

安侯建業群合會計師重務的 KPMG

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Independent Auditors' Report

The Board of Directors
Capital Securities Corporation

We have audited the accompanying balance sheets of Capital Securities Corporation as of December 31, 2013 and 2012, January 1, 2012, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended. The financial report is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial report based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial report referred to above present fairly, in all material respects, the financial position of Capital Securities Corporation as of December 31, 2013 and 2012, January 1, 2012, and the results of its financial performance and its cash flows for the years then ended in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms in the Republic of China.

Taipei, Taiwan, R.O.C.

KPMG

March 26, 2014

Notice to Readers

The accompanying financial report is intended only to present the financial position, financial performance, and cash flows in accordance with IFRSs endorsed by the FSC and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial report are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial report are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and financial report, the Chinese version shall prevail.

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
December 31, 2013 and 2012, January 1, 2012
(New Taiwan Dollars in Thousands, Except Share Data)

| | December 31, | 2013 | December 31 | , 2012 | January 1, | 2012 | _ | December 31, | 2013 | December 31 | , 2012 | January 1, 2 | January 1, 2012 | |
|--|---------------|------|-------------|--------|------------|------|--|---------------|------|-------------|--------|--------------|-----------------|--|
| ASSETS | Amount | % | Amount | % | Amount | % | LIABILITIES AND STOCKHOLDERS' EQUITY | Amount | % | Amount | % | Amount | % | |
| Current Assets | | | | | | - | Current Liabilities | | | | | | - | |
| Cash and cash equivalents (Note 6(1)) | \$ 2,006,379 | 3 | 2,578,602 | 4 | 3,093,232 | 5 | Short-term borrowings (Note 6(9)) | \$ 2,019,000 | 3 | - | - | 1,155,000 | 2 | |
| Financial assets measured at fair value through profit or loss - current | 19,519,949 | 29 | 14,419,818 | 24 | 14,658,630 | 24 | Commercial paper payable (Note 6(10)) | 2,299,582 | 3 | - | - | - | - | |
| (Notes 6(2) and 8) | | | | | | | Financial liabilities measured at fair value through profit or | 1,343,111 | 2 | 1,795,255 | 3 | 1,212,796 | 2 | |
| Available-for-sale financial assets - current (Note 6(2)) | - | | 196,399 | - | - | - | loss - current (Notes 6(11)) | | | | | | | |
| Bonds purchased under resale agreements (Notes 6(3) and 8) | 558,394 | 1 | 1,731,401 | 3 | 1,003,334 | 2 | Bonds sold under repurchase agreements (Note 6(12)) | 13,115,259 | 19 | 11,329,169 | 19 | 11,594,102 | 19 | |
| Receivable for securities provided as collateral | 17,747,936 | 26 | 15,833,530 | 27 | 17,696,799 | 29 | Guaranty deposited for short sales | 2,366,747 | 4 | 2,555,221 | 4 | 2,729,685 | 5 | |
| Refinancing margin | 190,114 | - | 13,443 | - | 4,635 | - | Proceeds payable from short sales | 3,008,916 | 5 | 3,394,642 | 6 | 3,253,659 | 5 | |
| Receivable on refinancing collateral | 158,152 | - | 19,038 | - | 12,718 | - | Securities lending refundable deposits | 1,779,917 | 3 | 1,787,545 | 3 | 2,519,992 | 4 | |
| Receivable for securities borrowed | 369,830 | 1 | 321,586 | 1 | - | - | Notes payable | 858 | - | 1,077 | - | 865 | - | |
| Security borrowing margin | 1,288,233 | 2 | 1,074,822 | 2 | 934,784 | 1 | Accounts payable (Note 6(13)) | 7,253,187 | 11 | 4,597,293 | 8 | 4,473,275 | 7 | |
| Notes receivable | 8,556 | - | 9,293 | - | 5,410 | - | Advance receipts | 148,287 | - | 8,631 | - | 13,145 | - | |
| Accounts receivable (Note 6(4)) | 7,707,100 | 11 | 5,117,947 | 9 | 6,071,380 | 10 | Receipts under custody | 560,640 | 1 | 130,490 | - | 134,379 | - | |
| Prepayments | 28,066 | - | 25,371 | - | 30,874 | - | Other payables | 735,181 | 1 | 755,358 | 1 | 818,962 | 1 | |
| Other receivables | 28,044 | - | 141,237 | - | 68,458 | - | Other financial liabilities - current (Note 6(22)) | 289,377 | - | 236,897 | 1 | 283,343 | - | |
| Current income tax assets | 22,089 | - | 58,792 | - | 148,479 | - | Current income tax liability | 243,628 | - | 1,083,329 | 2 | 2,314,822 | 4 | |
| Other current assets | 1,054,713 | 2 | 575,307 | 1 | 477,775 | 1 | Provisions - current (Note 6(16)) | 42,821 | - | 43,880 | - | 45,643 | - | |
| | 50,687,555 | 75 | 42,116,586 | 71 | 44,206,508 | 72 | Long-term liabilities - current portion (Note 6(14)) | = | - | 299,881 | 1 | - | - | |
| | | | | | | - | _ | 35,206,511 | 52 | 28,018,668 | 48 | 30,549,668 | 49 | |
| Non-current Assets | | | | | | | Non-current Liabilities | | | | | | | |
| Financial assets measured at fair value through profit or loss - | 208,135 | - | 207,636 | - | 238,616 | - | Long-term borrowings (Note 6(14)) | = | - | - | - | 299,859 | 1 | |
| non-current (Notes 6(2) and 8) | | | | | | | Other financial liabilities -non-current (Note 6(22)) | 1,399,141 | 2 | 1,395,831 | 2 | 1,769,347 | 3 | |
| Financial assets measured at cost - non-current (Note 6(2)) | 636,539 | 1 | 646,539 | 1 | 646,539 | 1 | Deferred income tax liabilities (Note 6(17)) | 453,340 | 1 | 333,804 | 1 | 163,820 | - | |
| Held-to-maturity financial assets - non-current (Notes 6(2) and 8) | - | _ | - | - | 290,000 | - | Guarantee deposits received | 19,008 | _ | 18,110 | _ | 18,567 | _ | |
| Investments accounted for using equity method (Note 6(5)) | 3,127,503 | 5 | 2,913,425 | 5 | 3,073,090 | 5 | Accrued pension liabilities - non-current (Note 6(16)) | 447,133 | 1 | 462,479 | 1 | 437,396 | 1 | |
| Property and equipment(Notes 6(6) and 8) | 5,643,817 | 8 | 5,718,992 | 10 | 5,988,348 | 10 | Other non-current liabilities | 51,361 | - | 71,534 | - | 163,546 | - | |
| Investment property (Notes 6(7) and 8) | 1,364,191 | 2 | 1,387,708 | 2 | 1,244,869 | 2 | | 2,369,983 | 4 | 2,281,758 | 4 | 2,852,535 | 5 | |
| Intangible assets (Note 6(8)) | 3,543,873 | 5 | 3,552,699 | 6 | 3,573,166 | 6 | Total Liabilities | 37,576,494 | 56 | 30,300,426 | 52 | 33,402,203 | 54 | |
| Deferred income tax assets (Note 6(17)) | 783,007 | 1 | 907,305 | 2 | 909,074 | 1 | Equity | | | | | | | |
| Other non-current assets (Note 12) | 1,629,391 | 3 | 1,688,346 | 3 | 1,715,190 | 3 | Capital (Note 6(18)) | 23,690,730 | 35 | 23,690,730 | 40 | 23,690,730 | 38 | |
| | 16,936,456 | 25 | 17,022,650 | 29 | 17,678,892 | 28 | Capital surplus | | | | | | | |
| | | | | | | | 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 | |
| | | | | | | | Retained earnings | | | | | | | |
| | | | | | | | Legal reserve | 605,958 | 1 | 500,532 | 1 | 419,092 | 1 | |
| | | | | | | | Special reserve | 1,628,318 | 2 | 1,281,093 | 2 | 1,152,818 | 2 | |
| | | | | | | | Unappropriated earnings (Note 6(17)) | 1,423,960 | 2 | 750,679 | 1 | 518,360 | 1 | |
| | | | | | | | Exchange differences on translation of foreign operations | (19,525) | - | (56,638) | - | (183) | - | |
| | | | | | | | Unrealized gain (loss) on available-for-sale financial assets | 12,603 | - | (32,759) | - | (3,093) | - | |
| | | | | | | | Total Equity | 30,047,517 | 44 | 28,839,110 | 48 | 28,483,197 | 46 | |
| TOTAL ASSETS | \$ 67,624,011 | 100 | 59,139,236 | 100 | 61,885,400 | 100 | TOTAL LIABILITIES AND EQUITY | \$ 67,624,011 | 100 | 59,139,536 | 100 | 61,885,400 | 100 | |

CAPITAL SECURITIES CORPORATION COMPREHENSIVE INCOME STATEMENTS

Years Ended December 31, 2013 and 2012

(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

| Profession Pro | | 2013 | | 2012 | | |
|---|--|--------------------|-----|-----------|-----|--|
| Protectage commissions (Note 6GDD) | | Amount | % | Amount | % | |
| Reseaues from securities leadings 8.06 2 1.28,91 3.0 Revenue from securities leadings 28,613 6 128,921 3 Commissions (one 6200) 28,613 6 120,239 3 Not gain floats) calls of facility securities (Note (CO)) 140,462 3 153,854 3 Not gain floats) calls of facility securities (Note (CO)) 120,036 25 126,549 3 Not gain on measurement of trading securities and broads with resule agreements 91,802 2 165,449 3 Net gain on measurement of borrowed securities and broads with resule agreements 91,802 3 40,272 4 Net gain on trace surrence of borrowed securities and broads with resule agreements 20,973 0 455,500 1 Not gain on trace surrence of borrowed securities and broads with resule agreements 20,973 0 455,500 1 Not gain on trace surrence for force (GO) 97 0 (75,000) 1 1 2 7 1 0 1 2 1 1 2 1 1 2 | Income: | | | _ | _ | |
| Personal form securities clearlings \$9,005 \$2 \$128,891 \$3 \$10 \$ | Brokerage commissions (Note 6(20)) | \$ 2,182,783 | 45 | 2,296,821 | 47 | |
| Commissions (Note 6020) | Revenues from securities business money lending | 63 | - | 51 | - | |
| Commissions on wealth namagement beasines 16.137 σ. 77. Nat gain (loss) on sale of trading securities (Note 6(20)) 401,259 8 (324,96) 7. Securities management, distribution, and management fees 140,462 25 1,230,035 25 Dividend recente 91,892 2 161,644 3 Net gain on measurement of trading securities and brands with resule agreements 221,483 5 440,272 9 Net gain on massurement of bromoved securities and bonds with resule agreements (29,973) 10 163,560 12 Net loss on measurement of borrowed securities and bonds with resule agreements (29,973) 10 163,560 12 Net loss on measurement of borrowed securities and bonds with resule agreements 22,973 10 163,560 12 Net loss on Secretariate instruments of CNOse (622) 112,789 25 70,714 12 Putures commissions revenue 13,660 10 115,356 2 Other operating revenue 13,650 10 115,356 2 Problems of Securities and clearing fees proprietary trading | Revenue from securities lendings | 89,063 | 2 | 128,891 | 3 | |
| Net gain (loss) on sale of Inding securities (Note 6(20)) 401,259 8 (32,4961) 7 Securities management, distribution, and management fees 1,209,355 25 1,209,155 25 1,209,155 25 1,209,155 25 1,209,155 25 1,209,155 25 1,209,155 25 1,209,155 25 1,209,155 25 1,209,155 25 1,209,155 25 1,209,155 20 105 40 20 105 40 20 105 10 105 0 10 <t< td=""><td>Underwriting commissions (Note 6(20))</td><td>284,510</td><td>6</td><td>219,239</td><td>5</td></t<> | Underwriting commissions (Note 6(20)) | 284,510 | 6 | 219,239 | 5 | |
| Securities management, distribution, and management fees 1,20,365 25 1,20,005 25 1,20,005 25 1,20,005 25 1,20,005 25 1,20,005 25 2 | Commissions on wealth management business | 16,137 | - | 775 | - | |
| Directer revenue (Note 6(20)) | Net gain (loss) on sale of trading securities (Note 6(20)) | 401,259 | 8 | (324,961) | (7) | |
| Provision or measurement of trading securities at fair value through profit or loss or measurement of trading securities and fonds with resale agreements (23,355) 5 (40,727) 9. Net loss on orewing of borrowed securities and bonds with resale agreements (23,355) 5 (40,550) (10) Net gain on stock warrants issued (Notes 6(20) and 6(22)) 24,490 (2) 5 (50,50) (12) 112,789 (2) 79,714 (2) 72,714 (20,50) (2) 74,71 | Securities management, distribution, and management fees | 140,462 | 3 | 155,854 | 3 | |
| Net gain on measurement of trading securities at fair value through profit or loss on covering of bornowed securities and bonds with resale agreements (23,325) | Interest revenue (Note 6(20)) | 1,209,365 | 25 | 1,230,035 | 25 | |
| Net loss on covering of borrowed securities and bonds with resale agreements Net loss on measurement of borrowed securities and bonds with resale agreements Net gain on stock warrants issued (Notes 6(20) and 6(22)) Futures commission revenue Net gain (loss) on derivative instruments - futures (Note 6(22)) Net gain (loss) on derivative instruments - futures (Note 6(22)) Net loss on derivative instruments - OTC (Note 6(22)) Net loss on derivative instruments - OTC (Note 6(22)) Other operating revenue Problem of the victorial of the company of the com | Dividend revenue | 91,892 | 2 | 165,449 | 3 | |
| Net loss on measurement of borrowed securities and bonds with resalte agreement of Seption on stock warrants issued (Notes 6(20) and 6(22)) 244,901 5 506,501 12 Futures commission revenue 12,78 2 79,714 2 Net gain (loss) on derivative instruments - Otto (Note 6(22)) 20,715,000 3 15 113,535 2 Net loss on derivative instruments - OTTC (Note 6(22)) 20,725,100 3 10 4883,200 10 Other operating revenue 130,503 3 147,212 3 Forenesse: 8 132,311 3 136,285 3 Brokerage and clearing fees - proprietary trading 7,306 2 6,711 -2 Clearing and exchange fees - refinancing 2,136 3 149,433 3 Clearing and exchange fees - underwriting 3,008 3 149,433 3 Loss on borrowed securities 2,235 3 149,433 3 Loss on borrowed securities 2,235 4 1,45,505 4 Escurities commission expenses (Note 6(20)) 2,220,464 4 | Net gain on measurement of trading securities at fair value through profit or loss | 271,483 | 5 | 440,272 | 9 | |
| Net gain on stock warrants issued (Notes 6(20) and 6(22)) 244,901 5 596,501 2 Futures commission revenue 112,789 2 79,714 2 Net gain (loss) on derivative instruments - futures (Note 6(22)) (245,126) (5) (113,350) (20 Net loss on derivative instruments - OTC (Note 6(22)) (36,503) 3 147,212 3 Other operating revenue 136,503 3 147,212 3 Expenser 8 33,331 33,6285 3 Brokerage fees 313,331 3 36,285 3 Clearing and exchange fees - refinancing 2,136 2 2,815 -2 Clearing and exchange fees - underwriting 3,008 3 2,835 -2 Clearing and exchange fees - underwriting 3,008 3 2,835 -2 Clearing and exchange fees - underwriting 3,008 3 2,835 -2 Excurities commission expense - introducing brokers 2,275 1 1,875 -2 Other operating expenditure 2,566 2 <td>Net loss on covering of borrowed securities and bonds with resale agreements</td> <td>(23,325)</td> <td>-</td> <td>(18,158)</td> <td>-</td> | Net loss on covering of borrowed securities and bonds with resale agreements | (23,325) | - | (18,158) | - | |
| Futures commission revenue 112,789 2 79,714 2 Net gain Gloss on adrivative instruments - futures (Note 6(22)) 977 c (75,509) (2) Net Joss on adrivative instruments - OTC (Note 6(22)) (245,126) (5) (13,356) (3) Other operating revenue 3136,038 3 4,883,70 10 Brokerage fees 3132,311 3 36,285 -2 Brokerage and clearing fees - proprietary trading 7,306 2 2,815 -2 Clearing and exchange fees - underwriting 3,08 3 149,433 -3 Clearing and exchange fees - underwriting 3,13,818 3 149,433 -3 Clearing and exchange fees - underwriting 3,23 4 149,433 -3 Clearing and exchange fees - underwriting 2,23 -2 2,387 -2 Clearing and exchange fees - underwriting 3 1,3818 3 149,433 -3 Clearing and exchange fees - underwriting 2,275 -2 1,875 -2 2,875 -2 1,875< | Net loss on measurement of borrowed securities and bonds with resale agreements | (29,973) | (1) | (45,560) | (1) | |
| Futures commission revenue 112,789 2 79,714 2 Net gain Gloss on adrivative instruments - futures (Note 6(22)) 977 c (75,509) (2) Net Joss on adrivative instruments - OTC (Note 6(22)) (245,126) (5) (13,356) (3) Other operating revenue 3136,038 3 4,883,70 10 Brokerage fees 3132,311 3 36,285 -2 Brokerage and clearing fees - proprietary trading 7,306 2 2,815 -2 Clearing and exchange fees - underwriting 3,08 3 149,433 -3 Clearing and exchange fees - underwriting 3,13,818 3 149,433 -3 Clearing and exchange fees - underwriting 3,23 4 149,433 -3 Clearing and exchange fees - underwriting 2,23 -2 2,387 -2 Clearing and exchange fees - underwriting 3 1,3818 3 149,433 -3 Clearing and exchange fees - underwriting 2,275 -2 1,875 -2 2,875 -2 1,875< | Net gain on stock warrants issued (Notes 6(20) and 6(22)) | 244,901 | | 596,501 | | |
| Net gain (loss) on derivative instruments - futures (Note 6(22)) 977 10 105,000 10 10,13,500 20 Net loss on derivative instruments - OTC (Note 6(22)) (245,126) (5) (113,356) 2 Other operating revenue 136,503 10 488,720 10 Expenser 8 132,311 3 136,285 3 Brokerage fees 132,311 3 136,285 3 Clearing and exchange fees - proprietary trading 7,306 2 8.95 2 Clearing and exchange fees - underwriting 3,008 2 2.815 2 Clearing and exchange fees - underwriting 3,008 3 2.815 2 Clearing and exchange fees - underwriting 3,008 3 2.815 2 Clearing and exchange fees - underwriting 3,008 3 2.815 2 Clearing and exchange fees - underwriting 3,008 4 2.815 2 Stand porture of the contract of the cont | | | 2 | | 2 | |
| Net loss on derivative instruments - OTC (Note 622) (245,126) (3) (3) (13,350) (3) Other operating revenue 136,803 3 147,212 3 Steperser 138,331 30 48,327 30 Expenser Brokerage fees 132,311 3 36,285 3 Clearing and exchange fees - refinancing 2,136 2 2,815 3 Clearing and exchange fees - refinancing 3,008 3 149,433 3 Clearing and exchange fees - underwriting 3,008 3 149,433 3 Clearing and exchange fees - underwriting 3,008 3 149,433 3 Clearing and exchange fees - underwriting 3,008 3 149,433 3 Clearing and exchange fees - underwriting 3,008 3 149,433 3 Clearing and exchange fees - refinancing 2,27 1 2,28 4 2,28 4 2 2,28 4 2 2,28 4 2 2,28 4 <th< td=""><td></td><td></td><td>_</td><td></td><td></td></th<> | | | _ | | | |
| Other operating revenue 136,03 3 147,12 3 Experser Brokerage fees 132,31 3 136,285 3 Brokerage and clearing fees - proprietary trading 7,306 3 6,711 3 Clearing and exchange fees - refinancing 2,136 3 2,815 3 Clearing and exchange fees - underwiting 33,818 3 4,943 3 Clearing and exchange fees - underwiting 133,818 3 149,433 3 Clearing and exchange fees - underwiting 133,818 3 149,433 3 Financial cost 133,818 3 149,433 3 Clearing and exchange fees - underwiting 2,275 3 1,875 3 Stopp contains consume securities 2,275 4 2,185 2 Clos on borrowed securities 2,276 4 2,910 3 Clibric poperating expenditure 2,220,44 45 2,19,10 3 Employee benefits expenses (Note 6(20) 2,38,24 4 1,19,10 3 <td></td> <td></td> <td>(5)</td> <td>, , ,</td> <td></td> | | | (5) | , , , | | |
| Expenses: 100 4.883,700 100 Brokerage fees 1322,311 3 136,285 3 Brokerage fees 7,306 - 6,711 - Brokerage and clearing fees - proprietary trading 2,136 - 6,711 - Clearing and exchange fees - underwriting 3,008 - 2,835 - Clearing and exchange fees - underwriting 3,008 - 2,835 - Financial cost 1 - 1213 - Loss on borrowed securities 2 - 1213 - Securities commission expense - introducing brokers 2,220,464 45 2,384,56 - Employee benefits expenses (Note 6(20)) 194,024 4 219,915 - Other operating expenses (Note 6(20)) 116,7418 24 1,146,370 23 Other operating expenses (Note 6(20)) 23,815 4 1,291,915 3 Other printing expenses (Note 6(20)) 23,815 5 16,384 1 Other grain and oss (Note 6(20) </td <td>, , , ,</td> <td></td> <td></td> <td></td> <td></td> | , , , , | | | | | |
| Page | outer operating revenue | | | | | |
| Brokerage fees 132,311 3 136,285 3 Brokerage and clearing fees - proprietary trading 7,306 5 6,711 - Clearing and exchange fees - refinancing 2,136 2,815 - Clearing and exchange fees - underwriting 3,008 5 2,835 - Financial cost 133,818 3 149,433 3 So son borrowed securities 2,275 1,875 - Cother operating expenditure 5,696 5 9,287 - Other operating expenditure 194,024 4 219,915 5 Employee benefits expenses (Note 6(20)) 194,024 4 219,915 5 Other operating expenditure 2,220,464 45 2,380,456 49 Depreciation and amortization expenses (Note 6(20)) 194,024 4 219,915 5 Other operating expenses (Note 6(20)) 2,221,464 45 2,380,456 49 Other gain and loss (Note 6(20)) 3,380,578 8 318,333 7 Income tax expens | Expenses: | 1,003,703 | 100 | 1,005,270 | 100 | |
| Brokerage and clearing fees - proprietary trading 7,306 c 6,711 c Clearing and exchange fees - refinancing 2,136 c 2,815 c Clearing and exchange fees - underwriting 3,008 c 2,835 c Financial cost 133,818 3 149,433 c Loss on borrowed securities 2,275 c 213 c Securities commission expenses introducing brokers 2,275 c 1,875 c Other operating expenditure 5,596 c 9,287 c Employee benefits expenses (Note 6(20)) 1940,42 4 219,915 5 Other operating expenses (Note 6(20)) 116,7418 24 1,146,370 23 Other operating expenses (Note 6(20)) 25,2162 5 165,089 3 Other princing expenses (Note 6(20)) 380,578 8 318,335 7 Other gain and loss (Note 6(20)) 25,162 5 165,089 3 Other gain and Loss (Note 6(20)) 1,002 1 1 <tr< td=""><td></td><td>132.311</td><td>3</td><td>136,285</td><td>3</td></tr<> | | 132.311 | 3 | 136,285 | 3 | |
| Clearing and exchange fees - relinancing 2,136 c 2,835 c Clearing and exchange fees - underwriting 3,008 c 2,835 c Financial cost 133,818 3 149,433 3 Loss on borrowd securities 2,275 c 18,75 c Securities commission expense - introducing brokers 2,220,464 45 2,380,456 49 Other operating expenditure 19,002 4 219,915 5 Other operating expenses (Note 6(20)) 116,7418 2 2380,456 49 Other operating expenses (Note 6(20)) 11,674,18 4 21,9015 5 Other operating expenses (Note 6(20)) 252,162 5 165,089 3 Other pariang expenses (Note 6(20)) 38,085,6 79 405,619 3 Other gain and loss (Note 6(20)) 38,038,38 3 318,335 7 Income before tax 1,648,047 3 13,104,99 2 Income tax expense (Note 6(17)) 1,762,23 4 2,104,20 3 </td <td></td> <td></td> <td>_</td> <td></td> <td>_</td> | | | _ | | _ | |
| Clearing and exchange fees - underwriting 3,008 c 2,835 - 3 Financial cost 133,818 3 149,433 3 Loss on borrowed securities - - 213 - Securities commission expense introducing brokers 2,275 - 1,875 - Other operating expenditure 5,696 - 9,287 - Employee benefits expenses (Note 6(20)) 194,024 4 219,915 5 Other operating expenses (Note 6(20)) 116,7418 24 1,146,370 23 Other operating expenses (Note 6(20)) 116,7418 24 1,146,370 23 Other operating expenses (Note 6(20)) 283,868,456 79 4,056,195 3 Other operating expenses (Note 6(20)) 380,578 8 318,335 7 Other pain and loss (Note 6(20)) 252,162 5 165,089 3 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income tax expense (Note 6(17) (1,62,649) 4 21,049 <t< td=""><td></td><td></td><td>_</td><td></td><td>_</td></t<> | | | _ | | _ | |
| Financial cost 133,818 3 149,433 3 Loss on borrowed securities - - 213 - Securities commission expense - introducing brokers 2,275 - 1,875 - Other operating expenditure 5,696 - 9,287 - Employee benefits expenses (Note 6(20)) 2,220,464 45 2,380,456 49 Depreciation and amortization expenses (Note 6(20)) 1,167,418 24 1,146,370 23 Other operating expenses (Note 6(20)) 1,167,418 24 1,146,370 23 Other income and expenses: 3,868,456 79 4,056,195 83 Other parian and loss (Note 6(20)) 252,162 5 165,089 3 Other gain and loss (Note 6(20)) 3380,578 8 318,335 7 Income before tax 1,648,047 34 1310,499 27 Income tax expense (Note 6(17)) 2,176,20 3 3 1,49,43 3 1 Other comprehensive income 4,217,38 3 < | | | _ | | _ | |
| Consist on borrowed securities 2,275 1,875 2,8 Securities commission expense - introducing brokers 2,275 5 1,875 7 Other operating expenditure 5,696 5 9,287 7 Employee benefits expenses (Note 6(20)) 2,220,464 45 2,380,456 49 Depreciation and amortization expenses (Note 6(20)) 194,024 4 219,915 5 Other operating expenses (Note 6(20)) 194,024 4 1,146,370 23 Other operating expenses (Note 6(20)) 1,167,418 24 1,146,370 23 Other operating expenses (Note 6(20)) 2,380,8456 79 4,056,195 83 Other income and expenses 7 4,056,195 83 Other gain and loss (Note 6(20)) 2,380,578 8 318,335 7 Other gain and loss (Note 6(20)) 3,880,578 8 318,335 7 Other gain and loss (Note 6(20)) 3,880,578 8 318,335 7 Income before tax 1,648,047 34 1,310,499 27 Income tax expense (Note 6(17)) 1,062,633 44 210,437 40 Other comprehensive income Exchange differences on translation of foreign operations 42,173 1 (66,955) (10 Other comprehensive income Exchange differences on translation of foreign operations 42,173 1 (66,955) (10 Other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 1 (36,045) (10 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 1 (1,403) 1 (1,403) (1,404) (1,404) (1,405 | | • | 3 | | 3 | |
| Securities commission expense - introducing brokers 2,275 - 1,875 - 2 Other operating expenditure 5,696 - 9,287 - 2 Employee benefits expenses (Note 6(20)) 2,220,464 45 2,380,456 49 Depreciation and amortization expenses (Note 6(20)) 194,024 4 21,915 5 Other operating expenses (Note 6(20)) 1,167,418 24 1,146,370 23 Other operating expenses (Note 6(20)) 3,80,456 79 4,056,195 83 Other income and expenses 5 165,089 3 8 318,335 7 Other gain and loss (Note 6(20)) 252,162 5 165,089 3 7 Income before tax 1,648,07 34 13,0499 27 Income tax expense (Note 6(17)) (17,625) 4 130,0499 27 Other comprehensive income 1,471,784 30 1,100,062 23 Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale | | 133,616 | 3 | | 3 | |
| Other operating expenditure 5,696 c 9,287 4 Employee benefits expenses (Note 6(20)) 2,220,464 45 2,380,456 49 Depreciation and amortization expenses (Note 6(20)) 1940,24 4 219,915 5 Other operating expenses (Note 6(20)) 1,167,418 24 1,146,370 23 Other operating expenses (Note 6(20)) 3,868,456 79 4,056,195 83 Other income and expenses: 8 318,335 7 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income before tax 1,648,047 34 1,310,499 27 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net comprehensive income 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Other comprehensive income of subsidiaries, associates and joint ventures accounted for using equ | | 2 275 | - | | - | |
| Employee benefits expenses (Note 6(20)) 2,220,464 45 2,380,456 49 Depreciation and amortization expenses (Note 6(20)) 194,024 4 219,915 5 Other operating expenses (Note 6(20)) 1,167,418 24 1,146,370 23 Tother income and expenses: 3,868,456 79 4,056,195 83 Other income and expenses: 252,162 5 165,089 3 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income before tax 1,648,047 34 1,310,499 27 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income 1,471,784 30 1,00,622 23 Other comprehensive income 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on adefined benefit plans, net (Note 6(16)) 13,882 5 (1,403) 7 Share of other comprehensive income of subsidiaries, ass | | | - | | - | |
| Depreciation and amortization expenses (Note 6(20)) 194,024 4 219,915 5 Other operating expenses (Note 6(20)) 1,167,418 24 1,146,370 23 Other income and expenses: 79 4,056,195 83 Other points of associates and joint ventures (Note 6(5)) 252,162 5 165,089 3 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income before tax 1,648,047 34 1,310,499 27 Income tax expense (Note 6(17)) 1,764,8047 34 1,310,499 27 Income tax expenses (Note 6(17)) 1,764,8047 34 1,310,499 27 Income tax expenses (Note 6(17)) 1,764,8047 34 1,310,499 27 We time to mysterial (asset) 1,774,84 30 1,100,662 23 Other comprehensive income 42,173 1 (66,955) (1 Unrealized gain (loss) on available-for-sale financial assets, net 29,588 1 (29,598 (1 Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) | | | 45 | | 40 | |
| Other operating expenses (Note 6(20)) 1,167,418 24 1,146,370 23 Other income and expenses: 3,868,456 79 4,056,195 83 Other pain and loss (Note 6 accounted for profits of associates and joint ventures (Note 6(5)) 252,162 5 165,089 3 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income before tax 1,648,047 34 1,310,499 27 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income 1,471,784 30 1,100,662 23 Other comprehensive income 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on adefined benefit plans, net (Note 6(16)) 13,882 - (1,403) - Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income for this peri | | | | | | |
| Other income and expenses: 3,868,456 79 4,056,195 83 Share of profits of associates and joint ventures (Note 6(5)) 252,162 5 165,089 3 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income before tax 1,648,047 34 1,310,499 27 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income 1,471,784 30 1,100,062 23 Other comprehensive income 29,598 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 13,882 - (36,045) (1) Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) 14,785 - (1,403) - Other comprehensive income for this period, net of income tax 92,837 2 (122,438) (3) Other comprehensive income for this period 1,564,621 | • | ŕ | | • | | |
| Other income and expenses: Share of profits of associates and joint ventures (Note 6(5)) 252,162 5 165,089 3 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income before tax 1,648,047 13 483,424 10 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income \$1,471,784 30 1,100,062 23 Other comprehensive income Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 - (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) 7(,601) - 11,563 - Other comprehensive income for this period, net of income tax \$92,8 | Other operating expenses (Note 6(20)) | | | | | |
| Share of profits of associates and joint ventures (Note 6(5)) 252,162 5 165,089 3 Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income before tax 1,648,047 13 483,424 10 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income \$1,471,784 30 1,100,062 23 Other comprehensive income \$1,471,784 30 1,100,062 23 Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 5 (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 5 (1,403) 5 Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) 7 11,563 - Other comprehensive income for this period, net of income tax | | 3,868,456 | 79 | 4,056,195 | 83 | |
| Other gain and loss (Note 6(20)) 380,578 8 318,335 7 Income before tax 1,648,047 34 1,310,499 27 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income 1,471,784 30 1,100,062 23 Charge differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 - (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) (7,601) - 11,563 - Other comprehensive income for this period, net of income tax 92,837 2 (122,438) 3 Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per s | | 252 162 | 5 | 165 089 | 3 | |
| Income before tax 1.648,047 34 4.83,424 10 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income \$ 1,471,784 30 1,100,062 23 Other comprehensive income Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 - (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) 7 11,563 - Other comprehensive income for this period, net of income tax \$ 92,837 2 (12,438) 3 Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per share(dollar) (Note 6(19)) \$ 0.62 0.46 | | | | | _ | |
| Income before tax 1,648,047 34 1,310,499 27 Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income \$ 1,471,784 30 1,100,062 23 Other comprehensive income Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 - (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) (7,601) - 11,563 - Other comprehensive income for this period, net of income tax \$ 92,837 2 (122,438) 3 Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per share(dollar) (Note 6(19)) \$ 0.62 0.46 | Other gain and loss (1vote 0(20)) | | | | | |
| Income tax expense (Note 6(17)) (176,263) (4) (210,437) (4) Net income \$ 1,471,784 30 1,100,062 23 Other comprehensive income Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 - (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) (7,601) - 11,563 - Other comprehensive income for this period, net of income tax \$ 92,837 2 (122,438) (3) Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per share(dollar) (Note 6(19)) \$ 0.62 0.46 | Income hefere toy | | | | | |
| Net income \$ 1,471,784 30 1,100,062 23 Other comprehensive income Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 - (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) (7,601) - 11,563 - Other comprehensive income for this period, net of income tax \$ 92,837 2 (122,438) (3) Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per share(dollar) (Note 6(19)) \$ 0.62 0.46 | | | | | | |
| Other comprehensive income Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 - (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) (7,601) - 11,563 - COTHING COMPREHENSIVE income for this period, net of income tax \$92,837 2 (122,438) (3) Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per share(dollar) (Note 6(19)) \$ 0.62 0.46 | _ | | | | | |
| Exchange differences on translation of foreign operations 42,173 1 (66,955) (1) Unrealized gain (loss) on available-for-sale financial assets, net 29,598 1 (29,598) (1) Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) 13,882 - (36,045) (1) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method 14,785 - (1,403) - Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) (7,601) - 11,563 - Other comprehensive income for this period, net of income tax \$92,837 2 (122,438) (3) Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per share(dollar) (Note 6(19)) \$0.62 0.46 | | 5 1,4/1,/84 | | 1,100,062 | | |
| Unrealized gain (loss) on available-for-sale financial assets, net Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) Other comprehensive income for this period, net of income tax Total Comprehensive income for this period Basic earnings per share(dollar) (Note 6(19)) 11,263, 10, 11, 12, 13, 14, 18, 18, 18, 18, 18, 18, 18, 18, 18, 18 | - | 42 172 | 1 | (66.055) | (1) | |
| Actuarial gain (loss) on defined benefit plans, net (Note 6(16)) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) Other comprehensive income for this period, net of income tax \$92,837 2 (122,438) Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per share(dollar) (Note 6(19)) | | | 1 | | | |
| Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method Income tax benefit (expense) related to components of other comprehensive income (Note 6(17)) Other comprehensive income for this period, net of income tax \$ 92,837 | | | 1 | | | |
| (Note 6(17)) $(7,601)$ - $11,563$ - Other comprehensive income for this period, net of income tax \$ 92,837 2 $(122,438)$ (3) Total Comprehensive income for this period 1,564,621 32 977,624 20 Basic earnings per share(dollar) (Note 6(19)) \$ 0.62 0.46 | Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method | | - | | (1) | |
| Other comprehensive income for this period, net of income tax\$ 92,8372(122,438)(3)Total Comprehensive income for this period1,564,62132977,62420Basic earnings per share(dollar) (Note 6(19))\$ 0.620.46 | | (7.601) | _ | 11,563 | _ | |
| Total Comprehensive income for this period Basic earnings per share(dollar) (Note 6(19)) 1,564,621 32 977,624 20 0.46 | | | 2 | | (3) | |
| Basic earnings per share(dollar) (Note 6(19)) \$ 0.62 0.46 | - · · · · · · · · · · · · · · · · · · · | | | | | |
| | | | | | | |
| | Dilutive earnings per share(dollar) (Note 6(19)) | | | | | |

CAPITAL SECURITIES CORPORATION STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2013 and 2012

(New Taiwan Dollars in Thousands)

| | | _ | Retained earnings | | | Equity - o | | |
|---|---------------|--------------------|-------------------|--------------------|-------------------------|---|---|------------|
| | Capital stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translation of foreign operations | Unrealized gain (loss) on available-for-sale financial assets | Total |
| Beginning 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 | - | = | - | - | 1,100,062 | · · · | - | 1,100,062 |
| Other comprehensive income | - | - | - | - | (36,317) | (56,455) | (29,666) | (122,438) |
| Total comprehensive income | | - | - | - | 1,063,745 | (56,455) | (29,666) | 977,624 |
| Appropriation of earnings (Note 1): | | _ | | | | | | |
| Legal reserve | - | - | 81,440 | - | (81,440) | - | - | - |
| Special Reserve | - | - | - | 162,880 | (162,880) | - | - | - |
| Cash dividends | - | - | - | - | (592,268) | - | - | (592,268) |
| Reversal of special reserve for deduction of stockholders' equity | - | - | - | (20,951) | 20,951 | - | - | - |
| Indemnification to stockholders due to merger (Note 12) | - | - | - | - | (15,789) | - | - | (15,789) |
| Adjustment for reserve of default & trading loss to special reserve from subsidiaries | <u> </u> | <u>-</u> | <u>-</u> | (13,654) | | <u> </u> | | (13,654) |
| Ending balance, December 31, 2012 | 23,690,730 | 2,705,473 | 500,532 | 1,281,093 | 750,679 | (56,638) | (32,759) | 28,839,110 |
| Net income | - | - | - | - | 1,471,784 | - | - | 1,471,784 |
| Other comprehensive income | <u> </u> | <u> </u> | | | 10,362 | 37,113 | 45,362 | 92,837 |
| Total comprehensive income | | <u> </u> | | | 1,482,146 | 37,113 | 45,362 | 1,564,621 |
| Appropriation of earnings (Note 2): | | | | | | | | |
| Legal reserve | - | - | 105,426 | - | (105,426) | - | - | - |
| Special Reserve | - | - | - | 210,851 | (210,851) | - | - | - |
| Cash dividends | - | - | - | - | (355,361) | - | - | (355,361) |
| Special reserve for deduction of stockholders' equity | - | - | - | 136,374 | (136,374) | - | - | - |
| Indemnification to stockholders due to merger (Note 12) | | <u> </u> | <u> </u> | - | (853) | | | (853) |
| Ending balance, December 31, 2013 | \$ 23,690,730 | 2,705,473 | 605,958 | 1,628,318 | 1,423,960 | (19,525) | 12,603 | 30,047,517 |

Note 1: The remuneration to directors and supervisors and the employee bonuses were \$25,474 and \$19,105 which were deducted from the statement of income, respectively.

Note 2: The remuneration to directors and supervisors and the employee bonuses were \$15,284 and \$11,463 which were deducted from the statement of income, respectively.

CAPITAL SECURITIES CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

(New Taiwan Dollars in Thousands)

| | 2013 | 2012 |
|---|-----------------|-----------|
| Cash flows from operating activities: | | |
| Net income before tax | \$ 1,648,047 | 1,310,499 |
| Adjustments for: | | |
| Income and expenses items with no effect on cash flows: | = | |
| Depreciation expense | 161,704 | 181,682 |
| Amortization expense | 32,320 | 38,233 |
| Net gain on financial assets and liabilities measured at fair value through profit or loss | (271,483) | (440,272 |
| Interest expense | 133,818 | 149,433 |
| Dividend received from investments under equity method | 95,043 | 149,497 |
| Amortization of discount on commercial paper payable - long term | - | 22 |
| Share of profits of associates and joint ventures accounted for using equity method | (252,162) | (165,089 |
| Loss (gain) on disposal of property and equipment | (1,345) | 511 |
| Gain on disposal of investment under equity method | | (143 |
| Total income and expense items with no effect on cash flows | (102,105) | (86,126 |
| Changes of assets and liabilities from operating activities: | | |
| Net changes of assets from operating activities: | | |
| Decrease (increase) in financial assets measured at fair value through profit or loss | (4,828,847) | 709,764 |
| Decrease (increase) in available-for-sale financial assets | 225,997 | (225,997 |
| Decrease (increase) in bonds purchased under resale agreements | 1,173,007 | (728,067 |
| Decrease (increase) in receivable for securities provided as collateral | (1,914,407) | 1,863,269 |
| Increase in refinancing margin | (176,671) | (8,808 |
| Increase in receivable on refinancing collateral | (139,113) | (6,320 |
| Increase in receivable for securities borrowed | (48,244) | (321,586 |
| Increase in security borrowing margin | (213,411) | (140,038 |
| Decrease (increase) in notes receivable | 737 | (3,883 |
| Decrease (increase) in accounts receivable | (2,589,153) | 953,433 |
| Decrease (increase) in prepayments | (2,695) | 5,503 |
| Decrease (increase) in other receivables | 113,193 | (72,779 |
| Decrease in current income tax assets | 36,703 | 89,687 |
| Increase in guaranty deposited for business operations | (14,300) | (259,656 |
| Decrease in settlement fund | 8,074 | 240,595 |
| Decrease (increase) in other current assets | (479,406) | 49,696 |
| Decrease (increase) in other non-current assets | 19,080 | (138,482 |
| Total net changes of assets from operating activities: | (8,829,456) | 2,006,331 |
| Net changes of liabilities from operating activities: | | |
| Increase (decrease) in financial liabilities measured at fair value through profit or loss | (452,144) | 582,459 |
| Increase (decrease) in bonds sold under repurchase agreements | 1,786,090 | (264,933 |
| Decrease in guaranty deposited for short sales | (188,474) | (174,464 |
| Increase (decrease) in proceeds payable from short sales | (385,726) | 140,983 |
| Decrease in securities lending refundable deposits | (7,628) | (732,447 |
| Increase (decrease) in notes payable | (219) | 212 |
| Increase in accounts payable | 2,655,894 | 124,018 |
| Increase (decrease) in advance receipts | 139,656 | (4,514 |
| Increase (decrease) in receipts under custody | 430,150 | (3,889 |
| Increase (decrease) in other payables | 36,815 | (81,975 |
| Increase (decrease) in other financial liabilities - current | 52,480 | (46,446 |
| Increase (decrease) in other financial liabilities - non-current | 3,310 | (373,516 |
| Increase (decrease) in guarantee deposits received | 898 | (457 |
| Decrease in accrued pension liabilities - non-current | (1,464) | (10,962 |
| Decrease in privision - current | (1,464) | (10,962 |
| Decrease in other non-current liabilities | (20,173) | (92,102 |
| | | |
| Total net changes of liabilities from operating activities Total net changes of assets and liabilities from operating activities | 4,048,406 | (939,706 |
| Total net changes of assets and liabilities from operating activities Total Cosh generated from adjustment items | (4,781,050) | 1,066,625 |
| Total Cash generated from adjuestment items | (4,883,155) | 980,499 |

CAPITAL SECURITIES CORPORATION STATEMENTS OF CASH FLOWS (CONT'D)

Years Ended December 31, 2013 and 2012 (New Taiwan Dollars in Thousands)

| | 2013 | 2012 |
|--|-------------------|-------------|
| Cash generated by operating activities | \$ (3,235,108) | 2,290,998 |
| Interest paid | (190,810) | (131,062) |
| Income tax paid | (779,732) | (1,258,614) |
| Net cash provided by (used in) operating activities | (4,205,650) | 901,322 |
| Cash flows from investing activities: | | |
| Proceeds from capital reduction of investments under the equity method | - | 93,387 |
| Repayment from maturity of held-to-maturity financial assets | - | 290,000 |
| Proceeds from capital reduction of financial assets measured at cost | 10,000 | - |
| Increase of deferred debits | (2,188) | (3,707) |
| Acquisitions of property and equipment | (38,087) | (34,655) |
| Proceeds from disposal of property and equipment | 19,600 | 151 |
| Acquisitions of intangible assets | (19,238) | (13,740) |
| Acquisitions of investment property | <u> </u> | (120) |
| Net cash provided by (used in) investing activities | (29,913) | 331,316 |
| Cash flows from financing activities: | | |
| Increase(decrease) in short-term borrowings | 2,019,000 | (1,155,000) |
| Decrease in long-term liabilities - current portion | (299,881) | - |
| Increase in commercial paper payable | 2,299,582 | - |
| Cash dividends | (355,361) | (592,268) |
| Net cash provided by (used in) financing activities | 3,663,340 | (1,747,268) |
| Decrease in cash and cash equivalents | (572,223) | (514,630) |
| Cash and cash equivalents, beginning of the year | 2,578,602 | 3,093,232 |
| Cash and cash equivalents, end of the year | \$ 2,006,379 | 2,578,602 |