

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

ASSETS	June 30, 2015		December 31, 2014		June 30, 2014		LIABILITIES AND EQUITY	June 30, 2015		December 31, 2014		June 30, 2014	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets							Current Liabilities						
Cash and cash equivalents (Note 6(1))	\$ 1,680,302	2	1,196,603	2	1,332,125	2	Short-term borrowings (Note 6(9))	\$ 1,473,776	2	2,657,000	4	2,815,000	4
Financial assets at fair value through profit or loss - current (Note 6(2))	30,931,157	40	24,074,134	35	23,382,083	33	Commercial paper payable (Note 6(10))	5,298,724	7	1,749,717	3	7,047,995	10
Available-for-sale financial assets - current (Note 6(2))	1,471,555	2	-	-	-	-	Financial liabilities at fair value through profit or loss - current (Note 6(11))	2,242,490	3	2,133,183	3	1,679,745	2
Bonds purchased under resale agreements (Notes 6(3) and 8)	304,689	-	-	-	340,684	1	Bonds sold under repurchase agreements (Note 6(12))	21,837,181	28	14,725,686	21	12,044,068	17
Receivable for securities provided as collateral	17,491,327	22	19,378,280	27	19,655,765	28	Guaranty deposited for short sales	1,353,719	2	2,231,990	3	1,404,599	2
Refinancing margin	29,161	-	15,527	-	8,219	-	Proceeds payable from short sales	1,627,203	2	2,593,973	4	1,657,887	2
Receivable on refinancing collateral	54,403	-	24,434	-	6,858	-	Securities lending refundable deposits	161,127	-	2,254,764	3	512,323	1
Collateral for securities borrowed	699,787	1	649,413	1	134,341	-	Notes payable	90	-	1,146	-	90	-
Securities borrowing margin	632,344	1	593,827	1	123,121	-	Accounts payable (Note 6(13))	6,726,531	9	5,382,632	8	8,299,690	12
Notes receivable	7,129	-	4,024	-	7,860	-	Advance receipts	18,292	-	17,526	-	14,422	-
Accounts receivable (Note 6(4))	7,498,209	10	6,287,042	9	7,756,202	11	Receipts under custody	112,245	-	123,215	-	126,587	-
Prepayments	50,431	-	21,823	-	18,711	-	Other payables	2,017,313	2	700,167	1	1,743,693	3
Other receivables	198,515	-	56,181	-	178,782	-	Other financial liabilities - current (Note 6(22))	3,161,528	4	2,140,965	3	1,022,496	1
Current income tax assets	41,914	-	35,560	-	22,089	-	Current income tax liabilities	127,322	-	167,818	-	246,738	-
Other current assets	490,597	1	530,380	1	584,248	1	Provisions - current (Note 6(16))	42,792	-	42,792	-	42,821	-
	<u>61,581,520</u>	<u>79</u>	<u>52,867,228</u>	<u>76</u>	<u>53,551,088</u>	<u>76</u>	Long-term liabilities - current portion (Note 6(14))	-	-	500,000	1	-	-
							Other current liabilities	29,239	-	2	-	4,583	-
								<u>46,229,572</u>	<u>59</u>	<u>37,422,576</u>	<u>54</u>	<u>38,662,737</u>	<u>54</u>
Non-current Assets							Non-current Liabilities						
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	188,388	-	189,262	-	208,389	-	Other financial liabilities - non-current (Note 6(22))	161,298	-	112,565	-	786,268	1
Financial assets carried at cost - non-current (Note 6(2))	380,603	-	389,353	1	603,444	1	Deferred income tax liabilities	607,890	1	540,340	1	467,486	1
Investments accounted for under equity method (Note 6(5))	3,516,960	4	3,588,515	5	3,281,682	5	Other non-current liabilities	537,589	1	537,335	1	520,408	1
Property and equipment (Notes 6(6) and 8)	4,716,225	6	4,770,367	7	5,059,119	7		<u>1,306,777</u>	<u>2</u>	<u>1,190,240</u>	<u>2</u>	<u>1,774,162</u>	<u>3</u>
Investment property (Notes 6(7) and 8)	2,260,260	3	2,172,137	3	1,910,091	3	Total Liabilities	<u>47,536,349</u>	<u>61</u>	<u>38,612,816</u>	<u>56</u>	<u>40,436,899</u>	<u>57</u>
Intangible Assets (Note 6(8))	3,546,054	5	3,552,023	5	3,536,951	5	Equity						
Deferred income tax assets	521,899	1	581,309	1	724,727	1	Common stock (Note 6(18))	23,690,730	30	23,690,730	33	23,690,730	33
Other non-current assets	1,384,685	2	1,601,102	2	1,635,035	2	Capital surplus						
	<u>16,515,074</u>	<u>21</u>	<u>16,844,068</u>	<u>24</u>	<u>16,959,438</u>	<u>24</u>	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	1,461	-	-	-	143	-
							Changes in ownership interests in subsidiaries	6,287	-	6,287	-	6,287	-
							Retained earnings						
							Legal reserve	955,667	1	753,136	1	753,136	1
							Special reserve	2,154,422	3	1,756,283	3	1,756,283	3
							Unappropriated earnings (Note 6(17))	992,483	1	2,089,222	3	1,170,933	2
							Exchange differences on translation of foreign operations	32,304	-	76,558	-	(17,988)	-
							Unrealized gain or loss on available-for-sale financial assets	21,418	-	20,791	-	8,630	-
							Total Equity	<u>30,560,245</u>	<u>39</u>	<u>31,098,480</u>	<u>44</u>	<u>30,073,627</u>	<u>43</u>
TOTAL ASSETS	<u>\$ 78,096,594</u>	<u>100</u>	<u>69,711,296</u>	<u>100</u>	<u>70,510,526</u>	<u>100</u>	TOTAL LIABILITIES AND EQUITY	<u>\$ 78,096,594</u>	<u>100</u>	<u>69,711,296</u>	<u>100</u>	<u>70,510,526</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, 2015		Jan. 1~ Jun. 30, 2014	
	Amount	%	Amount	%
Income:				
Brokerage commissions (Note 6(20))	\$ 1,070,298	39	1,352,041	46
Revenues from securities business money lending	51	-	38	-
Revenues from securities lending	17,593	1	23,728	1
Underwriting commissions (Note 6(20))	122,758	5	78,578	3
Commissions on wealth management business	30,402	1	20,489	1
Gains (loss) on sale of trading securities (Note 6(20))	768,443	28	981,612	33
Securities management, distribution, and management fees	69,566	3	69,335	2
Interest revenue (Note 6(20))	719,065	27	672,704	22
Dividend revenue	31,515	1	29,391	1
Gain (loss) on measurement of trading securities at fair value through profit or loss (Note 6(20))	(264,716)	(10)	250,797	8
Gain (loss) on covering of borrowed securities and bonds with resale agreements	(102,837)	(4)	(64,737)	(2)
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	71,335	3	46,502	2
Gain (loss) on stock warrants issued (Notes 6(20) & 6(22))	243,846	9	(283,234)	(10)
Futures commission revenues	62,657	2	48,146	2
Gain (loss) on derivative financial instruments - futures (Note 6(22))	(99,946)	(4)	(121,850)	(4)
Gain (loss) on derivative financial instruments - OTC (Note 6(22))	(48,293)	(2)	(165,650)	(6)
Other operating revenues	19,869	1	60,536	1
	<u>2,711,606</u>	<u>100</u>	<u>2,998,426</u>	<u>100</u>
Expenses:				
Brokerage fees	66,140	3	84,580	3
Brokerage and clearing fees - proprietary trading	6,436	-	5,905	-
Clearing and exchange fees - refinancing	1,473	-	1,075	-
Clearing and exchange fees - underwriting	2,372	-	1,495	-
Financial costs	92,462	3	78,128	3
Securities commission expense - introducing brokers	1,797	-	1,519	-
Other operating expenditure	5,751	-	3,683	-
Employee benefits expenses (Note 6(20))	1,042,671	39	1,155,396	38
Depreciation & amortization expenses (Note 6(20))	91,818	3	95,906	3
Other operating expenses (Note 6(20))	632,158	24	622,188	21
	<u>1,943,078</u>	<u>72</u>	<u>2,049,875</u>	<u>68</u>
Other income and expenses				
Share of profits of associates and joint venture (Note 6(5))	151,593	6	76,675	2
Other gains and losses (Note 6(20))	138,567	5	155,376	5
	<u>290,160</u>	<u>11</u>	<u>232,051</u>	<u>7</u>
Income before tax	<u>1,058,688</u>	<u>39</u>	<u>1,180,602</u>	<u>39</u>
Income tax expense (Note 6(17))	<u>(133,313)</u>	<u>(5)</u>	<u>(92,403)</u>	<u>(3)</u>
Net income	<u>925,375</u>	<u>34</u>	<u>1,088,199</u>	<u>36</u>
Other comprehensive income :				
To be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	(47,736)	(2)	3,620	-
Unrealized gain or loss on available-for-sale financial assets	(543)	-	-	-
Share of other comprehensive income of subsidiaries, associates and joint venture	(4,411)	-	(5,741)	-
Income tax benefit (expense) related to components of other comprehensive income	9,063	-	(315)	-
Other comprehensive income for the period, net of income tax	<u>(43,627)</u>	<u>(2)</u>	<u>(2,436)</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 881,748</u>	<u>32</u>	<u>1,085,763</u>	<u>36</u>
Basic earnings per share (Note 6(19))	<u>\$ 0.39</u>		<u>0.46</u>	
Diluted earnings per share (Note 6(19))	<u>\$ 0.39</u>		<u>0.46</u>	

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CHANGES IN EQUITY
Years Ended June 30, 2015 and 2014
(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, 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)
Reversal of special reserve for deduction of stockholders' equity	-	-	-	(166,392)	166,392	-	-	-
Difference between consideration and carrying amount of subsidiaries disposed	-	143	-	-	-	-	-	143
Changes in ownership interests in subsidiaries	-	6,287	-	-	-	-	-	6,287
Balance, June 30, 2014	\$ 23,690,730	2,711,903	753,136	1,756,283	1,170,933	(17,988)	8,630	30,073,627
Balance, January 1, 2015	\$ 23,690,730	2,711,760	753,136	1,756,283	2,089,222	76,558	20,791	31,098,480
Net income for the six months ended June 30, 2015	-	-	-	-	925,375	-	-	925,375
Other comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	(44,254)	627	(43,627)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	925,375	(44,254)	627	881,748
Appropriations of prior year's earnings :								
Legal reserve	-	-	202,531	-	(202,531)	-	-	-
Special reserve	-	-	-	405,061	(405,061)	-	-	-
Cash dividends	-	-	-	-	(1,421,444)	-	-	(1,421,444)
Reversal of special reserve for deduction of stockholders' equity	-	-	-	(6,922)	6,922	-	-	-
Difference between consideration and carrying amount of subsidiaries disposed	-	1,461	-	-	-	-	-	1,461
Balance, June 30, 2015	\$ 23,690,730	2,713,221	955,667	2,154,422	992,483	32,304	21,418	30,560,245

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014
(New Taiwan Dollars in Thousands)

	<u>Jan. 1- Jun. 30, 2015</u>	<u>Jan. 1- Jun. 30, 2014</u>
Cash flows from operating activities:		
Income before income tax for the period	\$ 1,058,688	1,180,602
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	74,822	79,475
Amortization expense	16,996	16,431
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	264,716	(250,797)
Interest expenses	92,462	78,128
Net Loss (gain) on non-operating financial instruments at fair value through profit or loss	(21,055)	(352)
Interest income (including financial income)	(719,781)	(674,152)
Dividend income	(37,577)	(36,171)
Share of profits of associates and joint venture	(151,593)	(76,675)
Loss (gain) on disposal of property and equipment	-	(3,169)
Net changes of Income and expenses having no effects on cash flows	<u>(481,010)</u>	<u>(867,282)</u>
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss - current	(7,099,810)	(3,611,239)
Decrease (increase) in available-for-sale financial assets - current	(1,472,098)	-
Decrease (increase) in bonds purchased under resale agreements	(304,689)	217,710
Decrease (increase) in receivable for securities provided as collateral	1,886,953	(1,907,829)
Decrease (increase) in refinancing margin	(13,634)	181,895
Decrease (increase) in receivable on refinancing collateral	(29,969)	151,294
Decrease (increase) in collateral for securities borrowed	(50,374)	235,489
Decrease (increase) in security borrowing margin	(38,517)	1,165,112
Decrease (increase) in notes receivable	(3,105)	696
Decrease (increase) in accounts receivable	(1,167,686)	(30,420)
Decrease (increase) in prepayments	(28,608)	9,355
Decrease (increase) in other receivables	33,536	12,633
Decrease (increase) in current tax assets	(6,354)	470,465
Decrease (increase) in other current assets	39,783	(9,650)
Decrease (increase) in guaranty deposited for business operations	257,828	(5,359)
Decrease (increase) in settlement fund	(1,438)	-
Decrease (increase) in other non-current assets	(48,293)	2,293
Changes in operating assets:	<u>(8,046,475)</u>	<u>(3,117,555)</u>
Net changes of operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss - current	109,307	336,634
Increase (decrease) in bonds sold under repurchase agreements	7,111,495	(1,071,191)
Increase (decrease) in guaranty deposited for short sales	(878,271)	(962,148)
Increase (decrease) in proceeds payable from short sales	(966,770)	(1,351,029)
Increase (decrease) in securities lending refundable deposits	(2,093,637)	(1,267,594)
Increase (decrease) in notes payable	(1,056)	(768)
Increase (decrease) in accounts payable	1,343,899	1,046,503
Increase (decrease) in advance receipts	766	(133,865)
Increase (decrease) in receipts under custody	(10,970)	(434,053)
Increase (decrease) in other payables	(101,898)	(56,257)
Increase (decrease) in other financial liabilities - current	1,020,563	733,119
Increase (decrease) in other financial liabilities - non-current	48,733	(612,873)
Increase (decrease) in other current liabilities	29,237	4,583
Increase (decrease) in other non-current liabilities	254	2,906
Changes in operating liabilities:	<u>5,611,652</u>	<u>(3,766,033)</u>
Net changes in operating assets and liabilities:	<u>(2,434,823)</u>	<u>(6,883,588)</u>
Total Cash generated from adjustment items	<u>(2,915,833)</u>	<u>(7,750,870)</u>
Cash generated by operating activities	(1,857,145)	(6,570,268)
Interest received	704,768	683,558
Dividends received	9,109	8,083
Interest paid	(94,862)	(79,442)
Income tax paid	(37,785)	(17,182)
Net cash provided by (used in) operating activities	<u>(1,275,915)</u>	<u>(5,975,251)</u>
Cash flows from investing activities:		
Decrease in financial assets carried at cost - non-current	8,750	33,095
Acquisition of long term investments under the equity method	-	(236,567)
Increase in deferred debits	(727)	(1,162)
Acquisitions of property and equipment	(101,293)	(37,023)
Proceeds from disposal of property and equipment	-	5,500
Acquisitions of intangible assets	(9,491)	(7,259)
Net cash provided by (used in) investing activities	<u>(102,761)</u>	<u>(243,416)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,183,224)	796,000
Decrease in long-term liabilities - current portion	(500,000)	-
Increase in commercial paper payable	3,549,007	4,748,413
Net cash provided by (used in) financing activities	<u>1,865,783</u>	<u>5,544,413</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,408)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	<u>483,699</u>	<u>(674,254)</u>
Cash and cash equivalents, beginning of the year	<u>1,196,603</u>	<u>2,006,379</u>
Cash and cash equivalents, end of this period	<u>\$ 1,680,302</u>	<u>1,332,125</u>

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