under equity method (Note 6(6))	104,351	-	89,488	-	99,327	-	Guarantee deposits received	20,417	-	17,425	-	16,116	-
Property and equipment (Notes 6(7) and 8)	5,693,276	7	6,266,465	8	6,334,478	9	Accrued pension liabilities - non-current	454,995	1	455,087	1	463,390	1
Investment property (Notes 6(8) and 8)	1,407,747	2	857,598	1	864,123	2	Other non-current liabilities	340,939	-	340,939	-	341,996	-
Intangible Assets (Note 6(9))	3,599,193	4	3,600,204	5	3,603,304	5		<u>2,529,394</u>	<u>4</u>	<u>2,666,431</u>	<u>4</u>	<u>2,771,364</u>	<u>4</u>
Deferred income tax assets	727,158	1	783,007	1	950,312	2	Total Liabilities	<u>50,188,611</u>	<u>62</u>	<u>47,069,858</u>	<u>61</u>	<u>38,780,213</u>	<u>56</u>
Other non-current assets	2,129,472	3	2,304,683	3	2,164,834	3	Equity Attributable to Shareholders of the Parent						
	<u>14,582,785</u>	<u>18</u>	<u>14,848,081</u>	<u>19</u>	<u>14,957,005</u>	<u>22</u>	Common stock (Note 6(20))	23,690,730	29	23,690,730	30	23,690,730	34
							Capital surplus						
							Premium from stock issuance	1,940,208	2	1,940,208	2	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
							Retained earnings						
							Legal reserve	605,958	1	605,958	1	500,532	1
							Special reserve	1,628,318	2	1,628,318	2	1,281,093	2
							Unappropriated earnings (Note 6(19))	1,902,756	2	1,423,960	2	1,039,153	2
							Exchange differences on translation of foreign operations	12,972	-	(19,525)	-	(19,511)	-
							Unrealized gain or loss on available-for-sale financial assets	11,092	-	12,603	-	(2,627)	-
								<u>30,557,299</u>	<u>37</u>	<u>30,047,517</u>	<u>38</u>	<u>29,194,843</u>	<u>43</u>
								836,380	1	819,676	1	763,971	1
							Non-controlling Interests						
							Total Equity	<u>31,393,679</u>	<u>38</u>	<u>30,867,193</u>	<u>39</u>	<u>29,958,814</u>	<u>44</u>
TOTAL ASSETS	<u>\$ 81,582,290</u>	<u>100</u>	<u>77,937,051</u>	<u>100</u>	<u>68,739,027</u>	<u>100</u>	TOTAL LIABILITIES AND EQUITY	<u>\$ 81,582,290</u>	<u>100</u>	<u>77,937,051</u>	<u>100</u>	<u>68,739,027</u>	<u>100</u>

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

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

	Jan. 1~ Mar. 31, 2014		Jan. 1~ Mar. 31, 2013	
	Amount	%	Amount	%
Income:				
Brokerage commissions (Note 6(22))	\$ 861,950	52	730,337	53
Revenues from securities business money lending	16	-	22	-
Revenues from securities lending	13,674	1	34,039	2
Underwriting commissions (Note 6(22))	41,952	3	75,318	6
Commissions on wealth management business	10,306	1	707	-
Gains (loss) on sale of trading securities (Note 6(22))	461,974	28	66,060	5
Securities management, distribution, and management fees	34,344	2	35,856	3
Interest revenue (Note 6(22))	339,887	20	287,124	21
Gain (loss) on measurement of trading securities at fair value through profit or loss	113,460	7	79,587	6
Gain (loss) on covering of borrowed securities and bonds with resale agreements	(40,822)	(2)	6,980	-
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	22,840	1	7,791	1
Gain (loss) on stock warrants issued (Notes 6(22) and 6(24))	(96,175)	(6)	84,305	6
Futures commission revenues	15,936	1	21,161	2
Commission from consignment of clearing and settlement	-	-	2,564	-
Gain (loss) on derivative financial instruments - futures (Note 6(24))	981	-	(4,619)	-
Gain (loss) on derivative financial instruments - OTC (Note 6(24))	(157,953)	(10)	(102,222)	(8)
Futures administrative revenues	-	-	2	-
Management fee revenues	64	-	43	-
Advisory commissions	2,047	-	3,255	-
Other operating revenues	32,923	2	37,474	3
	<u>1,657,404</u>	<u>100</u>	<u>1,365,784</u>	<u>100</u>
Expenses:				
Brokerage fees	75,673	5	69,832	5
Brokerage and clearing fees - proprietary trading	5,524	-	5,629	-
Clearing and exchange fees - refinancing	860	-	611	-
Clearing and exchange fees - underwriting	1,010	-	125	-
Financial costs	40,569	2	29,486	2
Commission expense - futures	34,008	2	26,130	2
Clearing and settlement expenses	20,092	1	30,305	2
Other operating expenditure	1,773	-	499	-
Employee benefits expenses (Note 6(22))	631,575	38	627,579	46
Depreciation & amortization expenses (Note 6(22))	58,164	4	57,500	4
Other operating expenses (Note 6(22))	328,855	20	321,510	24
	<u>1,198,103</u>	<u>72</u>	<u>1,169,206</u>	<u>85</u>
Other income and expenses				
Share of profits of associates and joint venture (Note 6(6))	14,864	1	21,044	2
Other gains and losses (Note 6(22))	89,621	5	136,137	10
	<u>104,485</u>	<u>6</u>	<u>157,181</u>	<u>12</u>
Income before tax	<u>563,786</u>	<u>34</u>	<u>353,759</u>	<u>27</u>
Income tax expense (Note 6(19))	<u>(68,879)</u>	<u>(4)</u>	<u>(48,014)</u>	<u>(4)</u>
Net income	<u>494,907</u>	<u>30</u>	<u>305,745</u>	<u>23</u>
Other comprehensive income :				
Exchange differences on translation of foreign operations	41,051	2	46,728	3
Unrealized gain or loss on available-for-sale financial assets	(2,493)	-	34,390	3
Income tax benefit related to components of other comprehensive income (Note 6(19))	(6,979)	-	(7,944)	(1)
Other comprehensive income for the period, net of income tax	<u>31,579</u>	<u>2</u>	<u>73,174</u>	<u>5</u>
Total comprehensive income for the period	<u>\$ 526,486</u>	<u>32</u>	<u>378,919</u>	<u>28</u>
Total income attributable to :				
Shareholders of the parent	\$ 478,796	29	288,474	22
Non-controlling interests	16,111	1	17,271	1
	<u>\$ 494,907</u>	<u>30</u>	<u>305,745</u>	<u>23</u>
Total comprehensive income attributable to :				
Shareholders of the parent	\$ 509,782	31	355,733	26
Non-controlling interests	16,704	1	23,186	2
	<u>\$ 526,486</u>	<u>32</u>	<u>378,919</u>	<u>28</u>
Basic earnings per share (Note 6(21))	<u>\$ 0.20</u>		<u>0.12</u>	
Diluted earnings per share (Note 6(21))	<u>\$ 0.20</u>		<u>0.12</u>	

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended March 31, 2014 and 2013
(New Taiwan Dollars in Thousands)
(Unaudited)

	Equity attributable to shareholders of the parent									non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Others		Equity attributable to shareholders of the parent			
			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	740,785	29,579,895	
Net income for the three months ended March 31, 2013	-	-	-	-	288,474	-	-	288,474	17,271	305,745	
Other comprehensive income for the three months ended March 31, 2013	-	-	-	-	-	37,127	30,132	67,259	5,915	73,174	
Total comprehensive income for the three months ended March 31, 2013	-	-	-	-	288,474	37,127	30,132	355,733	23,186	378,919	
Balance, March 31, 2013	\$ 23,690,730	2,705,473	500,532	1,281,093	1,039,153	(19,511)	(2,627)	29,194,843	763,971	29,958,814	
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	819,676	30,867,193	
Net income for the three months ended March 31, 2014	-	-	-	-	478,796	-	-	478,796	16,111	494,907	
Other comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	32,497	(1,511)	30,986	593	31,579	
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	478,796	32,497	(1,511)	509,782	16,704	526,486	
Balance, March 31, 2014	\$ 23,690,730	2,705,473	605,958	1,628,318	1,902,756	12,972	11,092	30,557,299	836,380	31,393,679	

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2014 and 2013
(New Taiwan Dollars in Thousands)
(Unaudited)

	Jan. 1- Mar. 31, 2014	Jan. 1- Mar. 31, 2013
Cash flows from operating activities:		
Income before income tax for the period	\$ 563,786	353,759
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	47,426	49,217
Amortization expense	10,738	9,848
Reversal of allowance on bad debts	-	(30)
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	(113,460)	(87,378)
Interest expenses	40,569	29,486
Net Loss (gain) on non-operating financial instruments at fair value through profit or loss	48,315	(2,775)
Amortization of discount on commercial paper payable - long term	-	106
Share of profits of associates and joint venture	(14,864)	(21,044)
Loss (gain) on disposal of property and equipment	(2,999)	-
Net changes of Income and expenses having no effects on cash flows	<u>15,725</u>	<u>(22,570)</u>
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(4,639,078)	1,371,926
Decrease (increase) in available-for-sale financial assets	-	101,233
Decrease (increase) in bonds purchased under resale agreements	(1,524,076)	472,894
Decrease (increase) in receivable for securities provided as collateral	(1,488,216)	(546,756)
Decrease (increase) in refinancing margin	96,223	12,751
Decrease (increase) in receivable on refinancing collateral	76,389	17,407
Decrease (increase) in customers margin account	161,383	562,968
Decrease (increase) in collateral for securities borrowed	246,781	131,958
Decrease (increase) in security borrowing margin	1,037,075	(742,094)
Decrease (increase) in notes receivable	873	5,745
Decrease (increase) in accounts receivable	237,225	(1,849,262)
Decrease (increase) in prepayments	13,895	4,352
Decrease (increase) in other receivables	8,712	118,922
Decrease (increase) in other financial assets - current	-	(98)
Decrease (increase) in current tax assets	119	-
Decrease (increase) in guaranty deposited for business operations	5,351	(9,476)
Decrease (increase) in settlement fund	14,304	(33,069)
Decrease (increase) in refundable deposits	150,792	(225)
Decrease (increase) in other current assets	460,457	76,847
Decrease (increase) in other non-current assets	(1,080)	21,907
Changes in operating assets:	<u>(5,142,871)</u>	<u>(282,070)</u>
Net changes of operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	1,473,381	1,982,702
Increase (decrease) in bonds sold under repurchase agreements	2,421,468	(1,130,428)
Increase (decrease) in guaranty deposited for short sales	(915,600)	(911,133)
Increase (decrease) in proceeds payable from short sales	(1,295,128)	(1,316,068)
Increase (decrease) in securities lending refundable deposits	(1,020,315)	(415,605)
Increase (decrease) in futures traders' equity	(168,081)	(554,000)
Increase (decrease) in notes payable	(387)	(606)
Increase (decrease) in accounts payable	1,231,596	(425,449)
Increase (decrease) in advance receipts	(132,656)	(2,762)
Increase (decrease) in receipts under custody	(425,181)	(6,537)
Increase (decrease) in other payables	(198,501)	(218,024)
Increase (decrease) in other current liabilities	73,335	(4,649)
Increase (decrease) in other financial liabilities	(184,329)	(281,544)
Increase (decrease) in guarantee deposits received	2,992	(102)
Increase (decrease) in accrued pension liabilities	(92)	(1,438)
Increase (decrease) in other non-current liabilities	-	(19,114)
Changes in operating liabilities:	<u>862,502</u>	<u>(3,304,757)</u>
Net changes in operating assets and liabilities:	<u>(4,280,369)</u>	<u>(3,586,827)</u>
Total Cash generated from adjustment items	<u>(4,264,644)</u>	<u>(3,609,397)</u>
Cash generated by operating activities	(3,700,858)	(3,255,638)
Interest paid	(40,915)	(55,394)
Income tax paid	(7,487)	(309,011)
Net cash provided by (used in) operating activities	<u>(3,749,260)</u>	<u>(3,620,043)</u>
Cash flows from investing activities:		
Increase (decrease) in financial assets carried at cost	23,395	-
Increase in deferred debits	(266)	(274)
Proceeds from disposal of property and equipment	5,849	-
Acquisitions of property and equipment	(19,595)	(9,940)
Acquisitions of intangible assets	(8,520)	(3,661)
Net cash provided by (used in) investing activities	<u>863</u>	<u>(13,875)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(400,000)	1,602,000
Increase in commercial paper payable	2,899,197	-
Increase in long-term borrowings	-	400,000
Net cash provided by (used in) financing activities	<u>2,499,197</u>	<u>2,002,000</u>
Effect of exchange rate changes on cash and cash equivalents	<u>34,422</u>	<u>43,353</u>
Increase (decrease) in cash and cash equivalents	<u>(1,214,778)</u>	<u>(1,588,565)</u>
Cash and cash equivalents, beginning of the year	<u>4,554,344</u>	<u>5,408,513</u>
Cash and cash equivalents, end of this period	<u>\$ 3,339,566</u>	<u>3,819,948</u>

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