

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

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012		LIABILITIES AND EQUITY	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets							Current Liabilities						
Cash and cash equivalents (Note 6(1))	\$ 4,554,344	6	5,408,513	8	6,337,366	9	Short-term borrowings (Note 6(10))	\$ 2,019,000	3	-	-	1,245,677	2
Financial assets at fair value through profit or loss - current (Note 6(2))	20,303,606	26	14,643,599	21	14,772,262	20	Commercial paper payable (Note 6(11))	2,299,582	3	-	-	-	-
Available-for-sale financial assets - current (Note 6(2))	-	-	196,399	-	-	-	Financial liabilities at fair value through profit or loss - current (Note 6(12))	1,358,286	2	1,803,100	3	1,235,888	2
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(13))	13,115,259	17	11,329,169	16	11,594,102	16
Receivable for securities provided as collateral	17,887,398	23	15,916,865	23	17,742,423	25	Guaranty deposited for short sales	2,366,747	3	2,555,221	4	2,729,685	4
Refinancing margin	190,114	-	13,443	-	4,635	-	Proceeds payable from short sales	3,008,916	4	3,394,642	5	3,253,659	5
Receivable on refinancing collateral	158,152	-	19,038	-	12,718	-	Securities lending refundable deposits	1,779,917	2	1,787,545	3	2,519,992	3
Customers margin account (Note 6(5))	8,649,790	11	9,410,079	13	8,765,851	12	Futures traders' equity (Note 6(14))	8,604,857	11	9,379,001	13	8,738,971	12
Receiveable - futures margin	-	-	-	-	3,153	-	Notes payable	858	-	1,077	-	865	-
Collateral for securities borrowed	369,830	1	321,586	-	-	-	Accounts payable (Note 6(15))	7,681,332	10	4,806,096	7	4,617,556	6
Securities borrowing margin	1,288,233	2	1,074,822	2	934,784	1	Advance receipts	150,905	-	10,118	-	14,650	-
Notes receivable	8,556	-	9,293	-	5,410	-	Receipts under custody	562,918	1	133,006	-	137,075	-
Accounts receivable (Note 6(4))	7,857,896	10	5,306,941	8	6,184,281	9	Other payables	855,360	1	845,318	1	916,151	1
Prepayments	44,625	-	43,566	-	49,927	-	Other financial liabilities - current (Note 6(24))	289,377	-	236,897	-	283,343	-
Other receivables	49,193	-	149,039	-	78,955	-	Current income tax liabilities	257,890	-	1,103,586	2	2,346,245	3
Current income tax assets	22,208	-	58,949	-	148,479	-	Provisions - current (Note 6(18))	46,900	-	47,539	-	48,559	-
Other current assets	1,146,631	1	686,738	1	683,506	1	Long-term liabilities - current portion (Note 6(16))	-	-	299,881	-	-	-
	<u>63,088,970</u>	<u>81</u>	<u>54,990,271</u>	<u>79</u>	<u>56,727,084</u>	<u>79</u>	Other current liabilities	5,323	-	5,089	-	21,735	-
								<u>44,403,427</u>	<u>57</u>	<u>37,737,285</u>	<u>54</u>	<u>39,704,153</u>	<u>54</u>
Non-current Assets							Non-current Liabilities						
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	208,135	-	207,936	-	238,616	-	Long-term borrowings (Note 6(16))	-	-	-	-	299,859	-
Financial assets carried at cost - non-current (Note 6(2))	667,167	1	677,167	1	677,167	1	Other financial liabilities - non-current (Note 6(24))	1,399,141	2	1,395,831	2	1,769,347	2
Available-for-sale financial assets - non-current (Note 6(2))	71,334	-	44,886	-	44,963	-	Deferred income tax liabilities	453,839	1	333,804	-	163,820	-
Held-to-maturity financial assets - non-current (Note 6(2))	-	-	-	-	290,000	1	Guarantee deposits received	17,425	-	16,218	-	16,440	-
Investments accounted for under equity method (Note 6(6))	89,488	-	78,283	-	52,225	-	Accrued pension liabilities - non-current (Note 6(18))	455,087	1	464,828	1	442,534	1
Property and equipment (Notes 6(7) and 8)	6,266,465	8	6,367,500	9	6,513,064	9	Other non-current liabilities	340,939	-	361,110	1	503,123	1
Investment property (Notes 6(8) and 8)	857,598	1	863,802	1	858,662	1		<u>2,666,431</u>	<u>4</u>	<u>2,571,791</u>	<u>4</u>	<u>3,195,123</u>	<u>4</u>
Intangible Assets (Note 6(9))	3,600,204	5	3,608,293	5	3,601,098	5	Total Liabilities	<u>47,069,858</u>	<u>61</u>	<u>40,309,076</u>	<u>58</u>	<u>42,899,276</u>	<u>58</u>
Deferred income tax assets (Note 6(19))	783,007	1	907,665	2	909,075	1	Equity Attributable to Shareholders of the Parent						
Other non-current assets (Note 12(4))	2,304,683	3	2,143,168	3	2,213,153	3	Common stock (Note 6(20))	23,690,730	30	23,690,730	33	23,690,730	33
	<u>14,848,081</u>	<u>19</u>	<u>14,898,700</u>	<u>21</u>	<u>15,398,023</u>	<u>21</u>	Capital surplus						
							Premium from stock issuance	1,940,208	2	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(19))	1,423,960	2	750,679	1	518,360	1
							Exchange differences on translation of foreign operations	(19,525)	-	(56,638)	-	(183)	-
							Unrealized gain or loss on available-for-sale financial assets	12,603	-	(32,759)	-	(3,093)	-
								<u>30,047,517</u>	<u>38</u>	<u>28,839,110</u>	<u>41</u>	<u>28,483,197</u>	<u>41</u>
								819,676	1	740,785	1	742,634	1
							Non-controlling Interests						
							Total Equity	30,867,193	39	29,579,895	42	29,225,831	42
TOTAL ASSETS	<u>\$ 77,937,051</u>	<u>100</u>	<u>69,888,971</u>	<u>100</u>	<u>72,125,107</u>	<u>100</u>	TOTAL LIABILITIES AND EQUITY	<u>\$ 77,937,051</u>	<u>100</u>	<u>69,888,971</u>	<u>100</u>	<u>72,125,107</u>	<u>100</u>

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

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

	2013		2012	
	Amount	%	Amount	%
Income:				
Brokerage commissions (Note 6(22))	\$ 3,167,155	53	3,301,021	56
Revenues from securities business money lending	63	-	0	-
Revenues from securities lending	89,063	2	128,891	2
Underwriting commissions (Note 6(22))	284,510	5	219,239	4
Commissions on wealth management business	16,137	-	-	-
Gains (loss) on sale of trading securities (Note 6(22))	393,595	7	(325,730)	(6)
Securities management, distribution, and management fees	140,146	2	155,552	3
Interest revenue (Note 6(22))	1,231,288	21	1,234,101	21
Dividend revenue	92,078	2	165,979	3
Gain (loss) on measurement of trading securities at fair value through profit or loss	274,843	5	452,240	8
Gain (loss) on covering of borrowed securities and bonds with resale agreements	(23,123)	-	(18,158)	-
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	(29,973)	(1)	(45,560)	(1)
Gain (loss) on stock warrants issued (Notes 6(22) & 6(24))	244,901	4	596,501	10
Futures commission revenues	85,893	1	55,292	1
Commission from consignment of clearing and settlement	12,656	-	9,622	-
Gain (loss) on derivative financial instruments - futures (Note 6(24))	88,248	1	(63,889)	(1)
Gain (loss) on derivative financial instruments - OTC (Note 6(24))	(244,893)	(4)	(116,686)	(2)
Futures administrative revenues	11	-	34	-
Management fee revenues	179	-	-	-
Advisory commissions	7,909	-	-	-
Other operating revenues	143,408	2	169,182	2
	<u>5,974,094</u>	<u>100</u>	<u>5,917,631</u>	<u>100</u>
Expenses:				
Brokerage fees	306,954	5	313,732	6
Brokerage and clearing fees - proprietary trading	21,224	-	9,939	-
Clearing and exchange fees - refinancing	2,136	-	2,815	-
Clearing and exchange fees - underwriting	3,008	-	2,835	-
Financial costs	141,091	3	152,625	3
Loss on borrowed securities	-	-	213	-
Commission expense - futures	131,450	2	84,624	1
Clearing and settlement expenses	106,623	2	110,487	2
Other operating expenditure	5,696	-	9,287	-
Employee benefits expenses	2,575,780	43	2,676,396	45
Depreciation & amortization expenses	225,923	4	249,799	4
Other operating expenses	1,315,619	22	1,346,727	23
	<u>4,835,504</u>	<u>81</u>	<u>4,959,479</u>	<u>84</u>
Other income and expenses				
Share of profits of associates and joint venture (Note 6(6))	55,722	1	49,798	1
Other gains and losses (Note 6(22))	599,565	10	446,334	7
	<u>655,287</u>	<u>11</u>	<u>496,132</u>	<u>8</u>
Income before tax	1,793,877	30	1,454,284	24
Income tax expense (Note 6(19))	(220,468)	(4)	(262,614)	(4)
Net income	<u>1,573,409</u>	<u>26</u>	<u>1,191,670</u>	<u>20</u>
Other comprehensive income :				
Exchange differences on translation of foreign operations	46,704	1	(68,851)	(1)
Unrealized gain or loss on available-for-sale financial assets	55,612	1	(29,711)	-
Actuarial gain or loss from defined benefit plans (Note 6(18))	8,074	-	(36,494)	(1)
Income tax benefit (expense) related to components of other comprehensive income (Note 6(19))	(7,940)	-	11,704	-
Other comprehensive income for the period, net of income tax	<u>102,450</u>	<u>2</u>	<u>(123,352)</u>	<u>(2)</u>
Total comprehensive income for the period	<u>\$ 1,675,859</u>	<u>28</u>	<u>1,068,318</u>	<u>18</u>
Total income attributable to :				
Shareholders of the parent	\$ 1,471,784	24	1,100,062	18
Non-controlling interests	101,625	2	91,608	2
	<u>\$ 1,573,409</u>	<u>26</u>	<u>1,191,670</u>	<u>20</u>
Total comprehensive income attributable to :				
Shareholders of the parent	\$ 1,564,621	26	977,624	16
Non-controlling interests	111,238	2	90,694	2
	<u>\$ 1,675,859</u>	<u>28</u>	<u>1,068,318</u>	<u>18</u>
Basic earnings per share (Note 6(21))	<u>\$ 0.62</u>		<u>0.46</u>	
Diluted earnings per share (Note 6(21))	<u>\$ 0.62</u>		<u>0.46</u>	

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

	Equity attributable to shareholders of the parent								non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Others		Equity attributable to shareholders of the parent		
			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 year ended December 31, 2012	-	-	-	-	1,100,062	-	-	1,100,062	91,608	1,191,670
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(36,317)	(56,455)	(29,666)	(122,438)	(914)	(123,352)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	1,063,745	(56,455)	(29,666)	977,624	90,694	1,068,318
Appropriations of prior year's earnings :										
Legal reserve	-	-	81,440	-	(81,440)	-	-	-	-	-
Special reserve	-	-	-	162,880	(162,880)	-	-	-	-	-
Cash dividends	-	-	-	-	(592,268)	-	-	(592,268)	(83,594)	(675,862)
Reversal of special reserve	-	-	-	(20,951)	20,951	-	-	-	-	-
Indemnification to stockholders due to merger (Note 12(4))	-	-	-	-	(15,789)	-	-	(15,789)	-	(15,789)
Adjustment for reserve of default loss to special reserve of subsidiaries	-	-	-	(13,654)	-	-	-	(13,654)	(8,877)	(22,531)
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	(72)	(72)
Balance, December 31, 2012	<u>\$ 23,690,730</u>	<u>2,705,473</u>	<u>500,532</u>	<u>1,281,093</u>	<u>750,679</u>	<u>(56,638)</u>	<u>(32,759)</u>	<u>28,839,110</u>	<u>740,785</u>	<u>29,579,895</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 year ended December 31, 2013	-	-	-	-	1,471,784	-	-	1,471,784	101,625	1,573,409
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	10,362	37,113	45,362	92,837	9,613	102,450
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,482,146	37,113	45,362	1,564,621	111,238	1,675,859
Appropriations of prior year's earnings :										
Legal reserve	-	-	105,426	-	(105,426)	-	-	-	-	-
Special reserve	-	-	-	210,851	(210,851)	-	-	-	-	-
Cash dividends	-	-	-	-	(355,361)	-	-	(355,361)	(32,347)	(387,708)
Indemnification to stockholders due to merger (Note 12(4))	-	-	-	-	(853)	-	-	(853)	-	(853)
Special reserve for deduction of stockholders' equity	-	-	-	136,374	(136,374)	-	-	-	-	-
Balance, December 31, 2013	<u>\$ 23,690,730</u>	<u>2,705,473</u>	<u>605,958</u>	<u>1,628,318</u>	<u>1,423,960</u>	<u>(19,525)</u>	<u>12,603</u>	<u>30,047,517</u>	<u>819,676</u>	<u>30,867,193</u>

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

	2013	2012
Cash flows from operating activities:		
Income before income tax for the period	\$ 1,793,877	1,454,284
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	187,513	206,733
Amortization expense	38,410	43,066
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	(274,843)	(452,240)
Provision for (reversal of) bad debts expense	(91)	22
Interest expenses	141,091	152,625
Cash dividend received from long-term investments under equity method	44,517	20,424
Amortization of discount on commercial paper payable - long term	-	22
Share of profits of associates and joint venture	(55,722)	(49,798)
Loss (gain) on disposal of property and equipment	(1,356)	545
Loss (gain) on disposal of investment under equity method	-	(143)
Net changes of Income and expenses having no effects on cash flows	<u>79,519</u>	<u>(78,744)</u>
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(5,390,546)	611,583
Decrease (increase) in available-for-sale financial assets	225,997	(225,988)
Decrease (increase) in bonds purchased under resale agreements	1,173,007	(728,067)
Decrease (increase) in receivable for securities provided as collateral	(1,970,533)	1,825,536
Decrease (increase) in refinancing margin	(176,671)	(8,808)
Decrease (increase) in receivable on refinancing collateral	(139,114)	(6,320)
Decrease (increase) in customers margin account	760,289	(644,228)
Decrease (increase) in receiveable - futures margin	-	3,153
Decrease (increase) in collateral for securities borrowed	(48,244)	(321,586)
Decrease (increase) in security borrowing margin	(213,411)	(140,038)
Decrease (increase) in notes receivable	737	(3,883)
Decrease (increase) in accounts receivable	(2,550,955)	854,809
Decrease (increase) in prepayments	(1,794)	6,361
Decrease (increase) in other receivables	110,883	(70,084)
Decrease (increase) in current tax assets	36,712	89,530
Decrease (increase) in guaranty deposited for business operations	12,587	(186,022)
Decrease (increase) in settlement fund	(59,429)	243,595
Decrease (increase) in refundable deposits	(177,535)	(12,475)
Decrease (increase) in other current assets	(459,893)	(3,232)
Decrease (increase) in other non-current assets	19,823	12,318
Changes in operating assets:	<u>(8,848,090)</u>	<u>1,296,154</u>
Net changes of operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	(444,846)	567,212
Increase (decrease) in bonds sold under repurchase agreements	1,786,090	(264,933)
Increase (decrease) in guaranty deposited for short sales	(188,474)	(174,464)
Increase (decrease) in proceeds payable from short sales	(385,726)	140,983
Increase (decrease) in securities lending refundable deposits	(7,628)	(732,447)
Increase (decrease) in futures traders' equity	(766,692)	640,030
Increase (decrease) in notes payable	(219)	212
Increase (decrease) in accounts payable	2,874,245	188,540
Increase (decrease) in advance receipts	140,787	(4,532)
Increase (decrease) in receipts under custody	429,912	(4,069)
Increase (decrease) in other payables	55,638	(89,077)
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 other current liabilities	(2,379)	(16,646)
Increase (decrease) in guarantee deposits received	1,207	(222)
Increase (decrease) in accrued pension liabilities	(1,666)	(14,023)
Increase (decrease) in provisions - current	(639)	(1,020)
Increase (decrease) in other non-current liabilities	(20,172)	(142,011)
Changes in operating liabilities:	<u>3,525,228</u>	<u>(326,429)</u>
Net changes in operating assets and liabilities:	<u>(5,322,862)</u>	<u>969,725</u>
Total Cash generated from adjustment items	<u>(5,243,343)</u>	<u>890,981</u>
Cash generated by operating activities	(3,449,466)	2,345,265
Interest paid	(198,054)	(134,381)
Income tax paid	(830,061)	(1,322,316)
Net cash provided by (used in) operating activities	<u>(4,477,581)</u>	<u>888,568</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	10,000	-
Increase in deferred debits	(2,286)	-
Acquisitions of property and equipment	(53,359)	(71,098)
Proceeds from disposal of property and equipment	19,612	156
Acquisitions of intangible assets	(25,841)	(50,261)
Acquisitions of investment property	-	(120)
Net cash provided by (used in) investing activities	<u>(51,874)</u>	<u>172,136</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	2,019,000	(1,245,677)
Decrease in long-term liabilities - current portion	(299,881)	-
Increase in commercial paper payable	2,299,582	-
Cash dividends	(387,708)	(675,862)
Net cash provided by (used in) financing activities	<u>3,630,993</u>	<u>(1,921,539)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>44,293</u>	<u>(68,018)</u>
Increase (decrease) in cash and cash equivalents	<u>(854,169)</u>	<u>(928,853)</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>\$ 4,554,344</u>	<u>5,408,513</u>

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