

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

ASSETS	(Unaudited) September 30, 2014		December 31, 2013		(Unaudited) September 30, 2013		LIABILITIES AND EQUITY	(Unaudited) September 30, 2014		December 31, 2013		(Unaudited) September 30, 2013	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets							Current Liabilities						
Cash and cash equivalents (Note 6(1))	\$ 3,692,345	4	4,554,344	6	3,995,127	5	Short-term borrowings (Note 6(10))	\$ 3,488,794	4	2,019,000	3	5,096,519	6
Financial assets at fair value through profit or loss - current (Note 6(2))	25,810,306	30	20,303,606	26	18,637,314	23	Commercial paper payable (Note 6(11))	4,499,026	5	2,299,582	3	1,399,660	2
Available-for-sale financial assets - current (Note 6(2))	-	-	-	-	11,951	-	Financial liabilities at fair value through profit or loss - current (Note 6(12))	3,306,284	4	1,358,286	2	3,572,033	4
Bonds purchased under resale agreements (Notes 6(3) and 8)	489,820	1	558,394	1	531,731	1	Bonds sold under repurchase agreements (Note 6(13))	13,537,852	16	13,115,259	17	13,940,183	17
Receivable for securities provided as collateral	21,456,357	25	17,887,398	23	20,255,443	25	Guaranty deposited for short sales	2,246,353	3	2,366,747	3	1,995,844	3
Refinancing margin	7,299	-	190,114	-	29,202	-	Proceeds payable from short sales	2,623,430	3	3,008,916	4	2,399,697	3
Receivable on refinancing collateral	7,728	-	158,152	-	39,083	-	Securities lending refundable deposits	1,134,389	1	1,779,917	2	2,567,375	3
Receivable for securities lending and borrowing	370	-	-	-	-	-	Futures traders' equity (Note 6(14))	10,903,130	13	8,604,857	11	8,632,246	11
Customers margin account (Note 6(5))	11,041,122	13	8,649,790	11	8,678,934	11	Notes payable	1,044	-	858	-	1,227	-
Collateral for securities borrowed	397,940	-	369,830	1	288,106	-	Accounts payable (Note 6(15))	6,423,404	7	7,681,332	10	4,554,489	6
Securities borrowing margin	370,694	-	1,288,233	2	2,105,045	3	Advance receipts	13,854	-	150,905	-	12,740	-
Notes receivable	5,439	-	8,556	-	2,644	-	Receipts under custody	1,859,883	2	562,918	1	1,810,532	2
Accounts receivable (Note 6(4))	6,114,153	7	7,857,896	10	8,483,924	11	Other payables	1,043,748	1	855,360	1	711,202	1
Prepayments	46,351	-	44,625	-	50,770	-	Other financial liabilities - current (Note 6(24))	1,355,049	2	289,377	-	211,036	-
Other receivables	35,858	-	49,193	-	57,092	-	Current income tax liabilities	175,688	-	257,890	-	505,732	1
Other financial assets - current (Note 6(24))	-	-	-	-	108	-	Provisions - current (Note 6(18))	46,900	-	46,900	-	47,539	-
Current income tax assets	22,089	-	22,208	-	38,435	-	Other current liabilities	17,758	-	5,323	-	9,011	-
Other current assets	2,418,854	3	1,146,631	1	2,273,741	3		<u>52,676,586</u>	<u>61</u>	<u>44,403,427</u>	<u>57</u>	<u>47,467,065</u>	<u>59</u>
	<u>71,916,725</u>	<u>83</u>	<u>63,088,970</u>	<u>81</u>	<u>65,478,650</u>	<u>82</u>							
Non-current Assets							Non-current Liabilities						
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	207,783	-	208,135	-	208,257	-	Other financial liabilities - non-current (Note 6(24))	543,250	1	1,399,141	2	1,168,141	1
Financial assets carried at cost - non-current (Note 6(2))	419,981	1	667,167	1	667,167	1	Deferred income tax liabilities	566,195	1	453,839	1	456,579	1
Available-for-sale financial assets - non-current (Note 6(2))	74,198	-	71,334	-	66,640	-	Guarantee deposits received	23,000	-	17,425	-	16,008	-
Investments accounted for under equity method (Note 6(6))	88,600	-	89,488	-	77,398	-	Accrued pension liabilities - non-current	454,645	1	455,087	1	463,045	1
Property and equipment (Notes 6(7) and 8)	5,428,172	6	6,266,465	8	6,304,661	8	Other non-current liabilities	337,611	-	340,939	-	341,997	-
Investment property (Notes 6(8) and 8)	1,648,044	2	857,598	1	859,149	1		<u>1,924,701</u>	<u>3</u>	<u>2,666,431</u>	<u>4</u>	<u>2,445,770</u>	<u>3</u>
Intangible Assets (Note 6(9))	3,585,739	4	3,600,204	5	3,592,790	4	Total Liabilities	<u>54,601,287</u>	<u>64</u>	<u>47,069,858</u>	<u>61</u>	<u>49,912,835</u>	<u>62</u>
Deferred income tax assets	671,781	1	783,007	1	878,396	1							
Other non-current assets	2,205,006	3	2,304,683	3	2,113,461	3	Equity Attributable to Shareholders of the Parent						
	<u>14,329,304</u>	<u>17</u>	<u>14,848,081</u>	<u>19</u>	<u>14,767,919</u>	<u>18</u>	Common stock (Note 6(20))	23,690,730	27	23,690,730	30	23,690,730	30
TOTAL ASSETS	<u>\$ 86,246,029</u>	<u>100</u>	<u>77,937,051</u>	<u>100</u>	<u>80,246,569</u>	<u>100</u>	Capital surplus						
							Premium from stock issuance	1,940,208	2	1,940,208	2	1,940,208	2
							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	2	1,628,318	2	1,628,318	2
							Unappropriated earnings (Note 6(19))	1,632,574	2	1,423,960	2	932,159	1
							Exchange differences on translation of foreign operations	9,984	-	(19,525)	-	(31,129)	-
							Unrealized gain or loss on available-for-sale financial assets	14,180	-	12,603	-	10,214	-
								<u>30,568,790</u>	<u>35</u>	<u>30,047,517</u>	<u>38</u>	<u>29,541,723</u>	<u>37</u>
								<u>1,075,952</u>	<u>1</u>	<u>819,676</u>	<u>1</u>	<u>792,011</u>	<u>1</u>
							Total Equity	<u>31,644,742</u>	<u>36</u>	<u>30,867,193</u>	<u>39</u>	<u>30,333,734</u>	<u>38</u>
							TOTAL LIABILITIES AND EQUITY	<u>\$ 86,246,029</u>	<u>100</u>	<u>77,937,051</u>	<u>100</u>	<u>80,246,569</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)

	July 1~ Sept. 30, 2014		July 1~ Sept. 30, 2013		Jan. 1~ Sept. 30, 2014		Jan. 1~ Sept. 30, 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Income:								
Brokerage commissions (Note 6(22))	\$ 975,754	56	807,474	54	2,774,303	53	2,348,993	54
Revenues from securities business money lending	15	-	12	-	53	-	45	-
Revenues from securities lending	9,796	1	16,244	1	33,524	1	68,347	2
Underwriting commissions (Note 6(22))	50,329	3	32,713	2	128,907	2	174,735	4
Commissions on wealth management business	12,299	1	6,017	-	32,788	1	8,660	-
Gains (loss) on sale of trading securities (Note 6(22))	(152,715)	(8)	84,692	6	832,784	16	224,511	5
Securities management, distribution, and management fees	35,250	2	34,659	2	104,421	2	105,616	2
Interest revenue (Note 6(22))	375,853	21	316,654	21	1,071,085	20	906,475	21
Dividend revenue	218,570	12	82,778	6	247,962	5	86,044	2
Gain (loss) on measurement of trading securities at fair value through profit or loss	(702,689)	(40)	142,787	10	(450,061)	(9)	90,889	2
Gain (loss) on covering of borrowed securities and bonds with resale agreements	6,709	-	(15,156)	(1)	(58,028)	(1)	(2,074)	-
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	(9,525)	(1)	(869)	-	36,977	1	12,374	-
Gain (loss) on stock warrants issued (Notes 6(22) & 6(24))	687,579	39	36,273	2	404,345	8	216,150	5
Futures commission revenues	22,791	1	19,104	1	55,243	1	62,608	2
Commission from consignment of clearing and settlement	-	-	3,192	-	-	-	8,831	-
Gain (loss) on derivative financial instruments - futures (Note 6(24))	110,958	6	4,447	-	20,860	-	86,226	2
Gain (loss) on derivative financial instruments - OTC (Note 6(24))	74,283	5	(99,016)	(7)	(91,367)	(2)	(161,512)	(4)
Futures administrative revenues	-	-	3	-	-	-	8	-
Management fee revenues	41	-	48	-	193	-	133	-
Advisory commissions	1,985	-	1,483	-	6,337	-	6,349	-
Other operating revenues	34,155	2	34,851	3	100,093	2	109,214	3
	<u>1,751,438</u>	<u>100</u>	<u>1,508,390</u>	<u>100</u>	<u>5,250,419</u>	<u>100</u>	<u>4,352,622</u>	<u>100</u>
Expenses:								
Brokerage fees	95,487	6	84,686	6	254,515	5	229,295	5
Brokerage and clearing fees - proprietary trading	7,026	-	4,865	-	16,837	-	16,215	1
Clearing and exchange fees - refinancing	136	-	598	-	1,211	-	1,439	-
Clearing and exchange fees - underwriting	1,417	-	222	-	2,912	-	1,166	-
Financial costs	47,095	3	36,402	2	130,272	3	101,895	2
Commission expense - futures	49,716	3	27,682	2	115,457	2	103,579	3
Clearing and settlement expenses	31,937	2	19,031	1	72,561	2	82,580	2
Other operating expenditure	8,495	1	1,187	-	12,178	-	4,111	-
Employee benefits expenses (Note 6(22))	646,067	37	647,845	43	1,975,893	38	1,922,469	44
Depreciation & amortization expenses (Note 6(22))	53,656	3	54,667	4	166,974	3	169,219	4
Other operating expenses (Note 6(22))	373,536	21	325,135	22	1,064,695	20	965,242	22
	<u>1,314,568</u>	<u>76</u>	<u>1,202,320</u>	<u>80</u>	<u>3,813,505</u>	<u>73</u>	<u>3,597,210</u>	<u>83</u>
Other income and expenses								
Share of profits of associates and joint venture (Note 6(6))	16,199	1	13,117	1	49,061	1	43,631	1
Other gains and losses (Note 6(22))	135,371	8	173,931	12	325,770	6	417,519	10
	<u>151,570</u>	<u>9</u>	<u>187,048</u>	<u>13</u>	<u>374,831</u>	<u>7</u>	<u>461,150</u>	<u>11</u>
Income before tax	<u>588,440</u>	<u>33</u>	<u>493,118</u>	<u>33</u>	<u>1,811,745</u>	<u>34</u>	<u>1,216,562</u>	<u>28</u>
Income tax expense (Note 6(19))	<u>(76,285)</u>	<u>(4)</u>	<u>(31,637)</u>	<u>(2)</u>	<u>(184,807)</u>	<u>(4)</u>	<u>(153,079)</u>	<u>(4)</u>
Net income	<u>512,155</u>	<u>29</u>	<u>461,481</u>	<u>31</u>	<u>1,626,938</u>	<u>30</u>	<u>1,063,483</u>	<u>24</u>
Other comprehensive income :								
Exchange differences on translation of foreign operations	34,871	2	(26,075)	(2)	35,113	1	32,119	1
Unrealized gain or loss on available-for-sale financial assets	7,828	-	(2,776)	-	1,240	-	51,404	1
Income tax benefit related to components of other comprehensive income (Note 6(19))	(6,252)	-	4,433	-	(6,293)	-	(5,460)	-
Other comprehensive income for the period, net of income tax	<u>36,447</u>	<u>2</u>	<u>(24,418)</u>	<u>(2)</u>	<u>30,060</u>	<u>1</u>	<u>78,063</u>	<u>2</u>
Total comprehensive income for the period	<u>\$ 548,602</u>	<u>31</u>	<u>437,063</u>	<u>29</u>	<u>1,656,998</u>	<u>31</u>	<u>1,141,546</u>	<u>26</u>
Total income attributable to :								
Shareholders of the parent	\$ 461,641	26	434,106	29	1,549,840	29	989,492	22
Non-controlling interests	50,514	3	27,375	2	77,098	1	73,991	2
	<u>\$ 512,155</u>	<u>29</u>	<u>461,481</u>	<u>31</u>	<u>1,626,938</u>	<u>30</u>	<u>1,063,483</u>	<u>24</u>
Total comprehensive income attributable to :								
Shareholders of the parent	\$ 495,163	28	411,731	27	1,580,926	30	1,057,974	24
Non-controlling interests	53,439	3	25,332	2	76,072	1	83,572	2
	<u>\$ 548,602</u>	<u>31</u>	<u>437,063</u>	<u>29</u>	<u>1,656,998</u>	<u>31</u>	<u>1,141,546</u>	<u>26</u>
Basic earnings per share (Note 6(21))	<u>\$</u>	<u>0.19</u>	<u>0.19</u>		<u>0.65</u>		<u>0.42</u>	
Diluted earnings per share (Note 6(21))	<u>\$</u>	<u>0.19</u>	<u>0.19</u>		<u>0.65</u>		<u>0.42</u>	

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended September 30, 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 nine months ended September 30, 2013	-	-	-	-	989,492	-	-	989,492	73,991	1,063,483
Other comprehensive income for the nine months ended September 30, 2013	-	-	-	-	-	25,509	42,973	68,482	9,581	78,063
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	989,492	25,509	42,973	1,057,974	83,572	1,141,546
Appropriations of prior year's earnings :										
Legal reserve	-	-	105,426	-	(105,426)	-	-	-	-	-
Special reserve	-	-	-	347,225	(347,225)	-	-	-	-	-
Cash dividends	-	-	-	-	(355,361)	-	-	(355,361)	(32,346)	(387,707)
Balance, September 30, 2013	\$ 23,690,730	2,705,473	605,958	1,628,318	932,159	(31,129)	10,214	29,541,723	792,011	30,333,734
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 nine months ended September 30, 2014	-	-	-	-	1,549,840	-	-	1,549,840	77,098	1,626,938
Other comprehensive income for the nine months ended September 30, 2014	-	-	-	-	-	29,509	1,577	31,086	(1,026)	30,060
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	1,549,840	29,509	1,577	1,580,926	76,072	1,656,998
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)	(73,438)	(1,139,521)
Difference between consideration and carrying amount of subsidiaries disposed	-	143	-	-	-	-	-	143	-	143
Changes in ownership interests in subsidiaries	-	6,287	-	-	-	-	-	6,287	-	6,287
Reversal of special reserve for deduction of stockholders' equity	-	-	-	(166,392)	166,392	-	-	-	-	-
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	253,642	253,642
Balance, September 30, 2014	\$ 23,690,730	2,711,903	753,136	1,756,283	1,632,574	9,984	14,180	30,568,790	1,075,952	31,644,742

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

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

	(Unaudited)	
	Jan. 1– Sept. 30, 2014	Jan. 1– Sept. 30, 2013
Cash flows from operating activities:		
Income before income tax for the period	\$ 1,811,745	1,216,562
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	137,111	140,739
Amortization expense	29,863	28,480
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	450,061	(90,889)
Net Loss (gain) on non-operating financial instruments at fair value through profit or loss	126,683	(16,161)
Interest expenses	130,272	101,895
Interest revenue	(1,159,780)	(987,273)
Dividend income	(452,980)	(120,997)
Cash dividend received from long-term investments under equity method	49,950	44,517
Share of profits of associates and joint venture	(49,061)	(43,631)
Loss (gain) on disposal of property and equipment	(2,999)	183
Reversal of allowance on bad debts	-	(75)
Share based payments	6,604	-
Net changes of Income and expenses having no effects on cash flows	(734,276)	(943,212)
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(6,914,745)	(3,903,568)
Decrease (increase) in available-for-sale financial assets	-	214,454
Decrease (increase) in bonds purchased under resale agreements	68,574	1,199,670
Decrease (increase) in receivable for securities provided as collateral	(3,568,959)	(4,338,578)
Decrease (increase) in refinancing margin	182,815	(15,759)
Decrease (increase) in receivable on refinancing collateral	150,424	(20,045)
Decrease (increase) in receivable on securities business money lending	(370)	-
Decrease (increase) in customers margin account	(2,044,931)	731,145
Decrease (increase) in collateral for securities borrowed	(28,110)	33,480
Decrease (increase) in security borrowing margin	917,539	(1,030,223)
Decrease (increase) in notes receivable	3,117	6,649
Decrease (increase) in accounts receivable	1,774,575	(3,206,239)
Decrease (increase) in prepayments	(1,697)	(7,190)
Decrease (increase) in other receivables	23,687	106,269
Decrease (increase) in current tax assets	119	20,514
Decrease (increase) in other current assets	(1,266,174)	(1,584,657)
Decrease (increase) in guaranty deposited for business operations	44,813	12,607
Decrease (increase) in settlement fund	18,781	(43,385)
Decrease (increase) in refundable deposits	14,378	-
Decrease (increase) in other non-current assets	2,565	16,673
Changes in operating assets:	(10,623,599)	(11,808,183)
Net changes of operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	2,182,532	1,768,913
Increase (decrease) in bonds sold under repurchase agreements	422,593	2,611,014
Increase (decrease) in guaranty deposited for short sales	(120,394)	(539,377)
Increase (decrease) in proceeds payable from short sales	(385,486)	(994,945)
Increase (decrease) in securities lending refundable deposits	(645,528)	779,830
Increase (decrease) in futures traders' equity	1,945,145	(728,756)
Increase (decrease) in notes payable	186	150
Increase (decrease) in accounts payable	(648,415)	(251,607)
Increase (decrease) in advance receipts	(137,051)	2,622
Increase (decrease) in receipts under custody	1,296,965	1,677,526
Increase (decrease) in other payables	246,202	(101,087)
Increase (decrease) in other financial liabilities	209,781	(253,551)
Increase (decrease) in other current liabilities	17,970	(282)
Increase (decrease) in guarantee deposits received	5,575	(210)
Increase (decrease) in accrued pension liabilities	(443)	(1,783)
Increase (decrease) in other non-current liabilities	(3,328)	(19,113)
Changes in operating liabilities:	4,386,304	3,929,344
Net changes in operating assets and liabilities:	(6,237,295)	(7,878,839)
Total Cash generated from adjustment items	(6,971,571)	(8,822,051)
Cash generated by operating activities	(5,159,826)	(7,605,489)
Interest received	1,139,038	1,027,742
Dividend received	432,650	106,365
Interest paid	(188,437)	(146,112)
Income tax paid	(50,110)	(604,842)
Net cash provided by (used in) operating activities	(3,826,685)	(7,222,336)
Cash flows from investing activities:		
Proceeds from capital reduction of financial assets carried at cost	247,186	10,000
Increase in deferred debits	(1,751)	(1,035)
Acquisitions of property and equipment	(84,633)	(28,847)
Proceeds from disposal of property and equipment	5,848	-
Acquisitions of intangible assets	(11,831)	(9,620)
Net cash provided by (used in) investing activities	154,819	(29,502)
Cash flows from financing activities:		
Increase in short-term borrowings	1,469,794	5,096,519
Decrease in long-term liabilities - current portion	-	(299,881)
Increase in commercial paper payable	2,199,444	1,399,660
Cash dividends	(1,139,521)	(387,707)
Proceeds from issuing shares of subsidiaries	226,013	-
Disposal of ownership interests in subsidiaries without losing control	24,034	-
Net cash provided by (used in) financing activities	2,779,764	5,808,591
Effect of exchange rate changes on cash and cash equivalents	30,103	29,861
Increase (decrease) in cash and cash equivalents	(861,999)	(1,413,386)
Cash and cash equivalents, beginning of the year	4,554,344	5,408,513
Cash and cash equivalents, end of this period	<u>\$ 3,692,345</u>	<u>3,995,127</u>

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