

CAPITAL SECURITIES CORPORATION
CONSOLIDATED 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))	\$ 3,949,010	6	5,408,513	8	4,687,822	7	6,337,366	9	Short-term borrowings (Note 6(10))	\$ 1,210,000	2	-	-	1,829,513	3	1,245,677	2
Financial assets at fair value through profit or loss - current (Note 6(2))	15,984,278	23	14,643,599	21	15,153,825	22	14,772,262	20	Commercial paper payable (Note 6(11))	3,099,531	4	-	-	-	-	-	-
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(12))	1,151,147	2	1,803,100	3	1,551,334	2	1,235,888	2
Bonds purchased under resale agreements (Notes 6(3) and 8)	830,223	1	1,731,401	3	2,834,678	4	1,003,334	2	Bonds sold under repurchase agreements (Note 6(13))	11,498,751	17	11,329,169	16	14,381,399	21	11,594,102	16
Receivable for securities provided as collateral	17,624,251	26	15,916,865	23	16,095,097	23	17,742,423	25	Guaranty deposited for short sales	1,498,402	2	2,555,221	4	1,832,992	3	2,729,685	4
Refinancing margin	-	-	13,443	-	108,164	-	4,635	-	Proceeds payable from short sales	1,717,455	2	3,394,642	5	2,241,953	3	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	3
Receivable on securities business money lending	540	-	-	-	-	-	-	-	Futures traders' equity (Note 6(14))	8,537,422	12	9,379,001	13	7,889,242	11	8,738,971	12
Customers margin account (Note 6(5))	8,599,077	13	9,410,079	13	7,906,427	12	8,765,851	12	Notes payable	342	-	1,077	-	120	-	865	-
Receiveable - futures margin	-	-	-	-	3,132	-	3,153	-	Accounts payable (Note 6(15))	5,685,616	8	4,806,096	7	4,070,406	6	4,617,556	6
Collateral for securities borrowed	243,916	-	321,586	-	182,851	-	-	-	Advance receipts	8,965	-	10,118	-	18,281	-	14,650	-
Securities borrowing margin	457,249	1	1,074,822	2	258,517	1	934,784	1	Receipts under custody	130,261	-	133,006	-	132,150	-	137,075	-
Notes receivable	4,095	-	9,293	-	5,131	-	5,410	-	Other payables	1,075,734	2	845,318	1	1,481,228	2	916,151	1
Accounts receivable (Note 6(4))	6,046,863	9	5,306,941	8	4,674,176	7	6,184,281	9	Other financial liabilities - current (Note 6(23))	184,986	-	236,897	-	230,397	-	283,343	-
Prepayments	38,914	-	43,566	-	66,001	-	49,927	-	Current income tax liabilities	556,969	1	1,103,586	2	1,542,417	2	2,346,245	3
Other receivables	243,785	-	149,039	-	50,735	-	78,955	-	Provisions - current (Note 6(18))	47,539	-	47,539	-	33,568	-	48,559	-
Current income tax assets	38,435	-	58,949	-	134,844	-	148,479	-	Long-term liabilities - current portion (Note 6(16))	299,789	-	299,881	-	-	-	-	-
Other current assets	580,575	1	686,738	1	686,782	1	683,506	1	Other current liabilities	15,306	-	5,089	-	65,499	-	21,735	-
	54,666,544	80	54,990,271	79	54,388,779	79	56,727,084	79		37,280,741	53	37,737,285	54	38,413,847	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)	208,156	-	207,936	-	223,603	-	238,616	-	Long-term borrowings (Note 6(16))	-	-	-	-	299,963	-	299,859	-
Financial assets carried at cost - non-current (Note 6(2))	670,167	1	677,167	1	677,167	1	677,167	1	Other financial liabilities - non-current (Note 6(23))	1,083,303	2	1,395,831	2	457,291	1	1,769,347	2
Available-for-sale financial assets - non-current (Note 6(2))	69,503	-	44,886	-	48,868	-	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	413,750	1	286,113	-	256,420	-	116,129	-
Investments accounted for under equity method (Note 6(6))	64,280	-	78,283	-	58,375	-	52,225	-	Guarantee deposits received	15,891	-	16,218	-	16,016	-	16,440	-
Property and equipment (Notes 6(7) and 8)	6,296,600	9	6,367,500	9	6,284,692	9	6,513,064	9	Accrued pension liabilities - non-current (Note 6(18))	463,057	1	464,828	1	433,986	1	442,534	1
Investment property (Notes 6(8) and 8)	862,568	1	863,802	1	1,024,193	2	858,662	1	Other non-current liabilities	341,997	-	361,110	1	420,084	1	503,123	1
Intangible Assets (Note 6(9))	3,597,324	5	3,608,293	5	3,585,868	5	3,601,098	5		2,365,689	4	2,571,791	4	1,931,451	3	3,195,123	4
Deferred income tax assets	934,727	1	907,665	2	931,434	1	909,075	1	Total Liabilities	39,646,430	57	40,309,076	58	40,345,298	58	42,899,276	58
Other non-current assets	2,173,231	3	2,143,168	3	2,187,401	3	2,213,153	3	Equity Attributable to Shareholders of the Parent								
	14,876,556	20	14,898,700	21	15,021,601	21	15,398,023	21	Common stock (Note 6(20))	23,690,730	34	23,690,730	33	23,690,730	34	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	605,958	1	500,532	1	500,532	1	419,092	1
									Special reserve	1,628,318	2	1,281,093	2	1,294,747	2	1,152,818	2
									Unappropriated earnings (Note 6(19))	498,053	1	750,679	1	249,509	-	518,360	1
									Exchange differences on translation of foreign operations	(10,420)	-	(56,638)	-	(17,397)	-	(183)	-
									Unrealized gain or loss on available-for-sale financial assets	11,880	-	(32,759)	-	(62,524)	-	(3,093)	-
										29,129,992	42	28,839,110	41	28,361,070	41	28,483,197	41
										766,678	1	740,785	1	742,634	1	742,634	1
									Total Equity	29,896,670	43	29,579,895	42	29,065,082	42	29,225,831	42
TOTAL ASSETS	\$ 69,543,100	100	69,888,971	100	69,410,380	100	72,125,107	100	TOTAL LIABILITIES AND EQUITY	\$ 69,543,100	100	69,888,971	100	69,410,380	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
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	Apr. 1~ Jun. 30, 2013		Apr. 1~ Jun. 30, 2012		Jan. 1~ Jun. 30, 2013		Jan. 1~ Jun. 30, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%
Income:								
Brokerage commissions	\$ 811,182	55	742,855	58	1,541,519	54	1,752,295	56
Revenues from securities business money lending	11	-	3	-	33	-	9	-
Revenues from securities lending	18,064	1	22,414	2	52,103	2	43,948	1
Underwriting commissions	66,704	5	74,821	6	142,022	5	103,319	3
Commissions on wealth management business	1,936	-	-	-	2,643	-	-	-
Gains (loss) on sale of trading securities	73,759	5	(291,696)	(23)	139,819	5	(225,463)	(7)
Securities management, distribution, and management fees	35,101	2	39,809	3	70,957	3	78,770	3
Interest revenue	302,697	21	310,127	25	589,821	21	641,200	21
Dividend revenue	3,266	-	4,139	-	3,266	-	4,139	-
Gain (loss) on measurement of trading securities at fair value through profit or loss	(131,485)	(9)	(1,536)	-	(51,898)	(2)	352,528	11
Gain (loss) on covering of borrowed securities and bonds with resale agreements	6,102	-	5,792	1	13,082	-	(6,730)	-
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	5,452	-	1,608	-	13,243	-	(28,815)	(1)
Gain (loss) on stock warrants issued (Note 6(22))	95,572	7	256,445	20	179,877	6	368,594	12
Futures commission revenues	22,343	2	18,019	2	43,504	2	29,249	1
Commission from consignment of clearing and settlement	3,075	-	3,009	-	5,639	-	4,918	-
Gain (loss) on derivative financial instruments - futures (Note 6(22))	86,398	6	(7,275)	(1)	81,779	3	(37,074)	(1)
Gain (loss) on derivative financial instruments - OTC (Note 6(22))	39,726	3	52,647	4	(62,496)	(2)	(69,052)	(2)
Futures administrative revenues	3	-	7	-	5	-	16	-
Management fee revenues	42	-	-	-	85	-	-	-
Advisory commissions	1,611	-	-	-	4,866	-	-	-
Other operating revenues	36,889	2	42,466	3	74,363	3	88,538	3
	<u>1,478,448</u>	<u>100</u>	<u>1,273,654</u>	<u>100</u>	<u>2,844,232</u>	<u>100</u>	<u>3,100,389</u>	<u>100</u>
Expenses:								
Brokerage fees	74,777	5	75,302	6	144,609	5	165,513	5
Brokerage and clearing fees - proprietary trading	5,721	-	2,518	-	11,350	-	5,199	-
Clearing and exchange fees - refinancing	230	-	495	-	841	-	1,230	-
Clearing and exchange fees - underwriting	819	-	860	-	944	-	1,646	-
Financial costs	36,007	3	42,258	3	65,493	2	72,768	3
Commission expense - futures	49,767	3	23,071	2	75,897	3	39,679	1
Clearing and settlement expenses	33,244	2	30,167	2	63,549	2	55,175	2
Other operating expenditure	2,425	-	1,341	-	2,924	-	6,255	-
Employee benefits expenses	647,045	44	671,225	53	1,274,624	45	1,420,005	46
Depreciation & amortization expenses	57,052	4	61,212	5	114,552	4	128,676	4
Other operating expenses	318,597	22	335,475	26	640,107	23	683,721	22
	<u>1,225,684</u>	<u>83</u>	<u>1,243,924</u>	<u>97</u>	<u>2,394,890</u>	<u>84</u>	<u>2,579,867</u>	<u>83</u>
Other income and expenses								
Share of profits of associates and joint venture (Note 6(6))	9,470	1	13,951	1	30,514	1	29,890	1
Other gains and losses	107,451	7	88,118	7	243,588	8	209,534	7
	<u>116,921</u>	<u>8</u>	<u>102,069</u>	<u>8</u>	<u>274,102</u>	<u>9</u>	<u>239,424</u>	<u>8</u>
Income before tax	<u>369,685</u>	<u>25</u>	<u>131,799</u>	<u>11</u>	<u>723,444</u>	<u>25</u>	<u>759,946</u>	<u>25</u>
Income tax expense (Note 6(19))	<u>(73,428)</u>	<u>(5)</u>	<u>(58,213)</u>	<u>(5)</u>	<u>(121,442)</u>	<u>(4)</u>	<u>(153,828)</u>	<u>(5)</u>
Net income	<u>296,257</u>	<u>20</u>	<u>73,586</u>	<u>6</u>	<u>602,002</u>	<u>21</u>	<u>606,118</u>	<u>20</u>
Other comprehensive income :								
Exchange differences on translation of foreign operations	11,466	1	21,418	2	58,194	2	(20,740)	(1)
Unrealized gain or loss on available-for-sale financial assets	19,790	1	(62,372)	(5)	54,180	2	(57,932)	(2)
Income tax benefit related to components of other comprehensive income (Note 6(19))	(1,949)	-	(3,641)	-	(9,893)	-	3,526	-
Other comprehensive income for the period, net of income tax	<u>29,307</u>	<u>2</u>	<u>(44,595)</u>	<u>(3)</u>	<u>102,481</u>	<u>4</u>	<u>(75,146)</u>	<u>(3)</u>
Total comprehensive income for the period	<u>\$ 325,564</u>	<u>22</u>	<u>28,991</u>	<u>3</u>	<u>704,483</u>	<u>25</u>	<u>530,972</u>	<u>17</u>
Total income attributable to :								
Shareholders of the parent	\$ 266,912	18	51,763	4	555,386	19	562,575	19
Non-controlling interests	29,345	2	21,823	2	46,616	2	43,543	1
	<u>\$ 296,257</u>	<u>20</u>	<u>73,586</u>	<u>6</u>	<u>602,002</u>	<u>21</u>	<u>606,118</u>	<u>20</u>
Total comprehensive income attributable to :								
Shareholders of the parent	\$ 290,510	20	8,414	1	646,243	23	485,930	16
Non-controlling interests	35,054	2	20,577	2	58,240	2	45,042	1
	<u>\$ 325,564</u>	<u>22</u>	<u>28,991</u>	<u>3</u>	<u>704,483</u>	<u>25</u>	<u>530,972</u>	<u>17</u>
Basic earnings per share (Note 6(21))	<u>\$ 0.11</u>		<u>0.02</u>		<u>0.23</u>		<u>0.24</u>	
Diluted earnings per share (Note 6(21))	<u>\$ 0.11</u>		<u>0.02</u>		<u>0.23</u>		<u>0.24</u>	

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended June 30, 2013 and 2012
(New Taiwan Dollars in Thousands)

	Equity attributable to shareholders of the parent									Total equity
	Common stock	Capital surplus	Retained earnings			Others		Equity attributable to shareholders of the parent	non-controlling interests	
			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 six months ended June 30, 2012	-	-	-	-	562,575	-	-	562,575	43,543	606,118
Other comprehensive income for the six months ended June 30, 2012	-	-	-	-	-	(17,214)	(59,431)	(76,645)	1,499	(75,146)
Total comprehensive income for the six months ended June 30, 2012	-	-	-	-	562,575	(17,214)	(59,431)	485,930	45,042	530,972
Appropriations of prior year's earnings :										
Legal reserve	-	-	81,440	-	(81,440)	-	-	-	-	-
Special reserve	-	-	-	141,929	(141,929)	-	-	-	-	-
Cash dividends	-	-	-	-	(592,268)	-	-	(592,268)	-	(592,268)
Indemnification to stockholders due to merger (Note 12(5))	-	-	-	-	(15,789)	-	-	(15,789)	-	(15,789)
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	(83,664)	(83,664)
Balance, June 30, 2012	\$ 23,690,730	2,705,473	500,532	1,294,747	249,509	(17,397)	(62,524)	28,361,070	704,012	29,065,082
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 six months ended June 30, 2013	-	-	-	-	555,386	-	-	555,386	46,616	602,002
Other comprehensive income for the six months ended June 30, 2013	-	-	-	-	-	46,218	44,639	90,857	11,624	102,481
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	555,386	46,218	44,639	646,243	58,240	704,483
Appropriations of prior year's earnings :										
Legal reserve	-	-	105,426	-	(105,426)	-	-	-	-	-
Special reserve	-	-	-	347,225	(347,225)	-	-	-	-	-
Cash dividends	-	-	-	-	(355,361)	-	-	(355,361)	-	(355,361)
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	(32,347)	(32,347)
Balance, June 30, 2013	\$ 23,690,730	2,705,473	605,958	1,628,318	498,053	(10,420)	11,880	29,129,992	766,678	29,896,670

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED 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	\$ 723,444	759,946
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	95,293	107,675
Amortization expense	19,259	21,001
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	51,898	352,528
Allowance on bad debts	(61)	(194)
Interest expenses	65,493	72,768
Dividend income	95,039	-
Amortization of discount on commercial paper payable - long term	(92)	104
Share of profits of associates and joint venture	(30,514)	(29,890)
Loss (gain) on disposal of property and equipment	-	246
Loss (gain) on disposal of investment under equity method	-	(143)
Net changes of Income and expenses having no effects on cash flows	<u>296,315</u>	<u>524,095</u>
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(1,368,283)	(719,078)
Decrease (increase) in available-for-sale financial assets	211,974	(1,513,860)
Decrease (increase) in bonds purchased under resale agreements	901,178	(1,831,344)
Decrease (increase) in receivable for securities provided as collateral	(1,707,386)	1,647,520
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 customers margin account	761,208	859,424
Decrease (increase) in receivable - futures margin	-	21
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	(739,922)	1,510,105
Decrease (increase) in prepayments	4,663	(16,074)
Decrease (increase) in other receivables	(113,337)	48,644
Decrease (increase) in current tax assets	20,514	13,635
Decrease (increase) in other current assets	58,398	(3,276)
Decrease (increase) in other non-current assets	21,136	(4,932)
Changes in operating assets:	<u>(1,228,418)</u>	<u>303,596</u>
Net changes of operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	(671,883)	315,446
Increase (decrease) in bonds sold under repurchase agreements	169,582	2,787,297
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 futures traders' equity	(793,557)	(849,729)
Increase (decrease) in notes payable	(735)	(745)
Increase (decrease) in accounts payable	878,944	(547,150)
Increase (decrease) in advance receipts	(1,153)	3,631
Increase (decrease) in receipts under custody	(2,745)	(4,925)
Increase (decrease) in other payables	(139,422)	(114,534)
Increase (decrease) in other financial liabilities	(364,439)	(1,365,002)
Increase (decrease) in other current liabilities	673	43,764
Increase (decrease) in guarantee deposits received	(327)	(424)
Increase (decrease) in accrued pension liabilities	(1,771)	(8,548)
Increase (decrease) in provisions - current	-	(14,991)
Increase (decrease) in other non-current liabilities	(19,113)	(83,039)
Changes in operating liabilities:	<u>(4,904,971)</u>	<u>(3,153,992)</u>
Net changes in operating assets and liabilities:	<u>(6,133,389)</u>	<u>(2,850,396)</u>
Total Cash generated from adjustment items	<u>(5,837,074)</u>	<u>(2,326,301)</u>
Cash generated by operating activities	(5,113,630)	(1,566,355)
Interest paid	(115,125)	(67,590)
Income tax paid	(578,167)	(836,198)
Net cash provided by (used in) operating activities	<u>(5,806,922)</u>	<u>(2,470,143)</u>
Cash flows from investing activities:		
Proceeds from capital return of investments under the equity method	-	3,459
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	(749)	-
Acquisitions of property and equipment	(16,131)	(32,144)
Proceeds from disposal of property and equipment	-	156
Acquisitions of intangible assets	(5,967)	(3,848)
Acquisitions of investment property	-	(120)
Net cash provided by (used in) investing activities	<u>(15,847)</u>	<u>257,503</u>
Cash flows from financing activities:		
Increase in short-term borrowings	1,210,000	583,836
Increase in commercial paper payable	3,099,531	-
Net cash provided by (used in) financing activities	<u>4,309,531</u>	<u>583,836</u>
Effect of exchange rate changes on cash and cash equivalents	<u>53,735</u>	<u>(20,740)</u>
Increase (decrease) in cash and cash equivalents	<u>(1,459,503)</u>	<u>(1,649,544)</u>
Cash and cash equivalents, beginning of the year	<u>5,408,513</u>	<u>6,337,366</u>
Cash and cash equivalents, end of this period	<u>\$ 3,949,010</u>	<u>4,687,822</u>

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