

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

ASSETS	June 30, 2014		December 31, 2013		June 30, 2013		LIABILITIES AND EQUITY	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets							Current Liabilities						
Cash and cash equivalents (Note 6(1))	\$ 3,727,018	5	4,554,344	6	3,949,010	6	Short-term borrowings (Note 6(10))	\$ 3,940,366	5	2,019,000	3	1,210,000	2
Financial assets at fair value through profit or loss - current (Note 6(2))	24,054,671	29	20,303,606	26	15,984,278	23	Commercial paper payable (Note 6(11))	7,047,995	9	2,299,582	3	3,099,531	4
Available-for-sale financial assets - current (Note 6(2))	-	-	-	-	14,390	-	Financial liabilities at fair value through profit or loss - current (Note 6(12))	1,772,925	2	1,358,286	2	1,151,147	2
Bonds purchased under resale agreements (Notes 6(3) and 8)	340,684	-	558,394	1	830,223	1	Bonds sold under repurchase agreements (Note 6(13))	12,044,068	15	13,115,259	17	11,498,751	17
Receivable for securities provided as collateral	21,194,017	26	17,887,398	23	17,624,251	26	Guaranty deposited for short sales	1,404,599	2	2,366,747	3	1,498,402	2
Refinancing margin	8,219	-	190,114	-	-	-	Proceeds payable from short sales	1,657,887	2	3,008,916	4	1,717,455	2
Receivable on refinancing collateral	6,858	-	158,152	-	10,943	-	Securities lending refundable deposits	512,323	1	1,779,917	2	562,526	1
Receivable on securities business money lending	-	-	-	-	540	-	Futures traders' equity (Note 6(14))	9,126,630	11	8,604,857	11	8,537,422	12
Customers margin account (Note 6(5))	9,273,397	11	8,649,790	11	8,599,077	13	Notes payable	90	-	858	-	342	-
Collateral for securities borrowed	134,341	-	369,830	1	243,916	-	Accounts payable (Note 6(15))	8,563,825	10	7,681,332	10	5,685,616	8
Securities borrowing margin	123,121	-	1,288,233	2	457,249	1	Advance receipts	17,227	-	150,905	-	8,965	-
Notes receivable	7,860	-	8,556	-	4,095	-	Receipts under custody	128,408	-	562,918	1	130,261	-
Accounts receivable (Note 6(4))	8,201,660	10	7,857,896	10	6,046,863	9	Other payables	1,911,903	2	855,360	1	1,075,734	2
Prepayments	35,384	-	44,625	-	38,914	-	Other financial liabilities - current (Note 6(24))	1,022,496	1	289,377	-	184,986	-
Other receivables	283,206	-	49,193	-	243,785	-	Current income tax liabilities	263,654	-	257,890	-	556,969	1
Current income tax assets	22,089	-	22,208	-	38,435	-	Provisions - current (Note 6(18))	46,900	-	46,900	-	47,539	-
Other current assets	665,061	1	1,146,631	1	580,575	1	Long-term liabilities - current portion (Note 6(16))	-	-	-	-	299,789	-
	<u>68,077,586</u>	<u>82</u>	<u>63,088,970</u>	<u>81</u>	<u>54,666,544</u>	<u>80</u>	Other current liabilities	13,671	-	5,323	-	15,306	-
								<u>49,474,967</u>	<u>60</u>	<u>44,403,427</u>	<u>57</u>	<u>37,280,741</u>	<u>53</u>
Non-current Assets							Non-current Liabilities						
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	208,389	-	208,135	-	208,156	-	Other financial liabilities - non-current (Note 6(24))	786,268	1	1,399,141	2	1,083,303	2
Financial assets carried at cost - non-current (Note 6(2))	634,072	1	667,167	1	670,167	1	Deferred income tax liabilities	467,486	1	453,839	1	461,441	1
Available-for-sale financial assets - non-current (Note 6(2))	64,636	-	71,334	-	69,503	-	Guarantee deposits received	20,578	-	17,425	-	15,891	-
Investments accounted for under equity method (Note 6(6))	72,400	-	89,488	-	64,280	-	Accrued pension liabilities - non-current	454,634	1	455,087	1	463,057	1
Property and equipment (Notes 6(7) and 8)	5,677,033	7	6,266,465	8	6,296,600	9	Other non-current liabilities	340,938	-	340,939	-	341,997	-
Investment property (Notes 6(8) and 8)	1,405,172	2	857,598	1	862,568	1		<u>2,069,904</u>	<u>3</u>	<u>2,666,431</u>	<u>4</u>	<u>2,365,689</u>	<u>4</u>
Intangible Assets (Note 6(9))	3,590,932	4	3,600,204	5	3,597,324	5	Total Liabilities	<u>51,544,871</u>	<u>63</u>	<u>47,069,858</u>	<u>61</u>	<u>39,646,430</u>	<u>57</u>
Deferred income tax assets	724,863	1	783,007	1	934,727	1	Equity Attributable to Shareholders of the Parent						
Other non-current assets	2,182,054	3	2,304,683	3	2,173,231	3	Common stock (Note 6(20))	23,690,730	29	23,690,730	30	23,690,730	34
	<u>14,559,551</u>	<u>18</u>	<u>14,848,081</u>	<u>19</u>	<u>14,876,556</u>	<u>20</u>	Capital surplus						
							Premium from stock issuance	1,940,208	2	1,940,208	2	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
							Difference between consideration and carrying amount of subsidiaries acquired and disposed	143	-	-	-	-	-
							Changes in ownership interests in subsidiaries	6,287	-	-	-	-	-
							Retained earnings						
							Legal reserve	753,136	1	605,958	1	605,958	1
							Special reserve	1,756,283	2	1,628,318	2	1,628,318	2
							Unappropriated earnings (Note 6(19))	1,170,933	1	1,423,960	2	498,053	1
							Exchange differences on translation of foreign operations	(17,988)	-	(19,525)	-	(10,420)	-
							Unrealized gain or loss on available-for-sale financial assets	8,630	-	12,603	-	11,880	-
								<u>30,073,627</u>	<u>36</u>	<u>30,047,517</u>	<u>38</u>	<u>29,129,992</u>	<u>42</u>
								<u>1,018,639</u>	<u>1</u>	<u>819,676</u>	<u>1</u>	<u>766,678</u>	<u>1</u>
							Total Equity	<u>31,092,266</u>	<u>37</u>	<u>30,867,193</u>	<u>39</u>	<u>29,896,670</u>	<u>43</u>
TOTAL ASSETS	<u>\$ 82,637,137</u>	<u>100</u>	<u>77,937,051</u>	<u>100</u>	<u>69,543,100</u>	<u>100</u>	TOTAL LIABILITIES AND EQUITY	<u>\$ 82,637,137</u>	<u>100</u>	<u>77,937,051</u>	<u>100</u>	<u>69,543,100</u>	<u>100</u>

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, 2014		Apr. 1~ Jun. 30, 2013		Jan. 1~ Jun. 30, 2014		Jan. 1~ Jun. 30, 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Income:								
Brokerage commissions (Note 6(22))	\$ 936,599	51	811,182	55	1,798,549	51	1,541,519	54
Revenues from securities business money lending	22	-	11	-	38	-	33	-
Revenues from securities lending	10,054	-	18,064	1	23,728	1	52,103	2
Underwriting commissions (Note 6(22))	36,626	2	66,704	5	78,578	2	142,022	5
Commissions on wealth management business	10,183	-	1,936	-	20,489	1	2,643	-
Gains (loss) on sale of trading securities (Note 6(22))	523,525	28	73,759	5	985,499	28	139,819	5
Securities management, distribution, and management fees	34,827	2	35,101	2	69,171	2	70,957	3
Interest revenue (Note 6(22))	355,345	19	302,697	21	695,232	20	589,821	21
Dividend revenue	29,392	2	3,266	-	29,392	1	3,266	-
Gain (loss) on measurement of trading securities at fair value through profit or loss	139,168	8	(131,485)	(9)	252,628	7	(51,898)	(2)
Gain (loss) on covering of borrowed securities and bonds with resale agreements	(23,915)	(1)	6,102	-	(64,737)	(2)	13,082	-
Gain (loss) on measurement of borrowed securities and bonds with resale agreements	23,662	1	5,452	-	46,502	2	13,243	-
Gain (loss) on stock warrants issued (Notes 6(22) & 6(24))	(187,059)	(10)	95,572	7	(283,234)	(8)	179,877	6
Futures commission revenues	16,516	1	22,343	2	32,452	1	43,504	2
Commission from consignment of clearing and settlement	-	-	3,075	-	-	-	5,639	-
Gain (loss) on derivative financial instruments - futures (Note 6(24))	(91,079)	(5)	86,398	6	(90,098)	(3)	81,779	3
Gain (loss) on derivative financial instruments - OTC (Note 6(24))	(7,697)	-	39,726	3	(165,650)	(5)	(62,496)	(2)
Futures administrative revenues	-	-	3	-	-	-	5	-
Management fee revenues	88	-	42	-	152	-	85	-
Advisory commissions	2,305	-	1,611	-	4,352	-	4,866	-
Other operating revenues	33,015	2	36,889	2	65,938	2	74,363	3
	<u>1,841,577</u>	<u>100</u>	<u>1,478,448</u>	<u>100</u>	<u>3,498,981</u>	<u>100</u>	<u>2,844,232</u>	<u>100</u>
Expenses:								
Brokerage fees	83,355	5	74,777	5	159,028	5	144,609	5
Brokerage and clearing fees - proprietary trading	4,287	-	5,721	-	9,811	-	11,350	-
Clearing and exchange fees - refinancing	215	-	230	-	1,075	-	841	-
Clearing and exchange fees - underwriting	485	-	819	-	1,495	-	944	-
Financial costs	42,608	2	36,007	3	83,177	2	65,493	2
Commission expense - futures	31,733	2	49,767	3	65,741	2	75,897	3
Clearing and settlement expenses	20,532	1	33,244	2	40,624	1	63,549	2
Other operating expenditure	1,910	-	2,425	-	3,683	-	2,924	-
Employee benefits expenses (Note 6(22))	698,251	38	647,045	44	1,329,826	38	1,274,624	45
Depreciation & amortization expenses (Note 6(22))	55,154	3	57,052	4	113,318	3	114,552	4
Other operating expenses (Note 6(22))	362,304	20	318,597	22	691,159	20	640,107	23
	<u>1,300,834</u>	<u>71</u>	<u>1,225,684</u>	<u>83</u>	<u>2,498,937</u>	<u>71</u>	<u>2,394,890</u>	<u>84</u>
Other income and expenses								
Share of profits of associates and joint venture (Note 6(6))	17,998	1	9,470	1	32,862	1	30,514	1
Other gains and losses (Note 6(22))	100,778	6	107,451	7	190,399	5	243,588	8
	<u>118,776</u>	<u>7</u>	<u>116,921</u>	<u>8</u>	<u>223,261</u>	<u>6</u>	<u>274,102</u>	<u>9</u>
Income before tax	<u>659,519</u>	<u>36</u>	<u>369,685</u>	<u>25</u>	<u>1,223,305</u>	<u>35</u>	<u>723,444</u>	<u>25</u>
Income tax expense (Note 6(19))	<u>(39,643)</u>	<u>(2)</u>	<u>(73,428)</u>	<u>(5)</u>	<u>(108,522)</u>	<u>(3)</u>	<u>(121,442)</u>	<u>(4)</u>
Net income	<u>619,876</u>	<u>34</u>	<u>296,257</u>	<u>20</u>	<u>1,114,783</u>	<u>32</u>	<u>602,002</u>	<u>21</u>
Other comprehensive income :								
Exchange differences on translation of foreign operations	(40,809)	(2)	11,466	1	242	-	58,194	2
Unrealized gain or loss on available-for-sale financial assets	(4,095)	-	19,790	1	(6,588)	-	54,180	2
Income tax benefit related to components of other comprehensive income (Note 6(19))	6,938	-	(1,949)	-	(41)	-	(9,893)	-
Other comprehensive income for the period, net of income tax	<u>(37,966)</u>	<u>(2)</u>	<u>29,307</u>	<u>2</u>	<u>(6,387)</u>	<u>-</u>	<u>102,481</u>	<u>4</u>
Total comprehensive income for the period	<u>\$ 581,910</u>	<u>32</u>	<u>325,564</u>	<u>22</u>	<u>1,108,396</u>	<u>32</u>	<u>704,483</u>	<u>25</u>
Total income attributable to :								
Shareholders of the parent	\$ 609,403	33	266,912	18	1,088,199	31	555,386	19
Non-controlling interests	10,473	1	29,345	2	26,584	1	46,616	2
	<u>\$ 619,876</u>	<u>34</u>	<u>296,257</u>	<u>20</u>	<u>1,114,783</u>	<u>32</u>	<u>602,002</u>	<u>21</u>
Total comprehensive income attributable to :								
Shareholders of the parent	\$ 575,981	32	290,510	20	1,085,763	31	646,243	23
Non-controlling interests	5,929	-	35,054	2	22,633	1	58,240	2
	<u>\$ 581,910</u>	<u>32</u>	<u>325,564</u>	<u>22</u>	<u>1,108,396</u>	<u>32</u>	<u>704,483</u>	<u>25</u>
Basic earnings per share (Note 6(21))	<u>\$</u>	<u>0.26</u>	<u>0.11</u>		<u>0.46</u>		<u>0.23</u>	
Diluted earnings per share (Note 6(21))	<u>\$</u>	<u>0.26</u>	<u>0.11</u>		<u>0.46</u>		<u>0.23</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, 2014 and 2013
(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, 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
Balance, January 1, 2014	\$ 23,690,730	2,705,473	605,958	1,628,318	1,423,960	(19,525)	12,603	30,047,517	819,676	30,867,193
Net income for the six months ended June 30, 2014	-	-	-	-	1,088,199	-	-	1,088,199	26,584	1,114,783
Other comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	1,537	(3,973)	(2,436)	(3,954)	(6,390)
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	1,088,199	1,537	(3,973)	1,085,763	22,630	1,108,393
Appropriations of prior year's earnings :										
Legal reserve	-	-	147,178	-	(147,178)	-	-	-	-	-
Special reserve	-	-	-	294,357	(294,357)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,066,083)	-	-	(1,066,083)	-	(1,066,083)
Difference between consideration and carrying amount of subsidiaries disposed	-	143	-	-	-	-	-	143	-	143
Changes in ownership interests in subsidiaries	-	6,287	-	-	-	-	-	6,287	-	6,287
Reversal of special reserve for deduction of stockholders' equity	-	-	-	(166,392)	166,392	-	-	-	-	-
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	176,330	176,330
Balance, June 30, 2014	\$ 23,690,730	2,711,903	753,136	1,756,283	1,170,933	(17,988)	8,630	30,073,627	1,018,636	31,092,263

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

CAPITAL SECURITIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013
(New Taiwan Dollars in Thousands)

	Jan. 1- Jun. 30, 2014	Jan. 1- Jun. 30, 2013
Cash flows from operating activities:		
Income before income tax for the period	\$ 1,223,305	723,444
Adjustments for:		
Income and expenses having no effects on cash flows		
Depreciation expense	92,943	95,293
Amortization expense	20,375	19,259
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	(252,628)	51,898
Net Loss (gain) on non-operating financial instruments at fair value through profit or loss	58,093	25,974
Interest expenses	83,177	65,493
Cash dividend received from long-term investments under equity method	49,950	95,039
Amortization of discount on commercial paper payable - long term	-	(92)
Share of profits of associates and joint venture	(32,862)	(30,514)
Loss (gain) on disposal of property and equipment	(3,001)	-
Reversal of allowance on bad debts	-	(61)
Share based payments	6,604	-
Net changes of Income and expenses having no effects on cash flows	22,651	322,289
Changes in operating assets and liabilities:		
Net changes of operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(3,721,048)	(1,394,257)
Decrease (increase) in available-for-sale financial assets	-	211,974
Decrease (increase) in bonds purchased under resale agreements	217,710	901,178
Decrease (increase) in receivable for securities provided as collateral	(3,306,619)	(1,707,386)
Decrease (increase) in refinancing margin	181,895	13,443
Decrease (increase) in receivable on refinancing collateral	151,294	8,095
Decrease (increase) in receivable on securities business money lending	-	(540)
Decrease (increase) in customers margin account	(623,607)	761,208
Decrease (increase) in receiveable - futures margin	-	-
Decrease (increase) in collateral for securities borrowed	235,489	77,670
Decrease (increase) in security borrowing margin	1,165,112	617,573
Decrease (increase) in notes receivable	696	5,198
Decrease (increase) in accounts receivable	(343,764)	(739,922)
Decrease (increase) in prepayments	9,241	4,663
Decrease (increase) in other receivables	(234,002)	(113,337)
Decrease (increase) in current tax assets	119	20,514
Decrease (increase) in other current assets	481,570	58,398
Decrease (increase) in guaranty deposited for business operations	(6,786)	(9,057)
Decrease (increase) in settlement fund	20,598	(37,328)
Decrease (increase) in refundable deposits	93,037	23,203
Decrease (increase) in other non-current assets	2,293	44,318
Changes in operating assets:	(5,676,772)	(1,254,392)
Net changes of operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	570,115	(671,883)
Increase (decrease) in bonds sold under repurchase agreements	(1,071,191)	169,582
Increase (decrease) in guaranty deposited for short sales	(962,148)	(1,056,819)
Increase (decrease) in proceeds payable from short sales	(1,351,029)	(1,677,187)
Increase (decrease) in securities lending refundable deposits	(1,267,594)	(1,225,019)
Increase (decrease) in futures traders' equity	531,579	(793,557)
Increase (decrease) in notes payable	(768)	(735)
Increase (decrease) in accounts payable	882,210	878,944
Increase (decrease) in advance receipts	(133,678)	(1,153)
Increase (decrease) in receipts under custody	(434,510)	(2,745)
Increase (decrease) in other payables	(24,675)	(139,422)
Increase (decrease) in other current liabilities	14,820	673
Increase (decrease) in other financial liabilities	120,246	(364,439)
Increase (decrease) in guarantee deposits received	3,153	(327)
Increase (decrease) in accrued pension liabilities	(453)	(1,771)
Increase (decrease) in other non-current liabilities	-	(19,113)
Changes in operating liabilities:	(3,123,923)	(4,904,971)
Net changes in operating assets and liabilities:	(8,800,695)	(6,159,363)
Total Cash generated from adjustment items	(8,778,044)	(5,837,074)
Cash generated by operating activities	(7,554,739)	(5,113,630)
Interest paid	(141,499)	(115,125)
Income tax paid	(30,648)	(578,167)
Net cash provided by (used in) operating activities	(7,726,886)	(5,806,922)
Cash flows from investing activities:		
Proceeds from capital reduction of financial assets carried at cost	33,095	7,000
Increase in deferred debits	(1,171)	(749)
Acquisitions of property and equipment	(47,798)	(16,131)
Proceeds from disposal of property and equipment	5,845	-
Acquisitions of intangible assets	(8,759)	(5,967)
Net cash provided by (used in) investing activities	(18,788)	(15,847)
Cash flows from financing activities:		
Increase in short-term borrowings	1,921,366	1,210,000
Increase in commercial paper payable	4,748,413	3,099,531
Acquisition Of ownership interests in subsidiaries	226,013	-
Disposal of ownership interests in subsidiaries without losing control	24,034	-
Net cash provided by (used in) financing activities	6,919,826	4,309,531
Effect of exchange rate changes on cash and cash equivalents	(1,478)	53,735
Increase (decrease) in cash and cash equivalents	(827,326)	(1,459,503)
Cash and cash equivalents, beginning of the year	4,554,344	5,408,513
Cash and cash equivalents, end of this period	\$ 3,727,018	3,949,010