

**CAPITAL SECURITIES CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2014 and 2013  
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	December 31, 2014		December 31, 2013		LIABILITIES AND EQUITY	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash and cash equivalents (Note 6(1))	\$ 4,227,583	5	4,554,344	6	Short-term borrowings (Note 6(10))	\$ 2,657,000	3	2,019,000	3
Financial assets at fair value through profit or loss - current (Note 6(2))	25,075,152	30	20,303,606	26	Commercial paper payable (Note 6(11))	1,749,717	2	2,299,582	3
Bonds purchased under resale agreements (Notes 6(3) and 8)	-	-	558,394	1	Financial liabilities at fair value through profit or loss - current (Note 6(12))	2,408,410	3	1,358,286	2
Receivable for securities provided as collateral	19,569,465	23	17,887,398	23	Bonds sold under repurchase agreements (Note 6(13))	14,610,182	17	13,115,259	17
Refinancing margin	15,527	-	190,114	-	Guaranty deposited for short sales	2,231,990	3	2,366,747	3
Receivable on refinancing collateral	24,434	-	158,152	-	Proceeds payable from short sales	2,593,973	3	3,008,916	4
Customers margin account (Note 6(5))	11,844,443	14	8,649,790	11	Securities lending refundable deposits	2,254,764	3	1,779,917	2
Collateral for securities borrowed	649,413	1	369,830	1	Futures traders' equity (Note 6(14))	11,743,420	14	8,604,857	11
Securities borrowing margin	593,827	1	1,288,233	2	Notes payable	1,146	-	858	-
Notes receivable	4,024	-	8,556	-	Accounts payable (Note 6(15))	5,870,521	7	7,681,332	10
Accounts receivable (Note 6(4))	6,759,882	8	7,857,896	10	Advance receipts	19,833	-	150,905	-
Prepayments	38,819	-	44,625	-	Receipts under custody	125,703	-	562,918	1
Other receivables	83,019	-	49,193	-	Other payables	827,935	1	855,360	1
Current income tax assets	35,560	-	22,208	-	Other financial liabilities - current ( Note 6(24))	2,140,965	3	289,377	-
Other current assets	610,381	1	1,146,631	1	Current income tax liabilities	198,131	-	257,890	-
	<u>69,531,529</u>	<u>83</u>	<u>63,088,970</u>	<u>81</u>	Provisions - current (Note 6(18))	46,793	-	46,900	-
					Long-term liabilities - current portion (Note 6(16))	500,000	1	-	-
					Other current liabilities	15,777	-	5,323	-
						<u>49,996,260</u>	<u>60</u>	<u>44,403,427</u>	<u>57</u>
<b>Non-current Assets</b>					<b>Non-current Liabilities</b>				
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	189,262	-	208,135	-	Other financial liabilities - non-current (Note 6(24))	112,565	-	1,399,141	2
Financial assets carried at cost - non-current (Note 6(2))	419,981	1	667,167	1	Deferred income tax liabilities (Note 6(19))	543,990	1	453,839	1
Available-for-sale financial assets - non-current (Note 6(2))	85,587	-	71,334	-	Other non-current liabilities (Note 6(18))	833,408	1	813,451	1
Investments accounted for under equity method (Note 6(6))	103,266	-	89,488	-		<u>1,489,963</u>	<u>2</u>	<u>2,666,431</u>	<u>4</u>
Property and equipment (Notes 6(7) and 8)	5,390,207	6	6,266,465	8	<b>Total Liabilities</b>	<u>51,486,223</u>	<u>62</u>	<u>47,069,858</u>	<u>61</u>
Investment property (Notes 6(8) and 8)	1,663,945	2	857,598	1	<b>Equity Attributable to Shareholders of the Parent</b>				
Intangible Assets (Note 6(9))	3,605,104	4	3,600,204	5	Common stock (Note 6(20))	23,690,730	28	23,690,730	30
Deferred income tax assets (Note 6(19))	581,309	1	783,007	1	Capital surplus				
Other non-current assets	2,118,153	3	2,304,683	3	Premium from stock issuance	1,940,208	2	1,940,208	2
	<u>14,156,814</u>	<u>17</u>	<u>14,848,081</u>	<u>19</u>	Treasury stock transactions	107,031	-	107,031	-
					Paid-in capital from merger	658,234	1	658,234	1
					Changes in ownership interests in subsidiaries	6,287	-	-	-
					Retained earnings				
					Legal reserve	753,136	1	605,958	1
					Special reserve	1,756,283	2	1,628,318	2
					Unappropriated earnings (Note 6(19))	2,089,222	3	1,423,960	2
					Exchange differences on translation of foreign operations	76,558	-	(19,525)	-
					Unrealized gain or loss on available-for-sale financial assets	20,791	-	12,603	-
						<u>31,098,480</u>	<u>37</u>	<u>30,047,517</u>	<u>38</u>
					<b>Non-controlling Interests</b>	<u>1,103,640</u>	<u>1</u>	<u>819,676</u>	<u>1</u>
					<b>Total Equity</b>	<u>32,202,120</u>	<u>38</u>	<u>30,867,193</u>	<u>39</u>
<b>TOTAL ASSETS</b>	<b>\$ 83,688,343</b>	<b>100</b>	<b>77,937,051</b>	<b>100</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 83,688,343</b>	<b>100</b>	<b>77,937,051</b>	<b>100</b>

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

**CAPITAL SECURITIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Years Ended December 31, 2014 and 2013**  
**(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)**

	2014		2013	
	Amount	%	Amount	%
<b>Income:</b>				
Brokerage commissions (Note 6(22))	\$ 3,648,062	53	3,167,155	53
Revenues from securities business money lending	75	-	63	-
Revenues from securities lending	46,225	1	89,063	2
Underwriting commissions (Note 6(22))	169,368	3	284,510	5
Commissions on wealth management business	45,947	1	16,137	-
Gains (loss) on sale of trading securities (Note 6(22))	564,874	8	393,595	7
Securities management, distribution, and management fees	138,359	2	140,146	2
Interest revenue (Note 6(22))	1,447,536	21	1,231,288	21
Dividend revenue	252,244	4	92,078	2
Gain (loss) on measurement of trading securities at fair value through profit or loss (Note 6(22))	(46,447)	(1)	274,843	5
Gain (loss) on covering of borrowed securities and bonds with resale agreements	(73,360)	(1)	(23,123)	-
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	640	-	(29,973)	(1)
Gain (loss) on stock warrants issued (Notes 6(22) and 6(24))	620,898	9	244,901	4
Futures commission revenues	84,256	1	85,893	1
Commission from consignment of clearing and settlement	-	-	12,656	-
Gain (loss) on derivative financial instruments - futures (Note 6(24))	(123,687)	(2)	88,248	1
Gain (loss) on derivative financial instruments - OTC (Note 6(24))	(45,491)	(1)	(244,893)	(4)
Futures administrative revenues	-	-	11	-
Management fee revenues	249	-	179	-
Advisory commissions	9,068	-	7,909	-
Other operating revenues	130,060	2	143,408	2
	<u>6,868,876</u>	<u>100</u>	<u>5,974,094</u>	<u>100</u>
<b>Expenses:</b>				
Brokerage fees	344,588	5	306,954	5
Brokerage and clearing fees - proprietary trading	23,377	-	21,224	-
Clearing and exchange fees - refinancing	1,977	-	2,136	-
Clearing and exchange fees - underwriting	3,954	-	3,008	-
Financial costs	178,760	3	141,091	3
Commission expense - futures	158,556	2	131,450	2
Clearing and settlement expenses	103,223	2	106,623	2
Other operating expenditure	13,287	-	5,696	-
Employee benefits expenses (Note 6(22))	2,588,102	38	2,575,780	43
Depreciation & amortization expenses (Note 6(22))	221,110	3	225,923	4
Other operating expenses (Note 6(22))	1,425,239	21	1,315,619	22
	<u>5,062,173</u>	<u>74</u>	<u>4,835,504</u>	<u>81</u>
<b>Other income and expenses</b>				
Share of profits of associates and joint venture (Note 6(6))	63,728	1	55,722	1
Other gains and losses (Note 6(22))	562,270	8	599,565	10
	<u>625,998</u>	<u>9</u>	<u>655,287</u>	<u>11</u>
<b>Income before tax</b>	<u>2,432,701</u>	<u>35</u>	<u>1,793,877</u>	<u>30</u>
<b>Income tax expense (Note 6(19))</b>	<u>(289,038)</u>	<u>(4)</u>	<u>(220,468)</u>	<u>(4)</u>
<b>Net income</b>	<u><b>2,143,663</b></u>	<u><b>31</b></u>	<u><b>1,573,409</b></u>	<u><b>26</b></u>
<b>Other comprehensive income :</b>				
Exchange differences on translation of foreign operations	125,153	2	46,704	1
Unrealized gain or loss on available-for-sale financial assets	14,020	-	55,612	1
Actuarial gain or loss from defined benefit plans	(18,583)	-	8,074	-
Income tax benefit (expense) related to components of other comprehensive income (Note 6(19))	(22,829)	-	(7,940)	-
<b>Other comprehensive income for the period, net of income tax</b>	<u>97,761</u>	<u>2</u>	<u>102,450</u>	<u>2</u>
<b>Total comprehensive income for the period</b>	<u><b>\$ 2,241,424</b></u>	<u><b>33</b></u>	<u><b>1,675,859</b></u>	<u><b>28</b></u>
<b>Total income attributable to :</b>				
Shareholders of the parent	\$ 2,025,305	29	1,471,784	24
Non-controlling interests	118,358	2	101,625	2
	<u><b>\$ 2,143,663</b></u>	<u><b>31</b></u>	<u><b>1,573,409</b></u>	<u><b>26</b></u>
<b>Total comprehensive income attributable to :</b>				
Shareholders of the parent	\$ 2,111,211	31	1,564,621	26
Non-controlling interests	130,213	2	111,238	2
	<u><b>\$ 2,241,424</b></u>	<u><b>33</b></u>	<u><b>1,675,859</b></u>	<u><b>28</b></u>
<b>Basic earnings per share (Note 6(21))</b>	<u><b>\$ 0.85</b></u>		<u><b>0.62</b></u>	
<b>Diluted earnings per share (Note 6(21))</b>	<u><b>\$ 0.85</b></u>		<u><b>0.62</b></u>	

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

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

	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			
<b>Balance, January 1, 2013</b>	\$ 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 year ended December 31, 2013	-	-	-	-	1,471,784	-	-	1,471,784	101,625	1,573,409
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	10,362	37,113	45,362	92,837	9,613	102,450
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,482,146	37,113	45,362	1,564,621	111,238	1,675,859
Appropriations of prior year's earnings :										
Legal reserve	-	-	105,426	-	(105,426)	-	-	-	-	-
Special reserve	-	-	-	210,851	(210,851)	-	-	-	-	-
Cash dividends	-	-	-	-	(355,361)	-	-	(355,361)	(32,347)	(387,708)
Indemnification to stockholders due to merger (Note 12(4))	-	-	-	-	(853)	-	-	(853)	-	(853)
Special reserve for deduction of stockholders' equity	-	-	-	136,374	(136,374)	-	-	-	-	-
<b>Balance, December 31, 2013</b>	\$ 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 year ended December 31, 2014	-	-	-	-	2,025,305	-	-	2,025,305	118,358	2,143,663
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(18,365)	96,083	8,188	85,906	11,855	97,761
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	2,006,940	96,083	8,188	2,111,211	130,213	2,241,424
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	-	-	-	-	(452)	-	-	(452)	-	(452)
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	-	-	-	-	-	-	-	-	227,189	227,189
<b>Balance, December 31, 2014</b>	\$ 23,690,730	2,711,760	753,136	1,756,283	2,089,222	76,558	20,791	31,098,480	1,103,640	32,202,120

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

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

	2014	2013
<b>Cash flows from operating activities:</b>		
<b>Income before income tax for the period</b>	\$ 2,432,701	1,793,877
<b>Adjustments for:</b>		
<b>Income and expenses having no effects on cash flows</b>		
Depreciation expense	181,418	187,513
Amortization expense	39,692	38,410
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	46,447	(274,843)
Net Loss (gain) on non-operating financial instruments at fair value through profit or loss	36,056	(35,732)
Interest expenses	178,760	141,091
Interest revenue	(1,573,548)	(1,338,329)
Dividend income	(457,622)	(127,384)
Cash dividend received from long-term investments under equity method	49,950	44,517
Share of profits of associates and joint venture	(63,728)	(55,722)
Loss (gain) on disposal of property and equipment	(2,996)	(1,356)
Provision for (reversal of) bad debts expense	-	(91)
Share based payments	6,604	-
<b>Net changes of Income and expenses having no effects on cash flows</b>	(1,558,967)	(1,421,926)
<b>Changes in operating assets and liabilities:</b>		
<b>Net changes of operating assets:</b>		
Decrease (increase) in financial assets at fair value through profit or loss	(5,180,538)	(5,354,814)
Decrease (increase) in available-for-sale financial assets	-	225,997
Decrease (increase) in bonds purchased under resale agreements	558,394	1,173,007
Decrease (increase) in receivable for securities provided as collateral	(1,682,067)	(1,970,533)
Decrease (increase) in refinancing margin	174,587	(176,671)
Decrease (increase) in receivable on refinancing collateral	133,718	(139,114)
Decrease (increase) in customers margin account	(4,198,994)	760,289
Decrease (increase) in collateral for securities borrowed	(279,583)	(48,244)
Decrease (increase) in security borrowing margin	694,406	(213,411)
Decrease (increase) in notes receivable	4,532	737
Decrease (increase) in accounts receivable	1,169,681	(2,565,707)
Decrease (increase) in prepayments	5,867	(1,794)
Decrease (increase) in other receivables	(63,556)	113,430
Decrease (increase) in current tax assets	(13,352)	36,712
Decrease (increase) in other current assets	536,250	(459,893)
Decrease (increase) in guaranty deposited for business operations	26,864	12,587
Decrease (increase) in settlement fund	28,400	(59,429)
Decrease (increase) in refundable deposits	115,679	(177,535)
Decrease (increase) in other non-current assets	3,614	19,823
<b>Changes in operating assets:</b>	(7,966,098)	(8,824,563)
<b>Net changes of operating liabilities:</b>		
Increase (decrease) in financial liabilities at fair value through profit or loss	1,250,313	(444,846)
Increase (decrease) in bonds sold under repurchase agreements	1,494,923	1,786,090
Increase (decrease) in guaranty deposited for short sales	(134,757)	(188,474)
Increase (decrease) in proceeds payable from short sales	(414,943)	(385,726)
Increase (decrease) in securities lending refundable deposits	474,847	(7,628)
Increase (decrease) in futures traders' equity	4,149,735	(766,692)
Increase (decrease) in notes payable	288	(219)
Increase (decrease) in accounts payable	(1,658,685)	2,874,245
Increase (decrease) in advance receipts	(131,072)	140,787
Increase (decrease) in receipts under custody	(437,215)	429,912
Increase (decrease) in other payables	59,591	55,638
Increase (decrease) in other financial liabilities - current	565,012	55,790
Increase (decrease) in other current liabilities	15,421	(2,379)
Increase (decrease) in provisions - current	(107)	(639)
Increase (decrease) in other non-current liabilities	1,373	(20,631)
<b>Changes in operating liabilities:</b>	5,234,724	3,525,228
<b>Net changes in operating assets and liabilities:</b>	(2,731,374)	(5,299,335)
<b>Total Cash generated from adjustment items</b>	(4,290,341)	(6,721,261)
<b>Cash generated by operating activities</b>	(1,857,640)	(4,927,384)
Interest received	1,498,820	1,350,480
Dividend received	457,506	127,438
Interest paid	(233,696)	(198,054)
Income tax paid	(76,492)	(830,061)
<b>Net cash provided by (used in) operating activities</b>	(211,502)	(4,477,581)
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of financial assets carried at cost	23,395	-
Proceeds from capital reduction of financial assets carried at cost	223,791	10,000
Increase in deferred debits	(3,069)	(2,286)
Acquisitions of property and equipment	(103,880)	(53,359)
Proceeds from disposal of property and equipment	5,847	19,612
Acquisitions of intangible assets	(39,924)	(25,841)
<b>Net cash provided by (used in) investing activities</b>	106,160	(51,874)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	638,000	2,019,000
Increase (decrease) in long-term liabilities - current portion	500,000	(299,881)
Increase (decrease) in commercial paper payable	(549,865)	2,299,582
Cash dividends	(1,139,521)	(387,708)
Proceeds from issuing shares of subsidiaries	226,014	-
Acquisition of ownership interests in subsidiaries	(24,348)	-
Disposal of ownership interests in subsidiaries without losing control	24,034	-
<b>Net cash provided by (used in) financing activities</b>	(325,686)	3,630,993
<b>Effect of exchange rate changes on cash and cash equivalents</b>	104,267	44,293
<b>Increase (decrease) in cash and cash equivalents</b>	(326,761)	(854,169)
<b>Cash and cash equivalents, beginning of the year</b>	4,554,344	5,408,513
<b>Cash and cash equivalents, end of this period</b>	<b>\$ 4,227,583</b>	<b>4,554,344</b>

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