

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

ASSETS	(Unaudited) March 31, 2013		(Unaudited) December 31, 2012		(Unaudited) March 31, 2012		(Unaudited) January 1, 2012		(Unaudited) March 31, 2013		(Unaudited) December 31, 2012		(Unaudited) March 31, 2012		(Unaudited) January 1, 2012		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Current Assets									LIABILITIES AND EQUITY								
Cash and cash equivalents (Note 6(1))	\$ 3,819,948	6	5,408,513	8	4,059,061	6	6,337,366	9	Short-term borrowings (Note 6(10))	\$ 1,602,000	2	-	-	2,907,390	4	1,245,677	2
Financial assets at fair value through profit or loss - current (Note 6(2))	13,356,351	19	14,643,599	21	13,869,172	19	14,772,262	20	Commercial paper payable (Note 6(11))	-	-	-	-	1,699,160	2	-	-
Available-for-sale financial assets - current (Note 6(2))	118,751	-	196,399	-	944,761	1	-	-	Financial liabilities at fair value through profit or loss - current (Note 6(12))	3,778,011	6	1,803,100	3	1,278,044	2	1,235,888	2
Bonds purchased under resale agreements (Notes 6(3) and 8)	1,258,507	2	1,731,401	3	2,256,167	3	1,003,334	2	Bonds sold under repurchase agreements (Note 6(13))	10,198,741	16	11,329,169	16	10,539,224	15	11,594,102	16
Receivable for securities provided as collateral	16,463,621	24	15,916,865	23	18,590,630	26	17,742,423	25	Guaranty deposited for short sales	1,644,088	2	2,555,221	4	1,605,214	2	2,729,685	4
Refinancing margin	692	-	13,443	-	178	-	4,635	-	Proceeds payable from short sales	2,078,574	3	3,394,642	5	1,814,462	3	3,253,659	5
Receivable on refinancing collateral	1,631	-	19,038	-	3,770	-	12,718	-	Securities lending refundable deposits	1,371,940	2	1,787,545	3	1,207,240	2	2,519,992	3
Customers margin account (Note 6(5))	8,847,111	13	9,410,079	13	7,267,318	10	8,765,851	12	Futures traders' equity (Note 6(14))	8,825,001	13	9,379,001	13	7,247,583	10	8,738,971	12
Receivable - futures margin	-	-	-	-	3,132	-	3,153	-	Notes payable	471	-	1,077	-	471	-	865	-
Collateral for securities borrowed	189,628	-	321,586	-	4,063	-	-	-	Accounts payable (Note 6(15))	4,375,542	6	4,806,096	7	8,811,069	12	4,617,556	6
Securities borrowing margin	1,816,916	3	1,074,822	2	962,163	2	934,784	1	Advance receipts	7,356	-	10,118	-	6,125	-	14,650	-
Notes receivable	3,548	-	9,293	-	5,505	-	5,410	-	Receipts under custody	126,469	-	133,006	-	153,559	-	137,075	-
Accounts receivable (Note 6(4))	7,145,092	10	5,306,941	8	8,090,321	11	6,184,281	9	Other payables	613,209	1	845,318	1	765,522	1	916,151	1
Prepayments	39,220	-	43,566	-	49,484	-	49,927	-	Other financial liabilities - current (Note 6(22))	218,814	-	236,897	-	435,358	-	283,343	-
Other receivables	48,537	-	149,039	-	55,557	-	78,955	-	Current income tax liabilities	815,675	1	1,103,586	2	1,757,102	2	2,346,245	3
Other financial assets - current (Note 6(22))	98	-	-	-	12	-	-	-	Provisions - current (Note 6(18))	47,539	-	47,539	-	41,055	-	48,559	-
Current income tax assets	62,480	-	58,949	-	118,417	-	148,479	-	Long-term liabilities - current portion (Note 6(16))	299,987	-	299,881	-	100,000	-	-	-
Other current assets	609,891	1	686,738	1	685,917	1	683,506	1	Other current liabilities	7,432	-	5,089	-	13,519	-	21,735	-
	53,782,022	78	54,990,271	79	56,965,628	79	56,727,084	79		36,008,849	52	37,737,285	54	40,382,097	55	39,704,153	54
Non-current Assets									Non-current Liabilities								
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	207,590	-	207,936	-	238,446	-	238,616	-	Long-term borrowings (Note 6(16))	400,000	1	-	-	299,911	-	299,859	-
Financial assets carried at cost - non-current (Note 6(2))	677,167	1	677,167	1	677,167	1	677,167	1	Other financial liabilities - non-current (Note 6(22))	1,134,370	2	1,395,831	2	521,196	1	1,769,347	2
Available-for-sale financial assets - non-current (Note 6(2))	55,870	-	44,886	-	52,060	-	44,963	-	Provisions - non-current	47,691	-	47,691	-	47,691	-	47,691	-
Held-to-maturity financial assets - non-current (Note 6(2))	-	-	-	-	-	-	290,000	1	Deferred income tax liabilities	367,801	-	286,113	-	16,563	-	116,129	-
Investments accounted for under equity method (Note 6(6))	99,327	-	78,283	-	64,849	-	52,225	-	Guarantee deposits received	16,116	-	16,218	-	16,203	-	16,440	-
Property and equipment (Notes 6(7) and 8)	6,334,478	9	6,367,500	9	6,463,540	9	6,513,064	9	Accrued pension liabilities - non-current (Note 6(18))	463,390	1	464,828	1	439,401	1	442,534	1
Investment property (Notes 6(8) and 8)	864,123	2	863,802	1	861,187	2	858,662	1	Other non-current liabilities	341,996	-	361,110	1	470,084	1	503,123	1
Intangible Assets (Note 6(9))	3,603,304	5	3,608,293	5	3,591,842	5	3,601,098	5		2,771,364	4	2,571,791	4	1,811,049	3	3,195,123	4
Deferred income tax assets	950,312	2	907,665	2	737,483	1	909,075	1	Total Liabilities	38,780,213	56	40,309,076	58	42,193,146	58	42,899,276	58
Other non-current assets	2,164,834	3	2,143,168	3	2,268,684	3	2,213,153	3	Equity Attributable to Shareholders of the Parent								
	14,957,005	22	14,898,700	21	14,955,258	21	15,398,023	21	Common stock (Note 6(20))	23,690,730	34	23,690,730	33	23,690,730	33	23,690,730	33
									Capital surplus								
									Premium from stock issuance	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	-
									Paid-in capital from merger	658,234	1	658,234	1	658,234	1	658,234	1
									Retained earnings								
									Legal reserve	500,532	1	500,532	1	419,092	1	419,092	1
									Special reserve	1,281,093	2	1,281,093	2	1,152,818	2	1,152,818	2
									Unappropriated earnings (Note 6(19))	1,039,153	2	750,679	1	1,029,172	1	518,360	1
									Exchange differences on translation of foreign operations	(19,511)	-	(56,638)	-	(35,174)	-	(183)	-
									Unrealized gain or loss on available-for-sale financial assets	(2,627)	-	(32,759)	-	(1,398)	-	(3,093)	-
										29,194,843	43	28,839,110	41	28,960,713	41	28,483,197	41
									Non-controlling Interests	763,971	1	740,785	1	767,027	1	742,634	1
									Total Equity	29,958,814	44	29,579,895	42	29,727,740	42	29,225,831	42
TOTAL ASSETS	\$ 68,739,027	100	69,888,971	100	71,920,886	100	72,125,107	100	TOTAL LIABILITIES AND EQUITY	\$ 68,739,027	100	69,888,971	100	71,920,886	100	72,125,107	100

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended March 31, 2013 and 2012
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1~ Mar. 31, 2013		Jan. 1~ Mar. 31, 2012	
	Amount	%	Amount	%
Income:				
Brokerage commissions	\$ 730,337	53	1,009,440	55
Revenues from securities business money lending	22	-	6	-
Revenues from securities lending	34,039	2	21,534	1
Underwriting commissions	75,318	6	28,498	2
Commissions on wealth management business	707	-	-	-
Gains (loss) on sale of trading securities	66,060	5	66,233	4
Securities management, distribution, and management fees	35,856	3	38,961	2
Interest revenue	287,124	21	331,073	18
Gain (loss) on measurement of trading securities at fair value through profit or loss	79,587	6	354,064	19
Gain (loss) on covering of borrowed securities and bonds with resale agreements	6,980	-	(12,522)	(1)
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	7,791	1	(30,423)	(2)
Gain (loss) on stock warrants issued (Note 6(22))	84,305	6	112,149	6
Futures commission revenues	21,161	2	11,230	1
Commission from consignment of clearing and settlement	2,564	-	1,909	-
Loss on derivative financial instruments - futures (Note 6(22))	(4,619)	-	(29,799)	(2)
Loss on derivative financial instruments - OTC (Note 6(22))	(102,222)	(8)	(121,699)	(7)
Futures administrative revenues	2	-	9	-
Management fee revenues	43	-	-	-
Advisory commissions	3,255	-	-	-
Other operating revenues	37,474	3	46,072	4
	<u>1,365,784</u>	<u>100</u>	<u>1,826,735</u>	<u>100</u>
Expenses:				
Brokerage fees	69,832	5	90,211	5
Brokerage and clearing fees - proprietary trading	5,629	-	2,681	-
Clearing and exchange fees - refinancing	611	-	735	-
Clearing and exchange fees - underwriting	125	-	786	-
Financial costs	29,486	2	30,510	2
Commission expense - futures	26,130	2	16,608	1
Clearing and settlement expenses	30,305	2	25,008	1
Other operating expenditure	499	-	4,914	-
Employee benefits expenses	627,579	46	748,780	41
Depreciation & amortization expenses	57,500	4	64,243	4
Other operating expenses	321,510	24	348,246	19
	<u>1,169,206</u>	<u>85</u>	<u>1,332,722</u>	<u>73</u>
Other income and expenses				
Share of profits of associates and joint venture (Note 6(6))	21,044	2	15,939	1
Other gains and losses	136,137	10	118,195	6
	<u>157,181</u>	<u>12</u>	<u>134,134</u>	<u>7</u>
Income before tax	<u>353,759</u>	<u>27</u>	<u>628,147</u>	<u>34</u>
Income tax expense (Note 6(19))	<u>48,014</u>	<u>4</u>	<u>95,615</u>	<u>5</u>
Net income	<u>305,745</u>	<u>23</u>	<u>532,532</u>	<u>29</u>
Other comprehensive income :				
Exchange differences on translation of foreign operations	46,728	3	(42,158)	(2)
Unrealized gain or loss on available-for-sale financial assets	34,390	3	4,440	-
Income tax benefit related to components of other comprehensive income (Note 6(19))	(7,944)	(1)	7,167	-
Other comprehensive income for the period, net of income tax	<u>73,174</u>	<u>5</u>	<u>(30,551)</u>	<u>(2)</u>
Total comprehensive income for the period	<u>\$ 378,919</u>	<u>28</u>	<u>501,981</u>	<u>27</u>
Total income attributable to :				
Shareholders of the parent	\$ 288,474	22	510,812	28
Non-controlling interests	17,271	1	21,720	1
	<u>\$ 305,745</u>	<u>23</u>	<u>532,532</u>	<u>29</u>
Total comprehensive income attributable to :				
Shareholders of the parent	\$ 355,733	26	477,516	26
Non-controlling interests	23,186	2	24,465	1
	<u>\$ 378,919</u>	<u>28</u>	<u>501,981</u>	<u>27</u>
Basic earnings per share (Note 6(21))	<u>\$ 0.12</u>		<u>0.22</u>	
Diluted earnings per share (Note 6(21))	<u>\$ 0.12</u>		<u>0.22</u>	

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended March 31, 2013 and 2012
(New Taiwan Dollars in Thousands)
(Unaudited)

	Equity attributable to shareholders of the parent							Equity attributable to shareholders of the parent	non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Others				
				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	742,634	29,225,831
Net income for the three months ended March 31, 2012	-	-	-	-	510,812	-	-	510,812	21,720	532,532
Other comprehensive income for the three months ended March 31, 2012	-	-	-	-	-	(34,991)	1,695	(33,296)	2,745	(30,551)
Total comprehensive income for the three months ended March 31, 2012	-	-	-	-	510,812	(34,991)	1,695	477,516	24,465	501,981
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	(72)	(72)
Balance, March 31, 2012	<u>\$ 23,690,730</u>	<u>2,705,473</u>	<u>419,092</u>	<u>1,152,818</u>	<u>1,029,172</u>	<u>(35,174)</u>	<u>(1,398)</u>	<u>28,960,713</u>	<u>767,027</u>	<u>29,727,740</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	740,785	29,579,895
Net income for the three months ended March 31, 2013	-	-	-	-	288,474	-	-	288,474	17,271	305,745
Other comprehensive income for the three months ended March 31, 2013	-	-	-	-	-	37,127	30,132	67,259	5,915	73,174
Total comprehensive income for the three months ended March 31, 2013	-	-	-	-	288,474	37,127	30,132	355,733	23,186	378,919
Balance, March 31, 2013	<u>\$ 23,690,730</u>	<u>2,705,473</u>	<u>500,532</u>	<u>1,281,093</u>	<u>1,039,153</u>	<u>(19,511)</u>	<u>(2,627)</u>	<u>29,194,843</u>	<u>763,971</u>	<u>29,958,814</u>

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2013 and 2012
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1- Mar. 31, 2013	(Unaudited) Jan. 1- Mar. 31, 2012
Cash flows from operating activities:		
Income before income tax for the period	\$ 353,759	628,147
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	49,217	56,427
Amortization expense	9,848	10,462
Reversal of allowance on bad debts	(30)	(62)
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	(87,378)	(323,641)
Net Loss (gain) on non-operating financial instruments at fair value through profit or loss	(2,775)	-
Interest expenses	29,486	31,288
Amortization of discount on commercial paper payable - long term	106	-
Share of profits of associates and joint venture	(21,044)	(15,939)
Loss (gain) on disposal of property and equipment	-	123
Loss (gain) on disposal of investment under equity method	-	(143)
Net changes of Income and expenses having no effects on cash flows	(22,570)	(241,485)
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	1,371,926	1,257,380
Decrease (increase) in available-for-sale financial assets	101,233	(947,287)
Decrease (increase) in bonds purchased under resale agreements	472,894	(1,252,833)
Decrease (increase) in receivable for securities provided as collateral	(546,756)	(848,207)
Decrease (increase) in refinancing margin	12,751	4,457
Decrease (increase) in receivable on refinancing collateral	17,407	8,948
Decrease (increase) in customers margin account	562,968	1,498,533
Decrease (increase) in receivable - futures margin	-	21
Decrease (increase) in collateral for securities borrowed	131,958	(4,063)
Decrease (increase) in security borrowing margin	(742,094)	(27,379)
Decrease (increase) in notes receivable	5,745	(95)
Decrease (increase) in accounts receivable	(1,849,262)	(1,906,040)
Decrease (increase) in prepayments	4,352	1,183
Decrease (increase) in other receivables	118,922	23,650
Decrease (increase) in other financial assets - current	(98)	(12)
Decrease (increase) in guaranty deposited for business operations	(9,476)	(294,223)
Decrease (increase) in settlement fund	(33,069)	240,595
Decrease (increase) in refundable deposits	(225)	(839)
Decrease (increase) in other current assets	76,847	(2,411)
Decrease (increase) in other non-current assets	21,907	(2,641)
Changes in operating assets:	(282,070)	(2,251,263)
Net changes of operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	1,982,702	11,733
Increase (decrease) in bonds sold under repurchase agreements	(1,130,428)	(1,054,878)
Increase (decrease) in guaranty deposited for short sales	(911,133)	(1,124,471)
Increase (decrease) in proceeds payable from short sales	(1,316,068)	(1,439,197)
Increase (decrease) in securities lending refundable deposits	(415,605)	(1,312,752)
Increase (decrease) in futures traders' equity	(554,000)	(1,491,388)
Increase (decrease) in notes payable	(606)	(394)
Increase (decrease) in accounts payable	(425,449)	4,193,513
Increase (decrease) in advance receipts	(2,762)	(8,535)
Increase (decrease) in receipts under custody	(6,537)	16,484
Increase (decrease) in other payables	(218,024)	(150,610)
Increase (decrease) in other current liabilities	(4,649)	(20,418)
Increase (decrease) in other financial liabilities	(281,544)	(1,096,136)
Increase (decrease) in guarantee deposits received	(102)	(237)
Increase (decrease) in accrued pension liabilities	(1,438)	466
Increase (decrease) in other non-current liabilities	(19,114)	(33,039)
Changes in operating liabilities:	(3,304,757)	(3,509,859)
Net changes in operating assets and liabilities:	(3,586,827)	(5,761,122)
Total Cash generated from adjustment items	(3,609,397)	(6,002,607)
Cash generated by operating activities	(3,255,638)	(5,374,460)
Interest paid	(55,394)	(31,834)
Income tax paid	(309,011)	(575,501)
Net cash provided by (used in) operating activities	(3,620,043)	(5,981,795)
Cash flows from investing activities:		
Repayment from maturity of held-to-maturity financial assets	-	290,000
Increase of deferred debits	(274)	(407)
Proceeds from capital reduction of investments under the equity method	-	3,459
Acquisitions of property and equipment	(9,940)	(10,204)
Proceeds from disposal of property and equipment	-	5
Acquisitions of intangible assets	(3,661)	(300)
Net cash provided by (used in) investing activities	(13,875)	282,553
Cash flows from financing activities:		
Increase in short-term borrowings	1,602,000	1,661,713
Increase in commercial paper payable	-	1,699,160
Increase in long-term borrowings	400,000	100,052
Net cash provided by (used in) financing activities	2,002,000	3,460,925
Effect of exchange rate changes on cash and cash equivalents	43,353	(39,988)
Increase (decrease) in cash and cash equivalents	(1,588,565)	(2,278,305)
Cash and cash equivalents, beginning of the year	5,408,513	6,337,366
Cash and cash equivalents, end of this period	\$ 3,819,948	4,059,061

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