

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

ASSETS	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012		LIABILITIES AND EQUITY	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012		
	Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%	
Current Assets									Current Liabilities									
Cash and cash equivalents (Note 6(1))	\$ 1,312,055	2	2,578,602	4	1,591,181	3	3,093,232	5	Short-term borrowings (Note 6(9))	\$ 1,210,000	2	-	-	1,740,000	3	1,155,000	2	
Financial assets at fair value through profit or loss - current (Note 6(2))	15,617,878	26	14,419,818	24	15,037,263	25	14,658,630	24	Commercial paper payable (Note 6(10))	3,099,531	5	-	-	-	-	-	-	
Available-for-sale financial assets - current (Note 6(2))	14,390	-	196,399	-	1,450,524	2	-	-	Financial liabilities at fair value through profit or loss - current (Note 6(11))	1,128,560	2	1,795,255	3	1,533,754	3	1,212,796	2	
Bonds purchased under resale agreements (Notes 6(3) and 8)	830,223	2	1,731,401	3	2,834,678	5	1,003,334	2	Bonds sold under repurchase agreements (Note 6(12))	11,498,751	19	11,329,169	19	14,381,399	24	11,594,102	19	
Receivable for securities provided as collateral	17,500,074	29	15,833,530	27	16,059,145	27	17,696,799	29	Guaranty deposited for short sales	1,498,402	3	2,555,221	4	1,832,992	3	2,729,685	5	
Refinancing margin	-	-	13,443	-	108,164	-	4,635	-	Proceeds payable from short sales	1,717,455	3	3,394,642	6	2,241,953	4	3,253,659	5	
Receivable on refinancing collateral	10,943	-	19,038	-	90,073	-	12,718	-	Securities lending refundable deposits	562,526	1	1,787,545	3	1,113,348	2	2,519,992	4	
Receivable on securities business money lending	540	-	-	-	-	-	-	-	Notes payable	342	-	1,077	-	120	-	865	-	
Collateral for securities borrowed	243,916	-	321,586	1	182,851	-	-	-	Accounts payable (Note 6(13))	5,521,706	9	4,597,293	8	3,826,244	6	4,473,275	7	
Securities borrowing margin	457,249	1	1,074,822	2	258,517	1	934,784	1	Advance receipts	6,922	-	8,631	-	17,011	-	13,145	-	
Notes receivable	4,095	-	9,293	-	5,131	-	5,410	-	Receipts under custody	128,002	-	130,490	-	129,167	-	134,379	-	
Accounts receivable (Note 6(4))	5,884,347	10	5,117,947	9	4,403,158	7	6,071,380	10	Other payables	939,065	2	755,358	1	1,307,501	2	818,962	1	
Prepayments	22,243	-	25,371	-	18,986	-	30,874	-	Other financial liabilities - current (Note 6(21))	184,986	-	236,897	1	230,397	-	283,343	-	
Other receivables	118,574	-	141,237	-	168,627	-	68,458	-	Current income tax liabilities	539,247	1	1,083,329	2	1,520,198	3	2,314,822	4	
Current income tax assets	38,316	-	58,792	-	134,844	-	148,479	-	Provisions - current (Note 6(16))	43,880	-	43,880	-	31,621	-	45,643	-	
Other current assets	499,647	1	575,307	1	482,617	1	477,775	1	Long-term liabilities - current portion (Note 6(14))	299,789	-	299,881	1	-	-	-	-	
	42,554,490	71	42,116,586	71	42,825,759	71	44,206,508	72	Other current liabilities	2,744	-	-	-	54,665	-	-	-	
										28,381,908	47	28,018,668	48	29,960,370	50	30,549,668	49	
Non-current Assets								Non-current Liabilities										
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	208,156	-	207,936	-	223,603	-	238,616	-	Long-term borrowings (Note 6(14))	-	-	-	-	299,963	1	299,859	1	
Financial assets carried at cost - non-current (Note 6(2))	639,539	1	646,539	1	646,539	1	646,539	1	Other financial liabilities - non-current (Note 6(21))	1,083,303	2	1,395,831	2	457,291	1	1,769,347	3	
Held-to-maturity financial assets - non-current (Note 6(2))	-	-	-	-	-	-	290,000	-	Provisions - non-current	47,691	-	47,691	-	47,691	-	47,691	-	
Investments accounted for under equity method (Note 6(5))	3,007,413	5	2,913,425	5	2,881,085	5	3,073,090	5	Deferred income tax liabilities	413,026	1	286,113	1	256,420	-	58,203	-	
Property and equipment (Notes 6(6) and 8)	5,653,495	10	5,718,992	10	5,796,026	10	5,988,348	10	Guarantee deposits received	17,753	-	18,110	-	17,970	-	18,567	-	
Investment property (Notes 6(7) and 8)	1,384,752	2	1,387,708	2	1,382,935	2	1,244,869	2	Accrued pension liabilities - non-current (Note 6(16))	461,015	1	462,479	1	432,104	1	437,396	1	
Intangible Assets (Note 6(8))	3,541,933	6	3,552,699	6	3,556,565	6	3,573,166	6	Other non-current liabilities	52,420	-	71,534	-	130,507	-	163,546	-	
Deferred income tax assets	934,727	2	907,305	2	931,434	2	851,148	1		2,075,208	4	2,281,758	4	1,641,946	3	2,794,609	5	
Other non-current assets	1,662,603	3	1,688,346	3	1,719,440	3	1,715,190	3	Total Liabilities	30,457,116	51	30,300,426	52	31,602,316	53	33,344,277	54	
	17,032,618	29	17,022,950	29	17,137,627	29	17,620,966	28	Equity									
								Common stock (Note 6(18))	23,690,730	40	23,690,730	40	23,690,730	40	23,690,730	40	23,690,730	38
								Capital surplus										
								Premium from stock issuance	1,940,208	3	1,940,208	3	1,940,208	3	1,940,208	3	1,940,208	3
								Treasury stock transactions	107,031	-	107,031	-	107,031	-	107,031	-	107,031	-
								Paid-in capital from merger	658,234	1	658,234	1	658,234	1	658,234	1	658,234	1
								Retained earnings										
								Legal reserve	605,958	1	500,532	1	500,532	1	419,092	1	419,092	1
								Special reserve	1,628,318	3	1,281,093	2	1,294,747	2	1,152,818	2	1,152,818	2
								Unappropriated earnings (Note 6(17))	498,053	1	750,679	1	249,509	-	518,360	1	518,360	1
								Exchange differences on translation of foreign operations	(10,420)	-	(56,638)	-	(17,397)	-	(183)	-	(183)	-
								Unrealized gain or loss on available-for-sale financial assets	11,880	-	(32,759)	-	(62,524)	-	(3,093)	-	(3,093)	-
								Total Equity	29,129,992	49	28,839,110	48	28,361,070	47	28,483,197	46	28,483,197	46
TOTAL ASSETS	\$ 59,587,108	100	59,139,536	100	59,963,386	100	61,827,474	100	TOTAL LIABILITIES AND EQUITY	\$ 59,587,108	100	59,139,536	100	59,963,386	100	61,827,474	100	

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, 2013		Jan. 1~ Jun. 30, 2012	
	Amount	%	Amount	%
Income:				
Brokerage commissions	\$ 1,033,510	46	1,256,316	48
Revenues from securities business money lending	33	-	9	-
Revenues from securities lending	52,103	2	43,948	2
Underwriting commissions	142,022	7	103,319	4
Commissions on wealth management business	2,643	-	-	-
Gains (loss) on sale of trading securities	153,562	7	(224,840)	(9)
Securities management, distribution, and management fees	71,113	3	78,914	3
Interest revenue	581,731	26	639,874	25
Dividend revenue	3,080	-	4,089	-
Gain (loss) on measurement of trading securities at fair value through profit or loss	(58,537)	(2)	346,587	13
Gain (loss) on covering of borrowed securities and bonds with resale agreements	12,880	1	(6,730)	-
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	13,243	1	(28,815)	(1)
Gain (loss) on stock warrants issued	179,877	8	368,594	14
Futures commission revenues	55,993	2	43,596	2
Gain (loss) on derivative financial instruments - futures (Note 6(21))	(12,069)	(1)	(38,886)	(1)
Gain (loss) on derivative financial instruments - OTC (Note 6(21))	(62,729)	(3)	(67,235)	(3)
Other operating revenues	71,380	3	80,793	3
	<u>2,239,835</u>	<u>100</u>	<u>2,599,533</u>	<u>100</u>
Expenses:				
Brokerage fees	62,421	3	74,873	3
Brokerage and clearing fees - proprietary trading	3,251	-	3,638	-
Clearing and exchange fees - refinancing	841	-	1,230	-
Clearing and exchange fees - underwriting	944	-	1,646	-
Financial costs	63,191	3	71,156	3
Securities commission expense - introducing brokers	1,238	-	955	-
Other operating expenditure	2,925	-	6,255	-
Employee benefits expenses	1,101,614	49	1,270,837	49
Depreciation & amortization expenses	98,718	5	113,896	4
Other operating expenses	561,314	25	591,357	23
	<u>1,896,457</u>	<u>85</u>	<u>2,135,843</u>	<u>82</u>
Other income and expenses				
Share of profits of associates and joint venture (Note 6(5))	118,670	5	69,162	3
Other gains and losses	191,358	9	157,025	6
	<u>310,028</u>	<u>14</u>	<u>226,187</u>	<u>9</u>
Income before tax	<u>653,406</u>	<u>29</u>	<u>689,877</u>	<u>27</u>
Income tax expense (Note 6(17))	<u>(98,020)</u>	<u>(4)</u>	<u>(127,302)</u>	<u>(5)</u>
Net income	<u>555,386</u>	<u>25</u>	<u>562,575</u>	<u>22</u>
Other comprehensive income :				
Exchange differences on translation of foreign operations	52,478	2	(20,740)	(1)
Unrealized gain or loss on available-for-sale financial assets	29,965	1	(61,736)	(2)
Share of other comprehensive income of subsidiaries, associates and joint venture	17,880	1	2,305	-
Income tax benefit (expense) related to components of other comprehensive income (Note 6(17))	(9,466)	-	3,526	-
Other comprehensive income for the period, net of income tax	<u>90,857</u>	<u>4</u>	<u>(76,645)</u>	<u>(3)</u>
Total comprehensive income for the period	<u>\$ 646,243</u>	<u>29</u>	<u>485,930</u>	<u>19</u>
Basic earnings per share (Note 6(19))	<u>\$ 0.23</u>		<u>0.24</u>	
Diluted earnings per share (Note 6(19))	<u>\$ 0.23</u>		<u>0.24</u>	

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CHANGES IN EQUITY
Years Ended June 30, 2013 and 2012
(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, 2012	\$ 23,690,730	2,705,473	419,092	1,152,818	518,360	(183)	(3,093)	28,483,197
Net income for the six months ended June 30, 2012	-	-	-	-	562,575	-	-	562,575
Other comprehensive income for the six months ended June 30, 2012	-	-	-	-	-	(17,214)	(59,431)	(76,645)
Total comprehensive income for the six months ended June 30, 2012	-	-	-	-	562,575	(17,214)	(59,431)	485,930
Appropriations of prior year's earnings :								
Legal reserve	-	-	81,440	-	(81,440)	-	-	-
Special reserve	-	-	-	141,929	(141,929)	-	-	-
Cash dividends	-	-	-	-	(592,268)	-	-	(592,268)
Indemnification to stockholders due to merger (Note 12(2))	-	-	-	-	(15,789)	-	-	(15,789)
Balance, June 30, 2012	<u>\$ 23,690,730</u>	<u>2,705,473</u>	<u>500,532</u>	<u>1,294,747</u>	<u>249,509</u>	<u>(17,397)</u>	<u>(62,524)</u>	<u>28,361,070</u>
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>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012
(New Taiwan Dollars in Thousands)

	Jan. 1- Jun. 30, 2013	Jan. 1- Jun. 30, 2012
Cash flows from operating activities:		
Income before income tax for the period	\$ 653,406	689,877
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	82,314	95,246
Amortization expense	16,404	18,650
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	58,537	(346,587)
Interest expenses	63,191	71,156
Dividend income	95,039	149,488
Amortization of discount on commercial paper payable - long term	(92)	104
Share of profits of associates and joint venture	(118,670)	(69,162)
Loss (gain) on disposal of property and equipment	-	212
Loss (gain) on disposal of investment under equity method	-	(143)
Net changes of Income and expenses having no effects on cash flows	<u>196,723</u>	<u>(81,036)</u>
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(1,256,817)	(17,033)
Decrease (increase) in available-for-sale financial assets	211,974	(1,512,260)
Decrease (increase) in bonds purchased under resale agreements	901,178	(1,831,344)
Decrease (increase) in receivable for securities provided as collateral	(1,666,544)	1,637,654
Decrease (increase) in refinancing margin	13,443	(103,529)
Decrease (increase) in receivable on refinancing collateral	8,095	(77,355)
Decrease (increase) in receivable on securities business money lending	(540)	-
Decrease (increase) in collateral for securities borrowed	77,670	(182,851)
Decrease (increase) in security borrowing margin	617,573	676,267
Decrease (increase) in notes receivable	5,198	279
Decrease (increase) in accounts receivable	(766,400)	1,668,222
Decrease (increase) in prepayments	3,128	11,888
Decrease (increase) in other receivables	22,663	(100,169)
Decrease (increase) in current tax assets	20,476	13,635
Decrease (increase) in guaranty deposited for business operations	(8,200)	(261,356)
Decrease (increase) in settlement fund	8,074	240,595
Decrease (increase) in other current assets	75,660	142,386
Decrease (increase) in other non-current assets	19,843	(167,247)
Changes in operating assets:	<u>(1,713,526)</u>	<u>137,782</u>
Net changes of operating liabilities:		
Increase (decrease) in bonds sold under repurchase agreements	169,582	2,787,297
Increase (decrease) in financial liabilities at fair value through profit or loss	(666,695)	320,958
Increase (decrease) in guaranty deposited for short sales	(1,056,819)	(896,693)
Increase (decrease) in proceeds payable from short sales	(1,677,187)	(1,011,706)
Increase (decrease) in securities lending refundable deposits	(1,225,019)	(1,406,644)
Increase (decrease) in notes payable	(735)	(745)
Increase (decrease) in accounts payable	924,413	(647,031)
Increase (decrease) in advance receipts	(1,709)	3,866
Increase (decrease) in receipts under custody	(2,488)	(5,212)
Increase (decrease) in other payables	(121,930)	(109,022)
Increase (decrease) in other current liabilities	2,744	54,665
Increase (decrease) in provisions - current	-	(14,022)
Increase (decrease) in other financial liabilities	(364,439)	(1,365,002)
Increase (decrease) in guarantee deposits received	(357)	(597)
Increase (decrease) in accrued pension liabilities	(1,464)	(5,292)
Increase (decrease) in other non-current liabilities	(19,114)	(33,039)
Changes in operating liabilities:	<u>(4,041,217)</u>	<u>(2,328,219)</u>
Net changes in operating assets and liabilities:	<u>(5,754,743)</u>	<u>(2,190,437)</u>
Total Cash generated from adjustment items	<u>(5,558,020)</u>	<u>(2,271,473)</u>
Cash generated by operating activities	(4,904,614)	(1,581,596)
Interest paid	(112,915)	(65,863)
Income tax paid	(552,076)	(800,469)
Net cash provided by (used in) operating activities	<u>(5,569,605)</u>	<u>(2,447,928)</u>
Cash flows from investing activities:		
Repayment from maturity of held-to-maturity financial assets	-	290,000
Proceeds from capital reduction of financial assets carried at cost	7,000	-
Increase in deferred debits	(628)	(622)
Proceeds from liquidation of investments under the equity method	-	93,387
Acquisitions of property and equipment	(9,382)	(21,689)
Proceeds from disposal of property and equipment	-	151
Acquisitions of investment property	-	(120)
Acquisitions of intangible assets	(3,463)	(230)
Net cash provided by (used in) investing activities	<u>(6,473)</u>	<u>360,877</u>
Cash flows from financing activities:		
Increase in short-term borrowings	1,210,000	585,000
Increase in commercial paper payable	3,099,531	-
Net cash provided by (used in) financing activities	<u>4,309,531</u>	<u>585,000</u>
Increase (decrease) in cash and cash equivalents	<u>(1,266,547)</u>	<u>(1,502,051)</u>
Cash and cash equivalents, beginning of the year	<u>2,578,602</u>	<u>3,093,232</u>
Cash and cash equivalents, end of this period	<u>\$ 1,312,055</u>	<u>1,591,181</u>

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