

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Accountants' Review Report

The Board of Directors
Capital Securities Corporation

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of September 30, 2015, December 31, 2014 and September 30, 2014, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2015 and 2014, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2015 and 2014. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

Except for the third and fourth paragraphs, we have reviewed these consolidated financial statements in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements." A review is limited primarily to inquiries of company personnel and applying analytical procedures to financial data and thus provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

The accompanying consolidated financial statements included certain non-significant consolidated subsidiaries, whose statements based on the self-prepared financial statements reflect total assets amounting to \$4,761,866 thousands and \$5,170,511 thousands, constituting 5.05% and 6.00% of total consolidated assets as of September 30, 2015 and 2014, respectively, total liabilities amounting to \$2,209,252 thousands and \$2,822,978 thousands, constituting 3.53% and 5.17% of total consolidated liabilities as of September 30, 2015 and 2014, respectively, and total comprehensive income amounting to \$27,589 thousands, \$31,147 thousands, \$28,470 thousands and \$22,016 thousands, constituting 14.60%, 5.68%, 2.51% and 1.33% of consolidated comprehensive income for the three months and nine months periods ended September 30, 2015 and 2014, respectively.

As disclosed in note 6(6) of the consolidated financial statements, the investments under equity method amounting to \$103,520 thousands and \$88,600 thousands as of September 30, 2015 and 2014, respectively, and share of profits of associates and joint venture accounted for using equity method amounting to \$22,267 thousands, \$16,199 thousands, \$57,307 thousands and \$49,061 thousands for the three months and nine months periods ended September 30, 2015 and 2014, respectively, were based on the self-prepared financial statements.

Based on our review, except for the effect on the consolidated financial statements which described in the first paragraph, if the financial statements of investee company were reviewed by independent accountants as explained in the third and fourth paragraphs, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and IAS 34, "Interim Financial Reporting" endorsed by the Financial Supervisory Commission.

KPMG
Taipei, Taiwan, R.O.C.
November 11, 2015

Notice to Readers

The accompanying consolidated financial statements are 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent accountants' review report and the accompanying consolidated financial statements 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 accountants' review report and consolidated financial statements, the Chinese version shall prevail.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed In Thousands of New Taiwan Dollars)

ASSETS	(Unaudited)				(Unaudited)				(Unaudited)					
	September 30, 2015		December 31, 2014		September 30, 2015		December 31, 2014		September 30, 2015		September 30, 2014			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
Current Assets														
Cash and cash equivalents (Note 6(1))	\$ 8,130,979	9	4,227,583	5	3,692,345	4			\$ 685,424	1	2,657,000	3	3,488,794	4
Financial assets at fair value through profit or loss - current (Note 6(2))	26,797,155	28	25,075,152	30	25,810,306	30			-	-	1,749,717	2	4,499,026	5
Financial assets available for sale - current (Note 6(2))	6,077,858	6	-	-	-	-			3,869,540	4	2,408,410	3	3,306,284	4
Bonds purchased under resale agreements (Notes 6(3) and 8)	649,354	1	-	-	489,820	1			24,621,086	26	14,610,182	17	13,537,852	16
Receivable for securities provided as collateral	12,905,634	14	19,569,465	23	21,456,357	25			2,312,693	2	2,231,990	3	2,246,353	3
Refinancing margin	48,712	-	15,527	-	7,299	-			2,117,125	2	2,593,973	3	2,623,430	3
Receivable on refinancing collateral	43,620	-	24,434	-	7,728	-			668,682	1	2,254,764	3	1,134,389	1
Receivable of securities business money lending	1,532	-	-	-	370	-			15,074,418	16	11,743,420	14	10,903,130	13
Customer margin account(Note 6(5))	15,137,031	16	11,844,443	14	11,041,122	13			1,044	-	1,146	-	1,044	-
Receivable - futures margin	1,137	-	-	-	-	-			5,560,661	6	5,870,521	7	6,423,404	7
Collateral for securities borrowed	1,726,389	2	649,413	1	397,940	-			25,894	-	19,833	-	13,854	-
Security borrowing margin	1,920,923	2	593,827	1	370,694	-			125,268	-	125,703	-	1,859,883	2
Notes receivable	7,758	-	4,024	-	5,439	-			829,142	1	827,935	1	1,043,748	1
Accounts receivable (Note 6(4))	6,150,255	6	6,759,882	8	6,114,153	7			4,853,064	5	2,140,965	3	1,355,049	2
Prepayments	42,471	-	38,819	-	46,351	-			118,497	-	198,131	-	175,688	-
Other receivables	70,978	-	83,019	-	35,858	-			46,793	-	46,793	-	46,900	-
Current income tax assets	52,581	-	35,560	-	22,089	-			-	-	500,000	1	-	-
Other current assets	541,337	1	610,381	1	2,418,854	3			6,267	-	15,777	-	17,758	-
	80,305,704	85	69,531,529	83	71,916,725	83			60,915,598	64	49,996,260	60	52,676,586	61
Non-current Assets														
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	189,778	-	189,262	-	207,783	-			156,702	-	112,565	-	543,250	1
Financial assets measured at cost - non-current (Note 6(2))	411,231	-	419,981	1	419,981	1			646,748	1	543,990	1	566,195	1
Financial assets available for sale - non-current (Note 6(2))	92,987	-	85,587	-	74,198	-			835,836	1	833,408	1	815,256	1
Investments accounted for under equity method (Note 6(5))	103,520	-	103,266	-	88,600	-			1,639,286	2	1,489,963	2	1,924,701	3
Property and equipment(Notes 6(7) and 8)	5,175,479	6	5,390,207	6	5,428,172	6			62,554,884	66	51,486,223	62	54,601,287	64
Investment property (Notes 6(8) and 8)	1,912,536	2	1,663,945	2	1,648,044	2								
Intangible assets (Note 6(9))	3,615,747	4	3,605,104	4	3,585,739	4								
Deferred income tax assets	491,930	1	581,309	1	671,781	1								
Other non-current assets	2,083,009	2	2,118,153	3	2,205,006	3								
	14,076,217	15	14,156,814	17	14,329,304	17								
LIABILITIES AND STOCKHOLDERS' EQUITY														
Current Liabilities														
Short-term borrowings (Note 6(10))														
Commercial paper payable (Note 6(11))														
Financial liabilities at fair value through profit or loss - current (Notes 6(12))														
Bonds sold under repurchase agreements (Note 6(13))														
Guarantee deposited for short sales														
Proceeds payable from short sales														
Securities lending refundable deposits														
Futures traders' equity(Note 6(5))														
Notes payable														
Accounts payable (Note 6(14))														
Advance receipts														
Receipts under custody														
Other payables														
Other financial liabilities - current (Note 6(23))														
Current income tax liabilities														
Provisions - current (Note 6(17))														
Long-term liabilities - current portion (Note 6(15))														
Other current liabilities														
Non-current Liabilities														
Other financial liabilities - non-current (Note 6(23))														
Deferred income tax liabilities														
Other non-current liabilities														
Total Liabilities														
Equity Attributable to Shareholders of the Parent														
Common stock (Note 6(19))														
Capital surplus														
Premium from stock issuance														
Treasury stock transactions														
Paid-in capital from merger														
Difference between consideration and carrying amount of subsidiaries acquired and disposed														
Changes in ownership interests in subsidiaries														
Retained earnings														
Legal reserve														
Special reserve														
Unappropriated earnings (Note 6(18))														
Exchange differences on translation of foreign operations														
Unrealized gains on available-for-sale financial assets														
Treasury stocks (Note 6(19))														
Non-controlling interests														
Total Equity														
TOTAL LIABILITIES AND EQUITY														
TOTAL ASSETS	\$ 94,381,921	100	83,688,343	100	86,246,029	100			\$ 94,381,921	100	83,688,343	100	86,246,029	100

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed In Thousands of New Taiwan Dollars)
(Unaudited)

	For the three months ended September 30,				For the nine months ended September 30,			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Income:								
Brokerage commissions (Note 6(21))	\$ 929,200	71	995,412	57	2,665,159	57	2,833,891	54
Revenues from securities business money lending	34	-	15	-	85	-	53	-
Revenue from securities lendings	7,312	1	9,796	1	24,905	1	33,524	1
Underwriting commissions (Note 6(21))	16,256	1	50,329	3	139,014	3	128,907	2
Commissions on wealth management business	15,724	1	12,299	1	46,126	1	32,788	1
Net gains (losses) on sale of trading securities (Note 6(21))	(994,863)	(76)	(152,715)	(8)	(220,934)	(5)	832,784	16
Securities management, distribution, and management fees	35,194	3	35,250	2	104,575	2	104,421	2
Interest revenue (Note 6(21))	337,153	26	375,853	21	1,083,868	23	1,071,085	20
Dividend revenue	114,002	9	218,570	12	145,524	3	247,962	5
Net losses on measurement of trading securities at fair value through profit or loss (Note 6(21))	(37,393)	(3)	(702,689)	(40)	(300,855)	(6)	(450,061)	(9)
Net gains (losses) on covering of borrowed securities and bonds with resale agreements	79,426	6	6,709	-	(23,411)	(1)	(58,028)	(1)
Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	15,337	1	(9,525)	(1)	86,672	2	36,977	1
Net gains on stock warrants issued (Notes 6(21) and 6(23))	359,797	27	687,579	39	603,643	13	404,345	8
Futures commission revenues	35,349	3	22,791	1	91,523	2	55,243	1
Net gains on derivative instruments - futures (Note 6(23))	282,055	21	110,958	6	104,580	2	20,860	-
Net gains (losses) on derivative instruments - OTC (Note 6(23))	84,731	6	74,283	5	36,438	1	(91,367)	(2)
Management fee revenue	291	-	41	-	618	-	193	-
Advisory commissions	2,169	-	1,985	-	6,254	-	6,337	-
Other operating revenues	33,049	3	14,497	1	67,015	2	40,505	1
	<u>1,314,823</u>	<u>100</u>	<u>1,751,438</u>	<u>100</u>	<u>4,660,799</u>	<u>100</u>	<u>5,250,419</u>	<u>100</u>
Expenses:								
Brokerage fees	105,891	8	95,487	6	279,682	6	254,515	5
Brokerage and clearing fees - proprietary trading	6,471	1	7,026	-	18,056	-	16,837	-
Clearing and exchange fees - refinancing	757	-	136	-	2,230	-	1,211	-
Clearing and exchange fees - underwriting	77	-	1,417	-	2,449	-	2,912	-
Financial costs	52,714	4	47,095	3	154,646	3	130,272	3
Commission expense - futures	51,175	4	49,716	3	148,009	3	115,457	2
Clearing and settlement expenses	39,455	3	31,937	2	95,633	2	72,561	2
Other operating expenditure	1,641	-	8,495	1	7,448	-	12,178	-
Employee benefits expenses (Note 6(21))	611,259	47	646,067	37	1,866,910	40	1,975,893	38
Depreciation and amortization expenses (Note 6(21))	57,238	4	53,656	3	166,064	4	166,974	3
Other operating expenses (Note 6(21))	423,230	32	373,536	21	1,182,939	26	1,064,695	20
	<u>1,349,908</u>	<u>103</u>	<u>1,314,568</u>	<u>76</u>	<u>3,924,066</u>	<u>84</u>	<u>3,813,505</u>	<u>73</u>
Other income and expenses :								
Share of profits of associates and joint venture (Note 6(6))	22,267	2	16,199	1	57,307	1	49,061	1
Other gains and losses (Note 6(21))	111,310	8	135,371	8	460,571	10	325,770	6
	<u>133,577</u>	<u>10</u>	<u>151,570</u>	<u>9</u>	<u>517,878</u>	<u>11</u>	<u>374,831</u>	<u>7</u>
Net income before income tax	98,492	7	588,440	33	1,254,611	27	1,811,745	34
Income tax expense (Note 6(18))	(42,775)	(3)	(76,285)	(4)	(208,485)	(5)	(184,807)	(4)
Net income	<u>55,717</u>	<u>4</u>	<u>512,155</u>	<u>29</u>	<u>1,046,126</u>	<u>22</u>	<u>1,626,938</u>	<u>30</u>
Other comprehensive income:								
To be reclassified to profit or loss in subsequent periods								
Exchange differences on translation of foreign operations	144,257	11	34,871	2	85,128	2	35,113	1
Unrealized gains on available-for-sale financial assets, net	15,444	1	7,828	-	16,883	-	1,240	-
Income tax benefit related to components of other comprehensive income (Note 6(18))	(26,445)	(2)	(6,252)	-	(15,446)	-	(6,293)	-
Subtotal of items that may be subsequently reclassified into profit or loss	<u>133,256</u>	<u>10</u>	<u>36,447</u>	<u>2</u>	<u>86,565</u>	<u>2</u>	<u>30,060</u>	<u>1</u>
Other comprehensive income for the period, net of income tax	<u>133,256</u>	<u>10</u>	<u>36,447</u>	<u>2</u>	<u>86,565</u>	<u>2</u>	<u>30,060</u>	<u>1</u>
Total comprehensive income for the period	<u>\$ 188,973</u>	<u>14</u>	<u>548,602</u>	<u>31</u>	<u>1,132,691</u>	<u>24</u>	<u>1,656,998</u>	<u>31</u>
Net income attributable to								
Shareholders of the parent	\$ (18,379)	(2)	461,641	26	906,996	19	1,549,840	29
Non-controlling interests	74,096	6	50,514	3	139,130	3	77,098	1
	<u>\$ 55,717</u>	<u>4</u>	<u>512,155</u>	<u>29</u>	<u>1,046,126</u>	<u>22</u>	<u>1,626,938</u>	<u>30</u>
Total comprehensive income attributable to:								
Shareholders of the parent	\$ 101,360	8	495,163	28	983,108	21	1,580,926	30
Non-controlling interests	87,613	6	53,439	3	149,583	3	76,072	1
	<u>\$ 188,973</u>	<u>14</u>	<u>548,602</u>	<u>31</u>	<u>1,132,691</u>	<u>24</u>	<u>1,656,998</u>	<u>31</u>
Basic earnings (deficits) per share (Note 6(20))	<u>\$ (0.01)</u>		<u>0.19</u>		<u>0.38</u>		<u>0.65</u>	
Dilutive earnings (deficits) per share (Note 6(20))	<u>\$ (0.01)</u>		<u>0.19</u>		<u>0.38</u>		<u>0.65</u>	

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Expressed In Thousands of New Taiwan Dollars)
(Unaudited)

	Equity attributable to shareholders of the parent								Equity attributable to shareholders of the parent	Non-controlling interests	Total Equity
	Retained earnings					Others					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets available-for-sale	Treasury stocks			
Beginning 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 nine months ended September 30, 2014	-	-	-	-	1,549,840	-	-	-	1,549,840	77,098	1,626,938
Other comprehensive income for the nine months ended September 30, 2014	-	-	-	-	-	29,509	1,577	-	31,086	(1,026)	30,060
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	1,549,840	29,509	1,577	-	1,580,926	76,072	1,656,998
Legal reserve	-	-	147,178	-	(147,178)	-	-	-	-	-	-
Special Reserve	-	-	-	294,357	(294,357)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,066,083)	-	-	-	(1,066,083)	(73,438)	(1,139,521)
Reversal of special reserve for deduction of stockholders' equity	-	-	-	(166,392)	166,392	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries disposed	-	143	-	-	-	-	-	-	143	-	143
Changes in ownership interests in subsidiaries	-	6,287	-	-	-	-	-	-	6,287	-	6,287
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	253,642	253,642
	-	6,430	147,178	127,965	(1,341,226)	-	-	-	(1,059,653)	180,204	(879,449)
Ending balance, September 30, 2014	\$ 23,690,730	2,711,903	753,136	1,756,283	1,632,574	9,984	14,180	-	30,568,790	1,075,952	31,644,742
Beginning balance, January 1, 2015	\$ 23,690,730	2,711,760	753,136	1,756,283	2,089,222	76,558	20,791	-	31,098,480	1,103,640	32,202,120
Net income for the nine months ended September 30, 2015	-	-	-	-	906,996	-	-	-	906,996	139,130	1,046,126
Other comprehensive income for the nine months ended September 30, 2015	-	-	-	-	-	62,212	13,900	-	76,112	10,453	86,565
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	906,996	62,212	13,900	-	983,108	149,583	1,132,691
Legal reserve	-	-	202,531	-	(202,531)	-	-	-	-	-	-
Special Reserve	-	-	-	405,061	(405,061)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,421,444)	-	-	-	(1,421,444)	(73,781)	(1,495,225)
Reversal of special reserve for deduction of stockholders' equity	-	-	-	(6,922)	6,922	-	-	-	-	-	-
Purchase of treasury stocks	-	-	-	-	-	-	-	(38,960)	(38,960)	-	(38,960)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,461	-	-	-	-	-	-	1,461	-	1,461
Changes of non-controlling interests	-	-	-	-	-	-	-	-	-	24,950	24,950
	-	1,461	202,531	398,139	(2,022,114)	-	-	(38,960)	(1,458,943)	(48,831)	(1,507,774)
Ending balance, September 30, 2015	\$ 23,690,730	2,713,221	955,667	2,154,422	974,104	138,770	34,691	(38,960)	30,622,645	1,204,392	31,827,037

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Expressed In Thousands of New Taiwan Dollars)
(Unaudited)

	For the nine months ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income before income tax	\$ 1,254,611	1,811,745
Adjustments for:		
Income and expenses items with no effect on cash flows:		
Depreciation expense	135,952	137,111
Amortization expense	30,112	29,863
Net losses on financial assets or liabilities at fair value through profit or loss	300,855	450,061
Interest expense	154,646	130,272
Interest revenue (including financial revenue)	(1,207,991)	(1,159,780)
Dividend revenue	(177,842)	(452,980)
Share-based payments	-	6,604
Cash dividend received from investments under equity method	57,054	49,950
Share of profit of associates and joint ventures	(57,307)	(49,061)
Gains on disposal of property and equipment	-	(2,999)
Losses on non-operating financial instruments at fair value through profit or loss	21,255	126,683
Net changes of income and expense items with no effect on cash flows	<u>(743,266)</u>	<u>(734,276)</u>
Net changes of assets from operating activities:		
Increase in financial assets at fair value through profit or loss	(2,044,649)	(6,914,745)
Increase in available-for-sale financial assets	(6,068,254)	-
Decrease (increase) in bonds purchased under resale agreements	(649,354)	68,574
Decrease (increase) in receivable for securities provided as collateral	6,663,831	(3,568,959)
Decrease (increase) in refinancing margin	(33,185)	182,815
Decrease (increase) in receivable on refinancing collateral	(19,186)	150,424
Increase in receivable of securities business money lending	(1,532)	(370)
Increase in customer margin account	(3,292,588)	(2,044,931)
Increase in receivable - futures margin	(1,137)	-
Increase in collateral for securities borrowed	(1,076,976)	(28,110)
Decrease (increase) in security borrowing margin	(1,327,096)	917,539
Decrease (increase) in notes receivable	(3,734)	3,117
Decrease in accounts receivable	554,159	1,774,575
Increase in prepayments	(3,274)	(1,697)
Decrease in other receivables	23,261	23,687
Decrease (increase) in current tax assets	(16,729)	119
Decrease (increase) in other current assets	69,044	(1,266,174)
Decrease in guarantee deposited for business operations	235,849	44,813
Decrease (increase) in settlement fund	(694)	18,781
Decrease (increase) in refundable deposits	(129,746)	14,378
Decrease (increase) in other non-current assets	(84,676)	2,565
Total net changes in assets from operating activities:	<u>(7,206,666)</u>	<u>(10,623,599)</u>
Net changes in liabilities from operating activities:		
Increase in financial liabilities at fair value through profit or loss	1,461,130	2,182,532
Increase in bonds sold under repurchase agreements	10,010,904	422,593
Increase (decrease) in guaranty deposited for short sales	80,703	(120,394)
Decrease in proceeds payable from short sales	(476,848)	(385,486)
Decrease in securities lending refundable deposits	(1,586,082)	(645,528)
Increase in futures traders' equity	3,330,998	1,945,145
Increase (decrease) in notes payable	(102)	186
Decrease in accounts payable	(312,068)	(648,415)
Increase (decrease) in advance receipts	6,061	(137,051)
Increase (decrease) in receipts under custody	(893)	1,296,965
Increase (decrease) in other payables	(8,380)	246,202
Increase (decrease) in other current liabilities	(2,704)	17,970
Increase in other financial liabilities	2,756,236	209,781
Increase in other non-current liabilities	2,428	1,804
Total net changes of liabilities from operating activities	<u>15,261,383</u>	<u>4,386,304</u>
Total net changes in assets and liabilities from operating activities	<u>8,054,717</u>	<u>(6,237,295)</u>
Total Cash generated from adjustment items	<u>7,311,451</u>	<u>(6,971,571)</u>

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CON'D)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Expressed In Thousands of New Taiwan Dollars)
(Unaudited)

	For the nine months ended September 30,	
	2015	2014
Cash generated by operating activities	\$ 8,566,062	(5,159,826)
Interest received	1,273,729	1,139,038
Dividends received	165,630	432,650
Interest paid	(152,903)	(188,437)
Income tax paid	(111,427)	(50,110)
Net cash provided by (used in) operating activities	9,741,091	(3,826,685)
Cash flows from investing activities:		
Increase on deferred charges	(2,091)	(1,751)
Acquisition of investments accounted for using equity method	(23,160)	-
Proceeds from capital reduction of financial assets measured at cost	8,750	247,186
Acquisitions of property and equipment	(159,394)	(84,633)
Proceeds from disposal of property and equipment	580	5,848
Acquisitions of intangible assets	(13,705)	(11,831)
Disposal of intangible assets	86	-
Net cash flows provided by (used in) investing activities	(188,934)	154,819
Cash flows from financing activities:		
Increase in short-term borrowing	(1,971,575)	1,469,794
Decrease in long-term liabilities - current portion	(500,000)	-
Increase (decrease) in commercial paper payable	(1,749,717)	2,199,444
Acquisition of treasury stocks	(38,960)	-
Cash dividends	(1,495,225)	(1,139,521)
Acquisition Of ownership interests in subsidiaries	-	226,013
Disposal of ownership interests in subsidiaries (without losing control)	24,216	24,034
Net cash provided by (used in) financing activities	(5,731,261)	2,779,764
Effect of exchange rate changes on cash and cash equivalents	82,500	30,103
Increase (decrease) in cash and cash equivalents	3,903,396	(861,999)
Cash and cash equivalents, beginning of the year	4,227,583	4,554,344
Cash and cash equivalents, end of this period	\$ 8,130,979	3,692,345

The accompanying notes are an integral part of the financial report.

**Notes to consolidated financial statements as of September 30, 2015 and 2014 are reviewed only,
not audited in accordance with generally accepted auditing standards**

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2015 AND 2014

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS UNLESS OTHERWISE STATED)

1. OVERVIEW

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 4 Fl. No. 101, Sung-Jen Road, Taipei, Taiwan, R.O.C. As of September 30, 2015, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of September 30, 2015, the Company has 63 branches nationwide.

The Company is authorized to conduct the following businesses:

- (1) Underwriting of marketable securities;
- (2) Trading of marketable securities on a proprietary basis on stock exchange;
- (3) Brokerage of marketable securities on stock exchange;
- (4) Trading of marketable securities at the Company’s branches;
- (5) Brokerage of marketable securities at the Company’s branches;
- (6) Margin loan, short sale and refinancing;
- (7) Securities registration agency services;
- (8) Dealership of foreign marketable securities;
- (9) Short-term bills service;
- (10) Accessory services of futures trading;
- (11) Futures trading on a proprietary basis;
- (12) Securities business money lending;
- (13) Managing the unexpended balance of clients' securities accounts within their authorization;
- (14) Trust business;
- (15) Offshore securities business; and;
- (16) Other relevant services as approved by the authority in charge.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issuance by the board of directors on November 11, 2015.

3. NEW STANDARDS AND INTERPRETATIONS

(1) The impact of the adoption of the new standards, amendments and interpretations to International Financial Reporting Standard (“IFRS”) endorsed by the Financial Supervisory Commission (“FSC”).

The Group adopted the 2013 version of IFRSs (IFRS 9 Financial instruments is excluded) endorsed by the FSC from 2015 in preparing financial statements. The new standards and amendments issued by the International Accounting Standards Board (“IASB”) were as follows:

<u>Newly issued, Revised accounting standards and interpretations</u>	<u>Effective date per IASB</u>
• Amendments to IFRS 1 Limited Exemption from Comparative IFRS7 Disclosures for First - time Adopters	July 1, 2010
• Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First - time Adopters	July 1, 2011
• Amendments to IFRS 1 Government Loans	January 1, 2013
• Amendments to IFRS 7 Disclosure - Transfers of Financial Assets	July 1, 2011
• Amendments to IFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
• IFRS 10 Consolidated Financial Statements	January 1, 2013
	(Investment Entities amendments, effective January 1, 2014)
• IFRS 11 Joint Arrangements	January 1, 2013
• IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
• IFRS 13 Fair Value Measurement	January 1, 2013
• Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012
• Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
• Revision to IAS 19 Employee Benefits	January 1, 2013
• Revision to IAS 27 Separate Financial Statements	January 1, 2013
• Amendments to IAS 32 Offsetting of Financial Assets and Financial Liabilities	January 1, 2014
• Interpretations to IFRS 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Except for the following items, the Group believes that the adoption of aforementioned 2013 IFRSs version may not have a significant effect on the consolidated financial statements.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

A. Amendments to IAS 19, “Employee Benefits”

The amendments to IAS 19 require the Company to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. A liability and expense for termination benefits is recognized not only when the Company is demonstrably committed to terminating the employment of employees, but also at the earlier of the following dates when the Company can no longer withdraw the offer or when the Company recognizes costs for a restructuring. The Company is not expecting the standard to have significant impact on the financial position and the results of operations. Moreover, the amendments also require a broader disclosure for defined benefit plans.

B. Amendments to IAS 1, “Presentation of Items of Other Comprehensive Income”

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Company will modify the presentation of statement of comprehensive income statement in accordance with the amendment.

C. IFRS 12, “Disclosure of Interests in Other Entities”

The Standard integrates and makes consistent the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company will increase disclosures on the consolidated and unconsolidated entities in accordance with the standard.

D. IFRS 13, “Fair Value Measurement”

The Standard defines fair values, establishes a framework for measuring fair value and requires disclosures about fair value measurement. The Company is not expecting the standard to have significant impact on the financial position and the results of operations. The Company will increase disclosures regarding the fair value measurement in accordance with the standard.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) The standards and interpretations new issued but not yet endorsed by the FSC

A summary of the new standards, amendments and interpretations issued by the IASB, but not yet endorsed by the FSC:

<u>Newly issued, Revised accounting standards and interpretations</u>	<u>Effective date per IASB</u>
• IFRS 9 Financial Instruments	January 1, 2018
• Amendment to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016
• Amendment to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
• Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
• IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
• IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
• Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
• Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
• Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plant"	January 1, 2016
• Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
• Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
• Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
• Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
• Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycle	July 1, 2014
• Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
• Interpretations to IFRS 21 "Levies"	January 1, 2014

The Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", and the IAS 34 "Interim Financial Reporting" endorsed by the FSC and do not include all of the information required for full annual consolidated financial statements prepared in accordance with the IFRSs, IAS and interpretations endorsed by the FSC.

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2014. Please refer to Note 4 of the consolidated financial

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

statements as of and for the year ended December 31, 2014 for the detail disclosures of significant accounting policies.

The Group has adopted the 2013 version of IFRSs endorsed by the FSC from 2015.

(2) Basis of preparation

Except for Note 3(1), principle of preparing consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2014. Please refer to Note 4(3) of the consolidated financial statements as of and for the year ended December 31, 2014.

A. Subsidiaries listed in the consolidated financial statement were as follows:

Name of the Investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			Sep 30, 2015	Dec 31, 2014	Sep 30, 2014	
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and securities investment consultancy	100.00%	100.00%	100.00%	Established in February, 1990 with the paid-in capitals amounted to \$70,000.
"	CSC International Holdings Ltd.	Long-term equity investment business.	100.00%	100.00%	100.00%	Established in March, 1996, with the paid-in capitals amounted to US\$45,000 thousand
"	Capital Futures Corp.	Engaged in domestic and foreign futures business.	59.01%	59.01%	59.01%	Established in February, 1997 with the paid-in capitals amounted to \$1,199,979 .
"	Taiwan International Futures Corp.	Management and consulting business	99.99%	99.99%	99.99%	Liquidation in progress.
"	Taiwan International Securities (B.V.I) Corp.	Holding company for international securities business	100.00%	100.00%	100.00%	The paid-in capitals amounted to US\$9,516 thousand.
"	Taiwan International Securities Investment Consulting Corp.	Management and consulting business	99.92%	99.92%	99.92%	Liquidation in progress.
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business.	95.00%	100.00%	95.00%	Established in December, 1998. Acquired 100% of the equity on November 1, 2012, disposed 5% on April 2, 2014 and reacquired 5% on December 23, 2014, then re-disposed 5% on April 30, 2015. As of September 30, 2015, the paid-in capitals amounted to HKD\$120,000 thousands
"	Capital International Technology Corp	Management, consulting and information service business	100.00%	100.00%	- %	Established in December, 2014. As of September 30, 2015, the paid-in capitals amounted to \$50,000
Capital International Technology Corp.	Capital True Partner Co., Ltd	Management, consulting and information service business.	51.00%	- %	- %	Established on August 20, 2008. Acquired 51% of the equity on February 9, 2015 and held controlling interest. As of September 30, 2015, the paid-in capitals amounted to CNY\$1,000 thousands.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Name of the Investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			Sep 30, 2015	Dec 31, 2014	Sep 30, 2014	
CSC International Holdings Ltd.	CSC Securities (HK) Limited	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	Established in May, 1994.
CSC International Holdings Ltd.	Capital Securities (Hong Kong) Ltd.	Long-term equity investment business.	100.00%	100.00%	100.00%	The board of directors of the Company resolved to cease operation on October 30, 2012.
"	CSC Finance Ltd.	Securities financing business	100.00%	100.00%	100.00%	The board of directors of the Company resolved to cease operation on October 30, 2012.
"	CSC Asia Ltd.	Provision of corporate advisory services	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 66.67% and 33.33% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 66.67% and 33.33% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 66.67% and 33.33% equity, respectively	The board of directors of the Company resolved to cease operation on October 30, 2012.
Capital Securities (Hong Kong) Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	Established in May, 1994.
"	CSC Asia Ltd.	Provision of corporate advisory services	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 66.67% and 33.33% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 66.67% and 33.33% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 66.67% and 33.33% equity, respectively	The board of directors of the Company resolved to cease operation on October 30, 2012.
"	CSC Financial Services Ltd.	Securities financing business	100.00%	100.00%	100.00%	The board of directors of the Company resolved to cease operation on October 30, 2012.
CSC Securities (HK) Ltd.	Capital Securities Nominee Ltd.	Agency service	100.00%	100.00%	100.00%	Established in April, 1995. Acquired equity from Capital Securities (Hong Kong) Ltd. on January 17, 2013.
Taiwan International Securities (B.V.) Corp.	TIS Securities (HK) Limited	Long-term equity investment business.	100.00%	100.00%	100.00%	Not complied with the requirement of Financial Resources Rules (the "FRR") of the Hong Kong Securities and Futures Commission, the operations remain stagnant currently

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Name of the Investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			Sep 30, 2015	Dec 31, 2014	Sep 30, 2014	
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Direct investment	100.00%	100.00%	100.00%	Not complied with the requirement of FRR of the Hong Kong Securities and Futures Commission, the operations remain stagnant currently

B. Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			Sep 30, 2015	Dec 31, 2014	Sep 30, 2014	
The Company	Capital Insurance Agency Corp.	Manages personal insurance agent business.	100.00%	100.00%	100.00%	Established in November 2000. The Company acquired 100% of the equity and gained a controlling interest. The paid-in capitals amounted to \$7,400. As of September 30, 2015 and December 31, 2014 and September 30, 2014, the total assets constituted 0.06%, 0.08% and 0.07% of the Group's total assets. For the nine months end September 30, 2015 and 2014, the operation revenue were merely 1.17% and 1.48% of the consolidated revenue which were so immaterial, thus they were excluded from the consolidated financial statement.
	Capital Insurance Advisory Corp.	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	100.00%	100.00%	100.00%	Established in November 2000. The Company acquired 100% of the equity and gained a controlling interest. The paid-in capitals amounted to \$3,890. As of September 30, 2015 and December 31, 2014 and September 30, 2014, the total assets constituted 0.08%, 0.08% and 0.06% of the Group's total assets. For the nine months end September 30, 2015 and 2014, the operation revenue were merely 2.84% and 2.03% of the consolidated revenue which were so immaterial, thus they were excluded from the consolidated financial statement.

(3) Income tax

The Group estimated and disclosed interim income tax under IAS 34 "Interim Financial Reporting" Appendix B12.

Income tax expense is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by the management, and is recognized as current tax expense.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

(4) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date market yields of high-quality government bonds on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

The Group recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gains or losses on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses that had not previously been recognized.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminating the employment of employees before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

D. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(5) Treasury stocks

The Group acquires its outstanding shares is stated at cost and shown as a deduction in stockholders' equity. Upon disposal, the excess of sales price over carrying value is recognized as capital surplus – treasury stock transaction. Should sales price be lower than the carrying value, the difference is charged against capital surplus from treasury stocks in the same category, and any deficit is debited to retained earnings. The carrying value of treasury stocks is calculated using the weighted-average approach in accordance with the purpose of the acquisition.

When the Group's treasury stock is retired, the treasury stock account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

5. MAJOR SOURCES OF ACCOUNTING ASSUMPTIONS, JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms and IAS 34 "Interim Financial Reporting" requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In these consolidated financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those of Note 5 of the consolidated financial statements as of and for the year ended December 31, 2014.

6. SUMMARY OF MAJOR ACCOUNTS

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from the consolidated financial statements as of and for the year ended December 31, 2014. Please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2014 for the detailed disclosures of these significant accounts.

(1) Cash and cash equivalents

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Cash	\$ 3,129	3,113	3,021
Bank deposits			
Checking accounts	55,075	50,580	44,305
Demand deposits	954,413	187,026	155,132
Time deposits	1,951,030	1,854,383	1,526,560
Foreign currency deposits	1,460,497	1,369,921	1,178,445
Subtotal	<u>4,421,015</u>	<u>3,461,910</u>	<u>2,904,442</u>
Futures margin-excess margin	1,417,054	762,560	708,941
Commercial paper	2,289,781	-	75,941
Subtotal	<u>3,706,835</u>	<u>762,560</u>	<u>784,882</u>
Total	<u>\$ 8,130,979</u>	<u>4,227,583</u>	<u>3,692,345</u>

(2) Financial assets

A. Financial assets at fair value through profit or loss - current:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 354,735	522,282	417,686
Valuation adjustment	(1,083)	10,569	1,710
Subtotal	<u>353,652</u>	<u>532,851</u>	<u>419,396</u>
Securities invested by securities broker			
Securities invested by securities broker	17,369	531,039	930,348
Valuation adjustment	(473)	8,010	(74,491)
Subtotal	<u>16,896</u>	<u>539,049</u>	<u>855,857</u>

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Trading securities - proprietary trading			
Listed stocks	\$ 677,817	1,246,079	1,741,293
OTC stocks	64,411	231,959	386,643
Emerging market stocks	235,240	366,836	331,990
Convertible corporate bonds	345,922	511,164	661,657
Government bonds	3,584,081	1,203,375	1,483,039
Corporate bonds	10,066,003	9,832,713	8,875,202
Financial debentures	3,908,598	1,698,780	685,354
Foreign stocks	363,053	314,143	354,838
Overseas bonds	422,382	288,848	291,739
Emerging fund	7,062	7,452	-
Other	29,989	79,861	1,176,413
	<u>19,704,558</u>	<u>15,781,210</u>	<u>15,988,168</u>
Valuation adjustment	(31,349)	6,630	(109,090)
Subtotal	<u>19,673,209</u>	<u>15,787,840</u>	<u>15,879,078</u>
Trading securities - underwriting			
Listed stocks	22,550	2,730	70,428
OTC stocks	-	8,648	2,097
Convertible corporate bonds	83,700	106,300	153,100
	<u>106,250</u>	<u>117,678</u>	<u>225,625</u>
Valuation adjustment	1,819	(496)	29,078
Subtotal	<u>108,069</u>	<u>117,182</u>	<u>254,703</u>
Trading securities - hedging			
Listed stocks	1,823,786	2,585,889	3,226,610
OTC stocks	409,563	923,311	819,949
Convertible corporate bonds	4,008,808	3,872,940	3,804,449
Foreign stock	1,136	-	-
	<u>6,243,293</u>	<u>7,382,140</u>	<u>7,851,008</u>
Valuation adjustment	(91,125)	181,804	(136,613)
Subtotal	<u>6,152,168</u>	<u>7,563,944</u>	<u>7,714,395</u>
Derivatives:			
Call options	56,386	263,894	358,758
Interest rate swaps	-	-	4,117
Futures margin - proprietary fund	386,240	189,165	265,860
IRS asset swaps	23,063	25,952	26,042
Asset swap options - long position	19,759	9,881	12,895
Structured notes	219	76	3,444
Currency swaps	7,494	45,318	15,761
Subtotal	<u>493,161</u>	<u>534,286</u>	<u>686,877</u>
Total	<u>\$ 26,797,155</u>	<u>25,075,152</u>	<u>25,810,306</u>

As of September 30, 2015, December 31, 2014 and September 30, 2014, the par value of trading securities - bonds under repurchase agreement of the Group was \$25,066,161 and \$13,462,900 and \$12,966,100, respectively (please refer to Note 6(13) for details).

B. Financial assets available for sale - current

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Listed stocks	\$ 167,521	-	-
Overseas bonds	5,900,736	-	-
Valuation adjustment	9,601	-	-
Total	<u>\$ 6,077,858</u>	<u>-</u>	<u>-</u>

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. Financial assets at fair value through profit and loss - non-current:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Financial assets held for trading:			
Government bonds	\$ 188,818	191,990	210,031
Valuation adjustment	960	(2,728)	(2,248)
Total	<u>\$ 189,778</u>	<u>189,262</u>	<u>207,783</u>

As of September 30, 2015, December 31, 2014 and September 30, 2014, the Group took advantage of government bonds as margin of bills business, interest rate swaps, structured notes and settlement fund guarantee deposits (please refer to Note 8 for details).

D. Financial assets available for sale - non-current

<u>Investee Company</u>	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
CME Group	\$ 50,193	50,193	50,193
Valuation adjustment	42,794	35,394	24,005
Total	<u>\$ 92,987</u>	<u>85,587</u>	<u>74,198</u>

E. Financial assets measured at cost - non-current:

<u>Non- listed (or non-over-the-counter)</u>	<u>September 30, 2015</u>	
	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Depository & Clearing Corp.	1.29%	\$ 18,661
Taiwan Futures Exchange Corp.	2.86%	58,126
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	202,681
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00%	71,008
Prudence Venture Investment Corp.	1.50%	37,377
Total		<u>\$ 411,231</u>

<u>Non-listed (or non-over-the-counter)</u>	<u>December 31, 2014</u>	
	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Depository & Clearing Corp.	1.29%	\$ 18,661
Taiwan Futures Exchange Corp.	2.86%	58,126
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	202,681
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00%	78,008
Prudence Venture Investment Corp	1.50%	39,127
Total		<u>\$ 419,981</u>

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Non-listed (or non-over-the-counter)</u>	<u>September 30, 2014</u>	
	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Depository & Clearing Corp.	1.29%	\$ 18,661
Taiwan Futures Exchange Corp.	2.86%	58,126
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	202,681
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00%	78,008
Prudence Venture Investment Corp	1.50%	39,127
Total		<u>\$ 419,981</u>

On March 24, 2014, the investee Taiwan Integrated Shareholder's Service Corp. was merged by Taiwan Depository and Clearing Corporation. Taiwan Integrated Shareholder's Service Corporation dissolved and the Company received proceeds from the disposal which amounted to \$24,312. For the nine months ended September 30, 2015, and the year 2014, Prudence Venture Investment Corp. refunded the proceeds of capital reduction amounted to \$1,750 and \$5,130, respectively. Top Taiwan III Venture Capital Co., Ltd. refunded the proceeds of capital reductions which both amounted to \$7,000 and Global Securities Finance Corporation refunded the proceeds of capital reduction which amounted to \$0 and \$211,661, respectively.

- F. The Group uses Value at Risk (VAR) to monitor and measure the market risk of its investment in equity stocks. VAR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VAR, which is the estimation of potential loss per day and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VAR will exceed the disclosed amounts due to the changes in market price. For the nine months ended September 30, 2015 and 2014, VAR (99%, per day) of equity stocks were as follows:

<u>Type of market risk</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>For the nine months ended September 30,</u>					
			<u>2015</u>			<u>2014</u>		
			<u>Mean</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Mean</u>	<u>Maximum</u>	<u>Minimum</u>
Equity stocks	59,244	69,367	64,805	97,751	43,324	57,182	79,651	29,771

(3) Bonds purchased under resale agreements

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Bonds purchased under resell agreements	<u>\$ 649,354</u>	<u>-</u>	<u>489,820</u>
Resell price under the agreements	<u>649,364</u>	<u>-</u>	<u>489,903</u>
Interest rate	<u>0.11% ~0.30%</u>	<u>-</u>	<u>0.58% ~0.71%</u>

As of September 30, 2015, December 31, 2014 and September 30, 2014, the Group's appropriated bonds purchased under resale agreements were \$0 (Par value \$0), \$0 (Par value \$0), and \$291,125 (Par value \$290,000) for repurchase agreement transactions purpose, respectively. As of September 30, 2015, December 31, 2014 and September 30, 2014, the Group's appropriated bonds purchased under resale agreements were \$649,354 (Par value \$650,000), \$0 (Par value \$0), and \$0 (Par value \$0) for short sales, respectively (please refers to Note 8 for details).

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Accounts Receivable

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Receivable on securities purchased by customers	\$ 27,634	59,827	90,046
Settlement	-	1,513,355	-
Interests receivable	420,206	489,022	437,743
Receivables on securities sold	5,455,919	4,634,230	5,459,655
Others	250,641	66,477	129,738
Subtotal	6,154,400	6,762,911	6,117,182
Less: allowance for doubtful accounts	(4,145)	(3,029)	(3,029)
Total	<u>\$ 6,150,255</u>	<u>6,759,882</u>	<u>6,114,153</u>

(5) Customer margin account / Futures traders' equity

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Customer margin account			
Cash in banks	\$ 11,976,297	8,784,390	7,853,877
Customer margin account-futures clearing house	1,377,369	2,068,662	2,424,526
Customer margin account-other futures commission merchants	1,780,832	989,449	761,478
Marketable securities	2,533	1,942	1,241
Total customer margin account	15,137,031	11,844,443	11,041,122
Adjustment :			
Commission revenue	(24,973)	(7,391)	(14,432)
Futures transaction tax	(1,314)	(725)	(1,507)
Interest revenues	(2,132)	(855)	(1,583)
Temporary receipts	(463)	(153)	(510)
Remittance amount of the customers after the market closed	(2,888)	(15,178)	(14,854)
Others	(30,843)	(76,721)	(105,106)
Futures traders' equity	<u>\$ 15,074,418</u>	<u>11,743,420</u>	<u>10,903,130</u>

(6) Investments under equity method

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 56,044	45,245	34,514
Capital Insurance Agency Corp.	47,476	58,021	54,086
	<u>\$ 103,520</u>	<u>103,266</u>	<u>88,600</u>

For the nine months ended September 30, 2015 and 2014, the Group's share of gains or losses of the subsidiaries were as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Based on the self-prepared financial statements	<u>\$ 57,307</u>	<u>49,061</u>

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Under the equity accounting method, the financial information of the investments in associates which are individually immaterial is summarized as following:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Total assets	\$ 133,047	128,524	115,783
Total liabilities	\$ 29,527	25,258	27,183

	<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Revenue	\$ 187,880	185,390
Net income	\$ 57,307	49,061

(7) Property and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Carrying amount:					
January 1, 2015	\$ 3,901,181	1,256,748	193,830	38,448	5,390,207
September 30, 2015	\$ 3,707,942	1,160,515	263,626	43,396	5,175,479
September 30, 2014	\$ 3,919,641	1,266,186	205,130	37,215	5,428,172

As of September 30, 2015, December 31, 2014 and September 30, 2014, the property and equipment were provided as collateral or pledge, please refer to Note 8 for details.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of property and equipments of the Group for the nine months ended September 30, 2015 and 2014. For the nine months ended September 30 of 2015, \$259,032 of land and buildings were reclassified as investment property. Please refer to Note 6(21) for details of the depreciation expense occurring in this period and Note 6(7) of the consolidated financial statements as of and for the year ended December 31, 2014 for other relevant information.

(8) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying amount:</u>			
January 1, 2015	\$ 1,230,412	433,533	1,663,945
September 30, 2015	\$ 1,423,650	488,886	1,912,536
September 30, 2014	\$ 1,211,951	436,093	1,648,044
<u>Fair value</u>			
January 1, 2015			\$ 2,555,269
September 30, 2015			\$ 3,066,122
September 30, 2014			\$ 2,518,758

The Group elected to apply Cost Method to evaluate investment properties. The investment properties were evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group for the nine months ended September 30, 2015 and 2014. For the nine months ended September 30, 2015, \$259,032 of land and buildings were reclassified as investment property. Please refer to Note 6(21) for details of the depreciation expense occurring in this period and Note 6(8) of the consolidated financial statements as of and for the year ended December 31, 2014 for other relevant information.

(9) Intangible assets

A. Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of September 30, 2015, December 31, 2014 and September 30, 2014, the book value was all \$3,126,698.

Due to the needs of operation expansion, the subsidiary Capital International Technology Corp. acquired 51% of the equity of Capital True Partner Co., Ltd. The excess of the acquisition cost over the fair value of the investee's net identifiable assets was recognized as goodwill. As of September 30, 2015 the book value was \$22,088.

B. Other intangible assets - Customer relationships

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized other intangible assets - customer relationships as \$17,082. As of September 30, 2015, December 31, 2014 and September 30, 2014, the amortized book value was \$1,992, \$4,555 and \$5,409, respectively.

C. Other intangible assets - Operation franchise

The Company acquired the operation of securities corporation operation franchise during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS 38 "Intangible Assets," the franchise is regarded as intangible assets with an indefinite useful life. As of September 30, 2015, December 31, 2014 and September 30, 2014, the book value of the operation franchise was all \$389,999.

D. Other intangible assets - The memberships of foreign futures Exchanges

The subsidiaries obtained the memberships of foreign futures Exchanges - NYMEX, COMEX, CBOT and CME for business development. In accordance with IAS 38 "Intangible Assets" endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of September 30, 2015, December 31, 2014 and September 30, 2014, the book value of the intangible assets was \$46,431, \$46,350 and \$46,284, respectively.

E. Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of September 30, 2015, December 31, 2014 and September 30, 2014, the book value was \$28,539, \$37,502 and \$17,349, respectively.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(10) Short-term loans

<u>Nature of borrowings</u>	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Collateralized loan	\$ 162,267	380,000	380,000
Credit loans	523,157	2,277,000	3,108,794
Total	<u>\$ 685,424</u>	<u>2,657,000</u>	<u>3,488,794</u>

Short-term loans were based on floating interest rates. As of September 30, 2015, December 31, 2014 and September 30, 2014, the loan interest rate range was 1.057%~2.750%, 0.90%~1.79% and 0.90%~1.81% respectively.

The Group had provided the land, buildings, and certificates of time deposits as collateral. For more information about the collateral as of September 30, 2015, December 31, 2014 and September 30, 2014, please refer to Note 8.

(11) Commercial paper payable

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Commercial paper payable	\$ -	1,750,000	4,500,000
Less: Unamortized discount	-	(283)	(974)
Net amount	<u>\$ -</u>	<u>1,749,717</u>	<u>4,499,026</u>

Commercial paper payables were based on floating interest rates. As of December 31, 2014 and September 30, 2014, the interest rate was 0.858%~0.908 and 0.818%~0.958%, respectively.

(12) Financial liabilities at fair value through profit or loss

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Bond purchased under resale agreements - short sales	\$ 598,295	-	-
Valuation adjustment	1,097	-	-
Subtotal	<u>599,392</u>	<u>-</u>	<u>-</u>
Liabilities on sale of borrowed securities	2,127,307	995,472	590,872
Redeem liabilities on sale of borrowed securities	-	-	-
Valuation adjustment	(39,392)	48,377	12,040
Subtotal	<u>2,087,915</u>	<u>1,043,849</u>	<u>602,912</u>
Settlement coverage bonds payable of short sales	102,197	99,749	1,345,400
Valuation adjustment	(49)	17	(35)
Subtotal	<u>102,148</u>	<u>99,766</u>	<u>1,345,365</u>
Stock warrants issued	12,743,097	8,277,524	7,634,031
Stock warrants repurchased	(12,041,372)	(7,644,334)	(6,933,855)
Subtotal	<u>701,725</u>	<u>633,190</u>	<u>700,176</u>
Put options	141,167	275,648	327,257
Equity derivatives	3	-	94
IRS asset swaps	6,032	249	1,101
Asset swap options - short position	213,834	348,450	321,863
Structured notes	15,273	3,085	7,506
Currency swaps	465	503	10
Interest rate swaps	1,586	3,670	-
Subtotal	<u>378,360</u>	<u>631,605</u>	<u>657,831</u>
Total	<u>\$ 3,869,540</u>	<u>2,408,410</u>	<u>3,306,284</u>

(13) Bonds sold under repurchase agreements

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Bonds sold under repurchase agreements	\$ 24,621,086	14,610,182	13,537,852
Agreed-upon repurchase amounts	\$ 24,636,826	14,621,088	13,543,223
Interest rates	0.44% ~ 5.00%	0.45% ~ 3.89%	0.24% ~ 0.85%

(14) Accounts payable

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Payable of securities sold by customers	\$ 45,108	51,767	78,858
Settlement price	581,471	-	459,230
Payable of settlements	4,748,116	5,303,861	5,840,435
Others	185,966	514,893	44,881
Total	\$ 5,560,661	5,870,521	6,423,404

(15) Long-term borrowings

As of September 30, 2015, December 31, 2014 and September 30, 2014, the Company's long-term borrowings were as follows:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Long-term borrowings	\$ -	500,000	-
Less: Long-term liabilities - current portion	-	(500,000)	-
Non-current portion of long-term debt	\$ -	-	-

Collateral		Real estate	
Interest rate range	- %	1.080%	-

Hua Nan Bank approved a three years long-term borrowing of \$4,000,000 to the Company. The credit line would not be diminished gradually, and would be assessed annually. The credit line bears a floating interest rate.

(16) Operating leases

The Group has no material incremental operating leases contracts for the nine months ended September 30, 2015 and 2014. Please refer to Note 6(17) of the consolidated financial statements as of and for the year ended December 31, 2014 for the related information.

(17) Employee benefit

A. Defined benefit plans

Subsequent to December 31, 2014, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, pension cost in the consolidated financial statements is measured and disclosed according to the respective actuarial report for the years ended December 31, 2014 and 2013.

For the three months and the nine months ended September 30, 2015 and 2014, the Group's pension costs recognized in profit or loss were \$4,728, \$4,808, \$13,929 and \$14,420, respectively.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

B. Defined contribution plan

The Group contributed \$21,043, \$21,854, \$64,344 and \$65,217 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the nine months ended September 30, 2015 and 2014, respectively.

C. For the three months and the nine months ended September 30, 2015 and 2014, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,085, \$605, \$3,149 and \$1,668, respectively.

D. Provision for employee benefits liabilities

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Compensated absences	<u>\$ 46,793</u>	<u>46,793</u>	<u>46,900</u>

(18) Income tax

Income tax expense is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by the management.

A. The detail of income tax expense of the Group for the three months and the nine months ended September 30, 2015 and 2014 were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current income tax expense (benefit)	\$ 2,107	(68,502)	31,793	(32,092)
Deferred income tax expense				
Unrealized gains (losses) on derivative financial instruments	(11,715)	77,551	9,446	27,894
Unrealized gains (losses) on foreign investments under Equity Method	(4,162)	2,901	(1,864)	1,807
Amortization of operation franchise	-	603	-	239
Amortization of goodwill	26,577	26,577	79,731	79,731
Decrease in tax losses carried forward	1,266	37,155	68,796	111,126
Adjustments of the prior year's deferred income tax assets and liabilities	28,702	-	20,583	(3,898)
	<u>40,668</u>	<u>144,787</u>	<u>176,692</u>	<u>216,899</u>
Income tax expenses	<u>\$ 42,775</u>	<u>76,285</u>	<u>208,485</u>	<u>184,807</u>

B. The amount of income tax expense or benefit recognized in other comprehensive income for the three months and the nine months ended September 30, 2015 and 2014 were as follows:

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	Foreign exchange difference from translating financial statements of foreign operations	<u>\$ 26,445</u>	<u>6,252</u>	<u>15,446</u>

C. As of September 30, 2015, net operating losses available for carried forward to offset against future taxable income were as follows:

Loss Year	Amount	Expiration Year
2011(Assessed)	<u>\$ 1,757,981</u>	2021

D. Income tax assessment status

- a. Except 2012, the Company's income tax returns through 2013 were assessed by the Tax Authority.
- b. Subsidiary - Capital Investment Management Corp.'s income tax returns through 2013 were assessed by the Tax Authority.
- c. Subsidiary - Capital Futures Corp.'s income tax returns through 2012 were assessed by the Tax Authority.
- d. Subsidiary - Taiwan International Securities Investment Consulting Corp.'s income tax returns for the liquidation date as of June 30, 2012 were assessed by the Tax Authority.
- e. Subsidiary - Taiwan International Futures Corp.'s income tax returns for the liquidation date as of September 18, 2008 were assessed by the Tax Authority.
- f. The income tax returns of the merged entity, Taiwan International Securities Corp., have been assessed by the Tax Authority through 2010.

E. The information about imputation system is as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Undistributed earnings after 1998	<u>\$ 974,104</u>	<u>2,089,222</u>	<u>1,632,574</u>
Imputation credit account	<u>\$ 3,009,535</u>	<u>3,427,193</u>	<u>3,344,074</u>

	2015 (Estimated)	2014 (Actual)
Deductible ratio for earnings distributed to ROC residents	<u>24.64%</u>	<u>23.24%</u>

The above imputation information was calculated according to the Ruling No. 10204562810 issued by the Ministry of Finance on October 17, 2013.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

F. Income tax administrative relief

Since income tax of securities trading and amortization of intangible assets withheld from year 2009 to 2011 and 2013 were assessed differently from those reported by the Company, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

(19) Capital and other equity

A. Capital stock

As of September 30, 2015, December 31, 2014 and September 30, 2014, the Company had authorized capital of \$30,000,000 and issued common stock of \$2,369,073 thousand shares with a par value of \$10 dollars per share.

B. Capital surplus

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

C. Retained earnings

a. Legal reserve

In accordance with Company Act amended in January 2012, 10 percent of the current year's earnings after tax should be set aside as legal reserve, until the cumulative balance equals to the total amount of paid-in capital. If the Company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders' meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

b. Special reserve

In accordance with Article 41 of the Securities and Exchange Law, 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 1010028514 issued by the Financial Supervisory Commission on June 29, 2012, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative deduction in stockholders' equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

c. Unappropriated earnings

According to the Company's Articles of Incorporation, after-tax earnings should first offset accumulated deficit, and then 10% and 20% of the remainder should be appropriated as legal reserve and special reserve, respectively. The shareholders' meeting may declare dividends after retaining a certain portion of earnings. The rest may be distributed in the ratio specified below:

(1) Remuneration to directors and supervisors: 1%~4%.

(2) Employee bonuses: 1%~3%.

(3) Dividends to stockholders: 93%~98%.

In accordance with the amended Company Act which was published in May 2015, employee bonuses and remuneration to directors and supervisors are no longer a part of the composition of appropriation and distribution of earnings. The Company will amend the articles of incorporation accordingly within the period prescribed by the authority.

The estimation of employee bonuses and remunerations to directors and supervisors was calculated based on the income after tax up to September 30, 2014 deducted by 10% legal reserve and 20% special reserve and multiplied by the distribution rates of employee bonuses and remunerations to directors and supervisors which are regulated in the Company's articles of incorporation. The Company estimated employee bonuses of \$32,793 and remunerations to directors and supervisors of \$43,723, respectively and was recognized in operating expense for the nine months ended September 30, 2014.

To continue its expansion and increase profitability, and maintain its capital adequacy ratio, the Company adopts the residual dividend policy. The amount of earnings to distribute after retaining earnings must be higher than 10% of the distributable balance. According to the budget plan, stock dividends are distributed to retain necessary funds first, and may then be paid as cash dividends subsequently. Cash dividends cannot be less than 10%.

According to the resolution of shareholders' meeting on June 22, 2015, the Company's 2014 earnings distribution for employee bonuses, remuneration to directors and supervisors and cash dividends were \$22,210, \$37,017 and \$1,421,444, respectively. Due to the above changes, the difference between employee bonuses of \$23,487 and remuneration to directors and supervisors of \$39,144 for 2014 financial statements was \$3,404 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2015.

According to the resolution of shareholders' meeting on June 18, 2014, the Company's 2013 earnings distribution for employee bonuses, remuneration to directors and supervisors and cash dividends were \$14,377, \$25,436 and \$1,066,083 respectively. Due to the above changes, the difference between employee bonuses of \$32,585 and remuneration to directors and supervisors of \$43,447 for 2013 financial

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

statements was \$36,219 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2014.

The resolution of the board of directors and stockholders about earnings distribution can be found on the Market Observation Post System.

d. Treasury stocks

Pursuant to Article 28-2 of the Securities and Exchange Act, the Company repurchased 4,438 thousand share to maintain the Company's credit and shareholders' equity for the nine months ended September 30, 2015. As of September 30, 2015, the 4,438 thousand shares were not retired.

Based on the Securities and Exchange Act of the ROC, the number of reacquired shares should not exceed 10% of a company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par and realized capital surplus. On September 21, 2015, the Company's board meeting resolved a share buyback plan, the calculation of maximum repurchase amount \$6,809,506 was determined by the latest audited financial statement (as of June 30, 2015), the maximum number of 236,907 thousand shares was 10% of total shares issued then. As of September 30, 2015, the maximum number of shares repurchased and held was 4,438 thousand shares and the repurchase amount was \$38,960, which fully complied with Securities and Exchange Act.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

(20) Earnings per share

The basic earnings per share and dilutive earnings per share for the three and nine months ended September 30, 2015 and 2014 were calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Net income (loss) attributable to ordinary shareholders of the Company	\$ (18,379)	461,641	906,996	1,549,840
Weighted-average number of common stock shares outstanding (thousands of shares)	2,368,950	2,369,073	2,369,031	2,369,073
Basic earnings (deficit) per share (dollar)	\$ (0.01)	0.19	0.38	0.65
Assumed conversion of all dilutive potential ordinary shares				
Employees' bonus (thousands of shares) (Note)	453	1,202	1,916	3,279
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	2,369,403	2,370,275	2,370,947	2,372,352
Dilutive earnings (deficit) per share (dollar)	(0.01)	0.19	0.38	0.65

Note: The shares were calculated based on the closing price at the reporting date.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(21) Items of comprehensive income statement

A. Brokerage commissions

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Brokerage commission from TSE market	\$ 360,156	474,984	1,094,515	1,387,525
Brokerage commission from OTC market	127,993	166,448	403,869	568,765
Handling fee from security financing	15,659	20,142	42,322	56,380
Futures commission income - brokerage	386,291	289,750	1,000,350	706,066
Overseas subsidiaries	23,771	24,362	75,582	54,978
Others	15,330	19,726	48,521	60,177
	\$ 929,200	995,412	2,665,159	2,833,891

B. Underwriting commissions

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Revenue from underwriting securities on a firm commitment basis	\$ 1,086	22,159	43,247	42,303
Handling fee revenues from underwriting securities on best-efforts basis	259	253	1,084	752
Processing fee revenues from underwriting operations	1,421	6,594	47,113	18,038
Revenue from underwriting consultation	2,491	2,930	7,086	9,477
Others	10,999	18,393	40,484	58,337
	\$ 16,256	50,329	139,014	128,907

C. Net gains or losses on sale of trading securities

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Revenue from securities sold - proprietary trading	\$ 78,319,828	119,341,944	269,846,190	309,355,503
Cost of securities sold - proprietary trading	(78,623,942)	(119,314,464)	(269,879,673)	(308,991,199)
Subtotal	(304,114)	27,480	(33,483)	364,304
Revenue from securities sold - underwriting	50,346	198,061	185,650	372,163
Cost of securities sold - underwriting	(48,188)	(167,927)	(173,806)	(321,992)
Subtotal	2,158	30,134	11,844	50,171
Revenue from securities sold - hedging	10,778,613	14,767,244	32,682,959	36,374,227
Cost of securities sold - hedging	(11,471,520)	(14,977,573)	(32,882,254)	(35,955,918)
Subtotal	(692,907)	(210,329)	(199,295)	418,309
Total	\$ (994,863)	(152,715)	(220,934)	832,784

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

D. Interest revenue

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Interest revenue - margin loans	\$ 217,683	301,180	804,108	865,126
Interest revenue - bonds	92,835	42,726	204,907	131,267
Overseas subsidiaries	15,787	17,828	43,551	40,424
Others	10,848	14,119	31,302	34,268
	<u>\$ 337,153</u>	<u>375,853</u>	<u>1,083,868</u>	<u>1,071,085</u>

E. Net gains (losses) on valuation of trading securities measured at fair value through profit or loss

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Trading securities - Proprietary	\$ 577	(139,077)	(30,306)	(124,073)
Trading securities - Underwriting	(2,857)	(7,946)	2,315	26,428
Trading securities - Hedging	(35,163)	(555,701)	(272,930)	(352,451)
Settlement coverage bonds payable of short sale	50	35	66	35
	<u>\$ (37,393)</u>	<u>(702,689)</u>	<u>(300,855)</u>	<u>(450,061)</u>

F. Net gains (losses) on stock warrants issued

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Gains on changes in fair value of stock warrants	\$ 7,986,555	5,161,531	22,126,685	8,218,809
Gains on exercise of stock warrants before maturity	4,419,431	3,692,446	7,037,059	13,864,102
Losses on changes in fair value of stock warrants repurchased	(12,024,215)	(8,140,177)	(28,494,928)	(21,597,315)
Gains on expiration of stock warrants	10,981	8,085	30,695	12,324
Stock warrants issuance expenses	(32,955)	(34,306)	(95,868)	(93,575)
	<u>\$ 359,797</u>	<u>687,579</u>	<u>603,643</u>	<u>404,345</u>

G. Employee benefits, depreciation and amortization expenses

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Employee benefit expenses				
Salary expense	\$ 526,055	557,785	1,607,695	1,714,445
Health and labor insurance expense	41,057	34,561	128,274	121,408
Pension expense	26,856	27,267	81,422	81,305
Others	17,291	26,454	49,519	58,735
Depreciation expense	47,253	44,168	135,952	137,111
Amortization expense	9,985	9,488	30,112	29,863
	<u>\$ 668,497</u>	<u>699,723</u>	<u>2,032,974</u>	<u>2,142,867</u>

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

H. Other operating expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Rental expense	\$ 48,922	52,424	147,473	157,505
Taxes	103,557	116,206	297,456	317,168
Information technology expense	49,043	46,350	144,550	130,377
Postage expense	35,828	29,492	104,444	90,130
Professional service fee	43,352	4,019	59,785	18,444
Other expenses	142,528	125,045	429,231	351,071
	<u>\$ 423,230</u>	<u>373,536</u>	<u>1,182,939</u>	<u>1,064,695</u>

I. Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Financial revenue	\$ 47,522	34,027	124,123	88,695
Exchange gains (losses)	8,034	30,254	(26,793)	(10,759)
Net gains (losses) on disposal of investment	4,388	(92,114)	158,574	(50,020)
Net gains (losses) on measurement of non-operating instruments at fair value through profit or loss	(30,299)	(68,590)	(21,255)	(126,683)
Revenue from bank's allocation fee	37,588	38,846	113,452	113,359
Net gains (losses) on disposal of property and equipment	-	(2)	-	2,999
Gains on reversal of prior year's liabilities	1,230	-	11,329	51,432
Dividend revenue	23,925	176,974	32,318	205,018
Others	18,922	15,976	68,823	51,729
	<u>\$ 111,310</u>	<u>135,371</u>	<u>460,571</u>	<u>325,770</u>

J. Remuneration to employees, directors and supervisors

For the nine months ended September 30, 2015, the estimated amounts of employee bonuses and remuneration to director and supervisor to be distributed were \$17,204 and \$28,673, respectively, which were calculated based on the Company's net profit before tax and the earnings allocation percentage as stated under the Company's articles of incorporation. It is recognized as operating expense for the nine months ended September 30, 2015. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(22) Financial instruments

A. Credit risk

a. Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of September 30, 2015, December 31, 2014 and September 30, 2014, the maximum credit exposure amounted to \$65,051,149, \$58,415,368 and \$58,708,495, respectively.

b. Impairment losses

The Group's ageing analysis of receivables at reporting date is as follows:

	September 30, 2015		December 31, 2014		September 30, 2014	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 19,130,296	3,429	26,478,290	65,924	27,669,545	63,177
Past due 0~30 days	76	76	117	117	115	115
Past due 31~120 days	1,775	1,775	209	209	2,752	2,752
Past due 121~360 days	1	1	113	113	336	336
Past due more than one year	15	15	688	688	669	669
	\$ 19,132,163	5,296	26,479,417	67,051	27,673,417	67,049

Allowance for doubtful debts under receivables is recorded for the debt expense or impairment losses. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of September 30, 2015, December 31, 2014 and September 30, 2014, the impairment losses of account receivables were recognized \$5,296, \$67,051 and \$67,049, respectively.

B. Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Company predicts the cash flow occurring point or the actual amount of this maturity analysis will not be significantly earlier or different.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
September 30, 2015							
Financial liabilities at fair value through profit or loss - current							
Bond purchased under resale agreements - short	\$ 599,392	599,392	599,392	-	-	-	-
Liabilities on sale of borrowed securities	2,087,915	2,087,915	2,087,915	-	-	-	-
Settlement coverage bonds payable of short sales	102,148	102,148	102,148	-	-	-	-
Stock warrants issued	701,725	701,725	648,245	53,480	-	-	-
Put options - futures	141,167	141,167	141,167	-	-	-	-
Equity derivatives	3	3	3	-	-	-	-
Value of swap contracts	8,083	8,083	331	(1,323)	5,004	4,071	-
Put options	213,834	213,834	44,794	30,099	96,830	42,111	-
Short-term borrowings	685,424	685,424	685,424	-	-	-	-
Bonds sold under repurchase agreements	24,621,086	24,636,826	24,636,826	-	-	-	-
Guarantee deposited for short sales	2,312,693	2,312,693	2,312,693	-	-	-	-
Proceeds payable from short sales	2,117,125	2,117,125	2,117,125	-	-	-	-
Securities lending refundable deposits	668,682	668,682	668,682	-	-	-	-
Futures traders' equity	15,074,418	15,074,418	15,074,418	-	-	-	-
Notes payable and accounts payable	187,010	187,010	187,010	-	-	-	-
Receipts under custody	125,268	125,268	125,268	-	-	-	-
Other payables	829,142	829,142	824,246	4,896	-	-	-
Structured notes	5,025,039	5,025,039	4,779,117	89,220	136,894	19,808	-
	\$ 55,500,154	55,515,894	55,034,804	176,372	238,728	65,990	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2014	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,043,849	1,043,849	1,043,849	-	-	-	-
Settlement coverage bonds payable of short sales	99,766	99,766	99,766	-	-	-	-
Stock warrants issued	633,190	633,190	560,487	72,703	-	-	-
Put options - futures	275,648	275,648	275,648	-	-	-	-
Value of swap contracts	4,422	4,422	(353)	396	639	3,740	-
Put options	348,450	348,450	38,817	54,326	192,673	62,634	-
Short-term borrowings	2,657,000	2,657,000	2,657,000	-	-	-	-
Commercial paper payable	1,749,717	1,750,000	1,750,000	-	-	-	-
Bonds sold under repurchase agreements	14,610,182	14,621,088	14,621,088	-	-	-	-
Guarantee deposited for short sales	2,231,990	2,231,990	2,231,990	-	-	-	-
Proceeds payable from short sales	2,593,973	2,593,973	2,593,973	-	-	-	-
Securities lending refundable deposits	2,254,764	2,254,764	2,254,764	-	-	-	-
Futures traders' equity	11,743,420	11,743,420	11,743,420	-	-	-	-
Notes payable and accounts payable	532,062	532,062	532,062	-	-	-	-
Receipts under custody	125,703	125,703	125,703	-	-	-	-
Other payables	827,935	827,935	824,756	3,179	-	-	-
Long term liabilities - current portion	500,000	500,000	500,000	-	-	-	-
Structured notes	2,256,615	2,256,615	2,030,527	113,523	95,377	17,188	-
	\$ 44,488,686	44,499,875	43,883,497	244,127	288,689	83,562	-

September 30, 2014	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 602,912	602,912	602,912	-	-	-	-
Settlement coverage bonds payable of short sale	1,345,365	1,345,365	1,345,365	-	-	-	-
Stock warrants issued	700,176	700,176	672,845	27,331	-	-	-
Put options - futures	327,257	327,257	327,257	-	-	-	-
Equity derivatives	94	94	94	-	-	-	-
Value of swap contracts	1,111	1,111	10	13	973	115	-
Put options	321,863	321,863	5,201	84,472	149,539	82,651	-
Short-term borrowings	3,488,794	3,488,794	3,488,794	-	-	-	-
Commercial paper payable	4,499,026	4,500,000	4,500,000	-	-	-	-
Bonds sold under repurchase agreements	13,537,852	13,543,223	13,543,223	-	-	-	-
Guarantee deposited for short sales	2,246,353	2,246,353	2,246,353	-	-	-	-
Proceeds payable from short sales	2,623,430	2,623,430	2,623,430	-	-	-	-
Securities lending refundable deposits	1,134,389	1,134,389	1,134,389	-	-	-	-
Futures traders' equity	10,903,130	10,903,130	10,903,130	-	-	-	-
Notes payable and accounts payable	1,127,717	1,127,717	1,127,717	-	-	-	-
Receipts under custody	1,859,883	1,859,883	1,859,883	-	-	-	-
Other payables	1,043,748	1,043,748	1,041,421	2,327	-	-	-
Structured notes	1,905,805	1,905,805	1,227,050	129,073	517,904	31,778	-
	\$ 47,668,905	47,675,250	46,649,074	243,216	668,416	114,544	-

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. Currency risk

a. Currency risk exposure

The Group's significant exposure to foreign currency risk of financial assets and liabilities is as follows:

		September 30, 2015		
		Foreign Currency	Exchange Rate	Amount
<u>Financial assets</u>				
<u>Monetary Item</u>				
	USD	\$ 200,150	32.87	6,578,937
	HKD	14,696	4.24	62,312
	EUR	1,767	36.92	65,242
	JPY	1,071,034	0.2739	293,356
	GBP	265	49.83	13,201
	AUD	1,684	23.03	38,790
	SGD	908	23.10	20,981
	CNY	131,003	5.176	678,069
	KRW	1,525,707	0.0280	42,720
	THB	1,303	0.9097	1,185
	MYR	154	7.1605	1,102
	CHF	45	33.71	1,513
<u>Non-Monetary Item</u>				
	USD	164,047	32.87	5,392,240
	HKD	42,420	4.24	179,862
	CNY	288,714	5.176	1,494,383
	AUD	42,842	23.03	986,657
<u>Financial liabilities</u>				
<u>Monetary Item</u>				
	USD	\$ 360,507	32.87	11,849,871
	HKD	73,283	4.24	310,719
	EUR	1,405	36.92	51,886
	JPY	1,066,470	0.2739	292,107
	GBP	262	49.83	13,064
	AUD	30,228	23.03	696,161
	SGD	560	23.10	12,935
	KRW	1,307,045	0.0280	36,597
	THB	899	0.9097	817
	MYR	90	7.1605	644
	CNY	123,584	5.176	639,672
	CHF	45	33.71	1,509

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

				December 31, 2014		
				Foreign Currency	Exchange Rate	Amount
<u>Financial assets</u>						
<u>Monetary Item</u>						
	USD	\$	132,108	31.65		4,181,228
	HKD		110,316	4.08		450,090
	EUR		1,689	38.47		64,988
	JPY		212,151	0.2646		56,135
	GBP		514	49.27		25,333
	AUD		122	25.91		3,154
	SGD		330	23.94		7,890
	KRW		716,514	0.0290		20,779
	CNY		91,417	5.092		465,496
	CAD		6	27.27		177
	CHF		1	31.98		16
	ZAR		7	2.74		19
	THB		74	0.97		72
<u>Non-Monetary Item</u>						
	USD	\$	11,729	31.65		371,209
	HKD		73,465	4.08		299,737
	CNY		338,838	5.092		1,725,362
<u>Financial liabilities</u>						
<u>Monetary Item</u>						
	USD	\$	203,653	31.65		6,445,624
	HKD		89,121	4.08		363,615
	EUR		1,551	38.47		59,654
	JPY		207,167	0.2646		54,816
	GBP		506	49.27		24,931
	AUD		98	25.91		2,546
	KRW		666,162	0.0290		19,319
	SGD		(48)	23.94		(1,148)
	CNY		188,071	5.092		957,656
				September 30, 2014		
				Foreign Currency	Exchange Rate	Amount
<u>Financial assets</u>						
<u>Monetary Item</u>						
	USD	\$	117,848	30.42		3,584,936
	HKD		149,309	3.92		585,291
	EUR		4,889	38.59		188,667
	JPY		268,370	0.2780		74,607
	GBP		495	49.50		24,503
	AUD		94	26.61		2,501
	SGD		343	23.90		8,198
	CNY		126,098	4.934		622,168
	KRW		18,637	0.0291		542
	CHF		1	31.97		32
	CAD		6	27.29		164

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

		September 30, 2014		
		Foreign Currency	Exchange Rate	Amount
<u>Financial assets</u>				
<u>Non-Monetary Item</u>				
USD	\$	12,224	30.42	371,854
HKD		93,247	3.92	365,528
CNY		128,740	4.934	635,203
 <u>Financial liabilities</u>				
<u>Monetary Item</u>				
USD	\$	153,774	30.42	4,677,805
HKD		128,964	3.92	505,539
EUR		4,696	38.59	181,219
JPY		263,471	0.2780	73,245
GBP		480	49.50	23,760
SGD		(30)	23.90	(717)
AUD		86	26.61	2,288

Because there are a variety of functional currencies, the Group discloses a summary of its information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$26,793 and \$10,759 for the nine months ended September 30, 2015 and 2014, respectively.

b. Sensitivity analysis

The Group's exposure to foreign currency risk arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets measured at fair value through profit or loss, customers margin accounts, futures traders' equity and securities lending refundable deposits, which are denominated in different foreign currencies. Foreign exchange gain or loss occurs when translating the foreign currency assets to NTD assets. For the nine months ended September 30, 2015 and 2014, given other factors remain constant, if NTD increase or decrease 5% contrary to other currencies, the income after tax will increase or decrease by \$164,356 and \$41,542, and the other comprehensive income will increase or decrease by \$245,056 and \$0, respectively.

D. Sensitivity analysis of interest rate risk

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For floating rate instruments, the sensitivity analysis assumes the liabilities are outstanding for the whole year at the reporting date. The Group's internal reports to key management level showed the increases or decreases in the interest rates and the exposure to changes in interest rates on 20 basis points so as to allow key management to evaluate the reasonableness of the changes in the interest rates.

If the interest rate increases or decreases 0.2% (20 basis points) with all other variable factors remain constant, the Group's net income will increase or decrease by \$2,703 and \$2,129, and the other comprehensive income will increase or decrease by \$2,008 and \$0 for the nine months ended September 30, 2015 and 2014, this is mainly due to the Group's borrowing, investment, and saving in floating rates

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

E. Fair value and hierarchy information

a. Fair value information

(1) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Initially, financial instruments should be measured at fair value, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are subsequently measured at fair value. A quoted market in an active market provides the most reliable evidence of fair value. If the market is not active, the Group determines the fair value of financial instruments in accordance with (a) the calculation of valuation techniques, (b) valuation provided by the professional electronic information company and commonly used by market participants, or (c) quoted prices of the counter party.

(2) Definition of fair value hierarchy

A) Level 1

The input of Level 1 is the public quote of the same financial instrument in an active market. An active market is a market that meets all the conditions listed below: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. Taiwan government bonds, equity instruments, debt instruments and derivative instruments with public quote in an active market possessed by the Group belong to Level 1.

B) Level 2

The input of Level 2 refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price). The bond instruments without public quotes in an active market and most of the derivative financial instruments of the Group belong to Level 2.

C) Level 3

Level 3 means input in this level are based neither on direct market data nor from the counter party.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. Not based on fair value measurement

As of September 30, 2015, December 31, 2014 and September 30, 2014, the fair value information of the financial assets and financial liabilities of the Group was as follows:

(1) Fair value information

	September 30, 2015		December 31, 2014		September 30, 2014	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets :						
Cash and cash equivalents	\$ 8,130,979	8,130,979	4,227,583	4,227,583	3,692,345	3,692,345
Bonds purchased under resale agreements	649,354	649,354	-	-	489,820	489,820
Accrued receivable	22,929,519	22,929,519	27,735,151	27,735,151	28,417,927	28,417,927
Customer margin account	15,137,031	15,137,031	11,844,443	11,844,443	11,041,122	11,041,122
Pledged assets - current	497,378	497,378	471,000	471,000	477,049	477,049
Financial assets measured at cost - non-current	411,231	411,231	419,981	419,981	419,981	419,981
Investments under equity method	103,520	103,520	103,266	103,266	88,600	88,600
Other assets - non-current	2,032,233	2,032,233	2,091,837	2,091,837	2,184,822	2,184,822
Financial liabilities :						
Short-term borrowings	\$ 685,424	685,424	2,657,000	2,657,000	3,488,794	3,488,794
Commercial paper payable	-	-	1,749,717	1,749,717	4,499,026	4,499,026
Bonds sold under repurchase agreements	24,621,086	24,621,086	14,610,182	14,610,182	13,537,852	13,537,852
Accrued payable	11,607,844	11,607,844	13,978,460	13,978,460	13,648,056	13,648,056
Futures traders' equity	15,074,418	15,074,418	11,743,420	11,743,420	10,903,130	10,903,130
Other financial liabilities - current	4,853,064	4,853,064	2,140,965	2,140,965	1,355,049	1,355,049
Long-term liabilities - current portion	-	-	500,000	500,000	-	-
Other financial liabilities - non-current	156,702	156,702	112,565	112,565	543,250	543,250
Other liabilities - non-current	362,770	362,770	360,022	360,022	360,611	360,611

(2) Hierarchy information of fair value

	September 30, 2015			
	Total	Level 1	Level 2	Level 3
Investment property	\$ 3,066,122	-	-	3,066,122

(3) Valuation techniques used in estimating the fair values of financial instruments

- A) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. The method is applied to cash and cash equivalents, bonds purchased under resale agreements, accrued receivable, customer margin account, other current assets, other assets - non-current, short term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, other financial liabilities - current, other financial liabilities - non-current, and other liabilities - non-current.
- B) Financial assets measured at cost and equity investments in unlisted stocks do not have the quoted market prices in an active market and the variability in the range of reasonable fair values is significant or the probabilities of the various estimates within the range cannot be reasonably assessed, so the fair value is unable to be reliably measured. Therefore, the Group considers the

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

book value as a reasonable approximation of fair value.

C) The investment properties were evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

c. Based on fair value measurement

(1) Hierarchy information of fair value

The Group's financial instruments measured at fair value are evaluated on a recurring basis. The financial assets and liabilities measured at fair value as of September 30, 2015, December 31, 2014 and September 30, 2014 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2015				
Financial assets at fair value through profit or loss	\$ 7,838,038	18,655,734	-	26,493,772
Financial assets available for sale	265,946	5,904,899	-	6,170,845
Derivative financial assets	442,626	50,535	-	493,161
	\$ 8,546,610	24,611,168	-	33,157,778
Financial liabilities at fair value through profit or loss	\$ 3,491,180	-	-	3,491,180
Derivative financial liabilities	141,167	237,193	-	378,360
	\$ 3,632,347	237,193	-	3,869,540
December 31, 2014				
Financial assets at fair value through profit or loss	\$ 10,719,554	14,010,574	-	24,730,128
Financial assets available for sale	85,587	-	-	85,587
Derivative financial assets	453,059	81,227	-	534,286
	\$ 11,258,200	14,091,801	-	25,350,001
Financial liabilities at fair value through profit or loss	\$ 1,776,805	-	-	1,776,805
Derivative financial liabilities	275,648	355,957	-	631,605
	\$ 2,052,453	355,957	-	2,408,410
September 30, 2014				
Financial assets at fair value through profit or loss	\$ 10,778,059	14,553,153	-	25,331,212
Financial assets available for sale	74,198	-	-	74,198
Derivative financial assets	624,618	62,259	-	686,877
	\$ 11,476,875	14,615,412	-	26,092,287
Financial liabilities at fair value through profit or loss	\$ 2,648,453	-	-	2,648,453
Derivative financial liabilities	327,257	330,574	-	657,831
	\$ 2,975,710	330,574	-	3,306,284

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Valuation techniques

A) Non-derivative financial instruments

Financial instruments are initially recognized at fair value. For active markets, fair value is measured according to quoted prices. Publicly listed and over-the-counter traded equity instruments of primary stock exchanges along with central government bonds that are popular securities all regard active market quotes as the basis of fair value.

When quotes of financial instruments are obtained from the Stock Exchange, Reuters, Bloomberg, dealers or competent authorities and the prices represent arm's length transactions with sufficient frequency, the financial instruments are regarded as active market quotes. If the aforementioned requirements are not met, then the financial instruments are regarded as quotes without an active market. Large bid-ask spreads or low trade volumes are features of quotes without an active market.

Excluding the above-mentioned financial instruments with active market quotes, the fair value of the remaining financial instruments are obtained by financial valuation models or referencing counterparty quotes. Fair value obtained through the calculations of financial valuation models include, but are not limited to, fair value references of substantive factors and characteristics from similar financial instruments, those obtained from the cash flow discounting method or those obtained by other financial valuation techniques. Fair values obtained through financial valuation techniques are derived from market information on the balance sheet date, and utilizes the fair values derived from the calculations of financial valuation models (for example referencing the yield curve from the Taipei Exchange, Reuters' average commercial paper interest et cetera).

B) Derivative financial instruments

The fair value of derivative financial instruments is determined by using valuation model. Option instruments are determined by using Black-Scholes Model and non-option derivative financial instruments are determined by using discounted cash flow method. The market inputs for the valuation are derived from stock exchange market and independent financial information service institution, such as Stock Exchange, Futures Exchange, Reuters and Bloomberg. Closing price, settlement price, and the average rate of ask and bid price during certain specific time are adopted.

d. Transfer between Level 1 and Level 2

There is no significant transfer between Level 1 and Level 2 for the nine months ended September 30, 2015 and 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

e. Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the Group. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. The valuation models and adjustment parameters were verified to ensure valuation procedures and results are in accordance with the requirements, so the valuation adjustments are pertinent and appropriate. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

F. Transfer of financial assets

The transferred financial assets of the Group that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchased agreements or equity securities under securities lending agreement. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Group cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Group still bears the interest rate risk and credit risk, so transferred financial assets are not fully derecognized. Financial assets that do not meet criteria for de-recognition and related financial liabilities are as below:

September 30, 2015					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 24,817,358	24,621,086	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Company; hence according to IFRS 7 pg.42 D(d), disclosure of the fair values of transferred assets and their relevant liabilities and fair value net position is not mandatory.

G. Offsetting financial assets and financial liabilities

The Group did not hold any financial instruments contracts which meet Section 42 of the FSC endorsed by IAS 32 therefore, the financial assets and financial liabilities will be offset on the balance sheet.

The Group has transactions, such as repurchase and resell agreements, that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party defaults, the other party can choose to use net settlement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The offsetting of financial assets and liabilities information is as below:

September 30, 2015						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount	
			Financial instruments	Cash received as collaterals		
(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)	
Derivative financial assets	\$ 50,535	-	50,535	-	-	50,535

September 30, 2015						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount	
			Financial instruments	Cash received as collaterals		
(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)	
Derivative financial liabilities	\$ 237,193	-	237,193	-	-	237,193
Under repurchase agreements	24,621,086	-	24,621,086	24,621,086	-	-
Total	<u>\$ 24,858,279</u>	<u>-</u>	<u>24,858,279</u>	<u>24,621,086</u>	<u>-</u>	<u>237,193</u>

December 31, 2014						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount	
			Financial instruments	Cash received as collaterals		
(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)	
Derivative financial assets	\$ 81,277	-	81,277	-	-	81,277

December 31, 2014						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount	
			Financial instruments	Cash received as collaterals		
(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)	
Derivative financial liabilities	\$ 355,957	-	355,957	-	-	355,957
Under repurchase agreements	14,610,182	-	14,610,182	14,610,182	-	-
Total	<u>\$ 14,966,139</u>	<u>-</u>	<u>14,966,139</u>	<u>14,610,182</u>	<u>-</u>	<u>355,957</u>

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September 30, 2014						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		
				Financial instruments	Cash received as collaterals	Net amount
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial assets	\$ 62,259	-	62,259	-	-	62,259
Total	<u>\$ 62,259</u>	<u>-</u>	<u>62,259</u>	<u>-</u>	<u>-</u>	<u>62,259</u>

September 30, 2014						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		
				Financial instruments	Cash received as collaterals	Net amount
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial liabilities	\$ 330,574	-	330,574	-	-	330,574
Under repurchase agreements	13,537,852	-	13,537,852	13,537,852	-	-
Total	<u>\$ 13,868,426</u>	<u>-</u>	<u>13,868,426</u>	<u>13,537,852</u>	<u>-</u>	<u>330,574</u>

Note : Including netting settlement agreement and non-cash financial collaterals.

(23) Financial risk management

There is no material change in object and policy of financial risk management in comparison to Note 6(24) of the consolidated financial statements as of and for the year ended December 31, 2014.

As of September 30, 2015, December 31, 2014 and September 30, 2014, the related financial risk and the presentation of the Group's financial derivatives were as follows:

Stock warrants

A. Notional principal (nominal amount) and credit risk

Financial Instruments	September 30, 2015		December 31, 2014		September 30, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Stock warrants issued	\$ 24,920,285	-	33,477,191	-	41,313,589	-

The Group collects premium from investors prior to issuing stock warrants, and therefore, does not assume any credit risk.

B. Market risk

Market risk of stock warrants issued arises from changes in prices of the underlying securities. Market risk can be hedged by adjusting the positions of stock warrants.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- C. Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand.

The Group establishes hedging positions by collecting margins or premium prior to the issue of stock warrants, which are based on the underlying securities. Therefore there is no significant funding demand. Furthermore, since the underlying security are restricted by certain market prices and diversification requirements, the risk of being unable to sell securities at reasonable prices is rather low; likewise for liquidity risk as well. The only risk is capital demands resulting from hedged positions adjusted for changes in securities prices. However, under the assumption of good market liquidity, cash flow risk is assessed to be low.

The duration of stock warrants issued is three months to two years from the issue date. Except for cash flows from hedging transactions, there is no additional cash demand.

- D. Type, purpose, and strategy of financial derivatives held

The Group's strategy is to avoid most of the market risk. Marketable securities hedging positions and futures position held for non-trading purpose are used to hedge against risk from investors' exercising of stock warrants. These underlying securities used as hedging instruments exhibit highly positive correlation with the fair values of stock warrants issued, and positions held are evaluated and adjusted periodically.

- E. Presentation of financial derivatives

Relevant transaction pertaining to issuance of stock warrants, its presentation and valuation, and gains or losses on sale and expiration and settlement prior to maturity date, were reflected as follows:

- a. For the three months and nine months ended September 30, 2015

- (1) Gains (losses) on valuation

	For the three months ended September 30, 2015	For the nine months ended September 30, 2015	Account
Stock warrants issued	\$ 2,781,849	11,642,616	Gains (losses) on stock warrants issued
Stock warrants repurchased	(2,529,908)	(11,281,992)	Gains (losses) on stock warrants issued

- (2) Gains (losses) on sale

	For the three months ended September 30, 2015	For the nine months ended September 30, 2015	Account
Security borrowing	\$ 80,078	(24,203)	Gains (losses) on covering of borrowed securities and bonds with resale
Trading securities - hedging	(692,434)	(367,819)	Gains (losses) on sale of trading
Futures	132,785	2,284	Gains (losses) on derivative financial instruments - futures

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(3) Gains (losses) on maturity

	For the three months ended September 30, 2015	For the nine months ended September 30, 2015	Account
Stock warrants issued	\$ 9,635,118	17,551,823	Gains (losses) on stock warrants issued
Stock warrants repurchased	(9,494,307)	(17,212,936)	Gains (losses) on stock warrants issued

b. For the three months and nine months ended September 30, 2014

(1) Gains (losses) on valuation

	For the three months ended September 30, 2014	For the nine months ended September 30, 2014	Account
Stock warrants issued	\$ 1,614,372	6,742,376	Gains (losses) on stock warrants issued
Stock warrants repurchased	(923,492)	(6,318,324)	Gains (losses) on stock warrants issued

(2) Gains (losses) on sale

	For the three months ended September 30, 2014	For the nine months ended September 30, 2014	Account
Security borrowing	\$ 9,257	(53,368)	Gains (losses) on covering of borrowed securities and bonds with resale
Trading securities - hedging	(238,245)	196,615	Gains (losses) on sale of trading
Futures	(33,034)	(141,194)	Gains (losses) on derivative financial instruments - futures

(3) Gains (losses) on maturity

	For the three months ended September 30, 2014	For the nine months ended September 30, 2014	Account
Stock warrants issued	\$ 7,247,690	15,352,859	Gains (losses) on stock warrants issued
Stock warrants repurchased	(7,216,685)	(15,278,991)	Gains (losses) on stock warrants issued

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Futures

A. Notional principal (nominal amount) and credit risk

Financial Instruments	September 30, 2015		December 31, 2014		September 30, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Taiex Futures	983,292	-	1,869,019	-	2,429,856	-
HSI Future	-	-	14,383	-	-	-
Mini-Taix Futures	42,093	-	168,381	-	16,421	-
Electronic Sector Index Futures	70,479	-	14,672	-	51,284	-
Finance Sector Index Futures	5,051	-	54,853	-	3,333	-
Non-Finance Non-Electronics Sub-Index Futures	4,061	-	42,206	-	6,770	-
Stock Futures	191,131	-	37,077	-	53,097	-
Mini DJ index Futures	-	-	16,945	-	-	-
Wheat Futures	-	-	4,004	-	-	-
Soy bean Futures	4,361	-	6,604	-	-	-
H stock Index Futures	-	-	-	-	-	-
LME Copper Futures	-	-	4,516	-	-	-
Crude oil Futures	-	-	5,097	-	-	-
Gold Futures	25,420	-	15,036	-	-	-
A50 Index Futures	10,511	-	16,106	-	24,945	-
S&P Futures	217,849	-	143,280	-	174,415	-
JPY dollar Futures	-	-	3,318	-	-	-
AUD dollar Futures	-	-	5,153	-	-	-
Natural gas Futures	-	-	1,931	-	-	-
Platinum Futures	4,648	-	-	-	-	-
CHF dollars Futures	-	-	4,039	-	-	-
Sugar No.11 Futures	1,782	-	1,044	-	-	-
Cocoa bean Futures	2,105	-	-	-	-	-
Coffee Futures	1,501	-	-	-	-	-
Unleaded gasoline Futures	1,899	-	-	-	-	-
U.S. 2-Year T-Note Futures	71,723	-	-	-	-	-
U.S. 5-Year T-Note Futures	196,714	-	-	-	-	-
U.S. 10-Year T-Note Futures	21,134	-	-	-	-	-
U.S. 30-Year T-Note Futures	51,637	-	-	-	-	-
Taix Options	123,308	-	174,945	-	234,755	-
Stock Options	2,973	-	302,876	-	308,707	-
Taix Weekly Options	7,233	-	6,182	-	15,597	-
Electronic Sector Index Options	7,813	-	1,936	-	6,580	-
Finance Sector Index Options	4,268	-	2,659	-	6,246	-
S&P Sector Index Options	4,769	-	18,737	-	13,364	-
Gold Options	1,289	-	295	-	561	-
For non-trading purpose:						
Stock Futures	511,520	-	900,101	-	985,880	-
Taix Futures	155,938	-	194,735	-	434,027	-
Taix Options	17,928	-	2,062	-	2,430	-
Taix Weekly Options	-	-	-	-	3	-
Stock Options	1,943	-	19	-	4,669	-

Should counterparties to futures and options default, the associated losses is borne by the futures commission merchants. Hence, the Group is subject to insignificant credit risk.

B. Market risk

Market risk of trading futures and options resulted from the transaction and sale of futures and options. Since the fair values of futures and options are available, and stop-

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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loss points are established in order to manage risk, the Group can confine losses to a predictable range. Therefore, there is no significant market risk.

For non-trading futures or options contracts, gains or losses from the fluctuations of index tends to offset gains and losses of the hedged items. Hence, there is no significant market risk.

C. Liquidity risk, cash flow risk, and the amount, period and uncertainty of future cash demand

The open positions of futures and options held by the Group can be settled on the market at reasonable prices, and as such there is no liquidity risk.

Futures are considered as margin transactions. Margins are collected in advance and valued daily on open futures positions established by the Group. For margin calls, the Group has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, cash flow risk, or significant cash demand.

For options, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Group has sufficient operating funds to meet the liquidity requirement. Therefore, there is no liquidity risk, no cash flow risk, and no significant cash demand.

D. Presentation of financial derivatives

For the three months and the nine months ended September 30, 2015 and 2014, gains on futures and options transactions amounted to \$282,055, \$110,958, \$104,580 and \$20,860, respectively, and were reflected as gains or losses on derivative financial instruments - futures. As of September 30, 2015, December 31, 2014 and September 30, 2014, futures margin - proprietary fund amounted to \$386,240, \$189,165 and \$265,860, respectively, and were reflected as financial assets at fair value through profit or loss - current.

As of September 30, 2015, December 31, 2014 and September 30, 2014, the balance of call options which recognized as financial assets at fair value through profit or loss - current amounted to \$56,386, \$263,894 and \$358,758, respectively, put options which recognized as financial liabilities at fair value through profit or loss - current amounted to \$141,167, \$275,648 and \$327,257, respectively.

Derivative financial instruments - OTC

A. Interest rate financial derivatives

a. Notional principal (nominal amount) and credit risk

Financial Instruments	September 30, 2015		December 31, 2014		September 30, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
NT dollar interest swaps	\$ 56,900,000	-	53,440,000	-	53,240,000	-

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Counterparties to interest rate swaps are banks with good credit ratings. The Group pays fixed and collects floating interest payments. Since the trend of interest rate is stabilized, no default is expected and credit risk is accordingly remote.

b. Market risk

Non-trading NT dollar interest rate swaps are primarily held for hedging. Gains or losses from the fluctuations of interest rate tend to offset gains and losses of the hedged items, and therefore market risk is insignificant.

In order to manage risk, Stop-loss points are established in accordance to the changes in the contract value of trading NT dollar interest rate. Loss is kept within prediction, and therefore there is no significant market risk.

c. Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

The Group's non-trading NT dollar interest rate swaps are used to hedge against interest rate fluctuations of claims and obligations. On the settlement date, interest receivables or payables are derived from multiplying the notional principals by interest rate differences, and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand.

For trading NT dollar interest rate swaps, the interest receivables or payables are derived through multiplying of its notional principals by interest rate differences on the settlement dates; and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand associated.

d. Type, purpose, and strategy of financial derivatives held

The Group entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Group's strategy is to avoid most of the market risk. Financial derivatives exhibiting highly negative correlation with the fair value of hedged items are used as hedging instruments and evaluated periodically.

The Group engages in trading NT dollar interest rate swaps to gains from the differences in interest rates upon evaluation of the trending of interest rates.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

B. Structured notes

a. Notional principal (nominal amount) and credit risk

Financial Instruments	September 30, 2015		December 31, 2014		September 30, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Equity-linked notes	\$ 28,215	-	16,000	-	104,600	-
Principal guaranteed notes	4,694,540	-	1,932,968	-	1,492,637	-
Credit-linked notes	295,600	-	304,800	-	304,900	-

The Group collects premium from investors prior to conducting structured note transactions, and therefore, does not assume any credit risk.

b. Market risk

For structured notes, the respective products are exercised at their fair value and the hedged items all have fair values. Therefore, there is no significant market risk of structured notes.

c. Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

The Group collects premium from investors prior to transacting in structured notes, therefore there is no significant liquidity risk.

C. Convertible bond asset-backed swaps

a. Notional principal (nominal amount) and credit risk

Financial Instruments	September 30, 2015		December 31, 2014		September 30, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset- backed swaps	\$ 1,276,200	-	1,038,100	-	1,181,600	-
Convertible bond options	3,082,800	-	2,857,500	-	2,665,600	-

Counterparties to convertible bond asset-backed swaps are institutions with good credit ratings. The Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Since the counterparties are governed by relevant regulatory authorities, and the Company maintains good credit risk control over counterparties, the credit risks is minimal.

For convertible bond options, the Group collects premium or margins from investor prior to issuing convertible bond options, and therefore, there is no credit risk.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. Market risk

For convertible bond asset-backed swaps, the Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Therefore, there is no market risk.

For convertible bond options, since the exercise price of the convertible bonds acquired through underwriting or proprietary trading is determined on the contract date, there is no market risk.

c. Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Group also receives the right to call the convertible bond prior to the expiration of the contract. Therefore, there is no significant liquidity risk or significant cash demand.

The underlying assets of Convertible bond option transaction in which the Group engages in were acquired through underwriting or proprietary trading. Prior to issuing convertible bond options, the Group has collected premium or margins from investors; therefore there is no significant liquidity risk.

D. Options

The underlying assets of Convertible bond option transaction in which the Group engages in were acquired through underwriting or proprietary trading. Prior to issuing convertible bond options, the Group has collected premium or margins from investors; therefore there is no significant liquidity risk.

E. Presentation of derivative financial instruments – OTC

As of September 30, 2015, December 31, 2014 and September 30, 2014, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps were presented on the balance sheets as follows:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 23,063	25,952	26,042
Interest rate swaps	-	-	4,117
Currency swaps	7,494	45,318	15,761
Asset swap options - long position	19,759	9,881	12,895
Structured notes	219	76	3,444
Total	<u>\$ 50,535</u>	<u>81,227</u>	<u>62,259</u>

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Financial liabilities at fair value through profit or loss - current			
Asset swap options - short position	\$ 213,834	348,450	321,863
IRS asset swaps	6,032	249	1,101
Equity derivatives	3	-	94
Structured notes	15,273	3,085	7,506
Currency swaps	465	503	10
Interest rate swaps	1,586	3,670	-
Total	<u>\$ 237,193</u>	<u>355,957</u>	<u>330,574</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 4,853,064</u>	<u>2,140,965</u>	<u>1,355,049</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 156,702</u>	<u>112,565</u>	<u>543,250</u>

For the three months and the nine months ended September 30, 2015 and 2014, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps were presented on statements of income as follows:

	<u>For the three months ended September 30, 2015</u>		<u>For the nine months ended September 30, 2015</u>	
	<u>Gains (losses) on derivative financial instrumnets - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative financial instrumnets - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ (444)	832	(697)	(1,586)
Equity derivatives	14	14	126	14
Structured notes	(11,837)	(135)	(34,704)	(6,784)
IRS asset swaps	108	26	383	453
Asset swap options	58,758	54,031	39,320	143,550
Currency swaps	38,132	5,210	32,010	7,029
Total	<u>\$ 84,731</u>	<u>59,978</u>	<u>36,438</u>	<u>142,676</u>

	<u>For the three months ended September 30, 2014</u>		<u>For the nine months ended September 30, 2014</u>	
	<u>Gains (losses) on derivative financial instrumnets - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative financial instrumnets - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 4,381	4,863	1,232	4,117
Equity derivatives	(17)	(72)	1,348	(72)
Structured notes	(4,840)	115	(17,187)	(1,450)
IRS asset swaps	692	122	624	165
Asset swap options	56,914	74,197	(101,525)	(27,568)
Currency swaps	17,153	-	24,141	-
Total	<u>\$ 74,283</u>	<u>79,225</u>	<u>(91,367)</u>	<u>(24,808)</u>

(24) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base includes shares capital, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to make sure the company has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

As of September 30, 2015, the Company maintains no change of its capital management.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. RELATED PARTY TRANSACTIONS

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(2) Key management personnel transactions

A. Key management personnel compensation:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Short-term employee benefits	\$ 43,234	48,325	137,151	147,424
Post-employment benefits	439	431	1,340	1,405
Share-based payments	-	-	-	2,773
Termination benefits	-	-	1,056	-
Total	<u>\$ 43,673</u>	<u>48,756</u>	<u>139,547</u>	<u>151,602</u>

B. Bond transactions- bonds sold under repurchase agreements

Bonds sold under repurchase agreements between key management personnel of September 30, 2015, December 31, 2014 and September 30, 2014 were as follows:

	<u>September 30, 2015</u>		<u>December 31, 2014</u>		<u>September 30, 2014</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Key management personnel	<u>\$ 58,500</u>	<u>58,645</u>	<u>56,400</u>	<u>60,914</u>	<u>58,200</u>	<u>60,809</u>

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Total financial expenses	<u>\$ 108</u>	<u>101</u>	<u>314</u>	<u>333</u>

C. Structured notes transactions

As of September 30, 2015, December 31, 2014 and September 30, 2014, the balances of structured notes transactions with key management personnel were \$22,700, \$22,200 and \$69,600, respectively.

(3) Significant transactions with related parties

A. Bond transactions- bonds sold under repurchase agreements

Bonds sold under repurchase agreements between subsidiaries and affiliates of September 30, 2015, December 31, 2014 and September 30, 2014 were as follows:

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	September 30, 2015		December 31, 2014		September 30, 2014	
	Purchase		Purchase		Purchase	
	Par value	price	Par value	price	Par value	price
Subsidiaries	\$ 13,500	13,519	12,500	13,089	7,500	8,077
Affiliates	13,600	13,740	11,000	11,300	11,100	11,503
Total	\$ 27,100	27,259	23,500	24,389	18,600	19,580

Total financial expenses	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	Subsidiaries	\$ 51	32	130
Affiliates	14	13	41	118
Total	\$ 65	45	171	207

Transaction terms are the same as those with general clients.

B. Lease agreements

a. Lease revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	Subsidiaries	\$ 259	259	777

b. Guarantee deposits received

	September 30, 2015	December 31, 2014	September 30, 2014
Subsidiaries	\$ 200	200	200

C. Insurance commission income

The Group assists subsidiaries to recruit insurance contracts and charge commission income. The details are as follows:

a. Commission revenues

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	Subsidiaries	\$ 3,128	2,857	7,310

b. Accounts receivable

	September 30, 2015	December 31, 2014	September 30, 2014
Subsidiaries	\$ 734	311	913

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

D. Brokerage commissions

The investors of CSC Securities (HK) Ltd. traded of market securities with the Company through the trust account named “Capital Securities Nominee Limited” For the three months and the nine months ended September 30, 2015 and 2014, the brokerage commissions were \$1,499, \$2,940, \$5,137 and \$5,556, respectively.

E. The Company issued Letter of Comfort to the banks which loaned to subsidiaries.

8. PLEDGED ASSETS

The following assets were pledged as collateral or restricted in use on September 30, 2015, December 31, 2014 and September 30, 2014:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>	<u>The collateral use</u>
Restricted assets - current	\$ 497,378	471,000	477,049	Bank borrowings, commercial paper, accounts settled, money trust (Annotation 1) and guaranty deposited for business operations (Annotation 2)
Restricted assets - non - current	177,580	184,508	184,126	Trust to a impartial third party (Note 12(4)) and the amount of provisional seizure (Note 9(12))
Trading securities and bonds purchased under resale agreements (par value)	25,716,161	13,462,900	13,456,100	Repurchase agreement
Property and equipment	4,081,083	4,178,183	4,185,980	Bank borrowings
Financial assets at fair value through profit or loss - non-current	189,778	189,262	207,783	Guaranty deposited for bills, interest rate swaps business, structured notes business and settlement fund
Investment property	892,410	825,570	827,860	Bank borrowings
Total	<u>\$ 31,554,390</u>	<u>19,311,423</u>	<u>19,338,898</u>	

Annotation 1 : Money trust received from the client by the subsidiary TIS Securities (HK) limited

Annotation 2 : According to the request of Financial Supervisory Commission No. 09600744341, the guaranty deposit for business operations which Taiwan International Futures Corp. deposited can't be transferred to the its own working capital temporarily for protecting creditors.

9. SIGNIFICANT CONTINGENT LIABILITY AND UNRECOGNIZED CONTRACT COMMITMENT

(1) Information of handling margin purchase and short sale lending operations in securities trading are as follows:

	<u>September 30, 2015</u>		<u>December 31, 2014</u>		<u>September 30, 2014</u>	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	771,541	\$ 7,715,407	1,058,730	10,587,300	1,076,494	10,764,940
Collateral for margin purchase	53,865	538,646	5,985	59,850	4,784	47,840
Collateral for short sales	7,186	71,860	7,293	72,930	7,782	77,820
Lending securities to customers through short sales	40,233	402,332	49,606	496,060	47,312	473,120

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (2) Information of the collateral provided or the securities borrowed of refinancing margin from securities finance companies are as follows:

	September 30, 2015		December 31, 2014		September 30, 2014	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance	\$ 96	960	573	5,730	536	5,360
Collateral for refinancing margin	702	7,020	217	2,170	24	240

- (3) Information of issuing promissory notes in connection with guaranty for segregated error accounts, debt, and issuance of commercial paper are as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Promissory notes	<u>\$ 21,930,000</u>	<u>20,820,000</u>	<u>21,390,000</u>
Promissory notes	<u>USD 80,000</u>	<u>80,000</u>	<u>70,000</u>

- (4) The Company designated Mr. Liu as a consultant to assist expanding brokerage business and entered into a non-competition agreement with him. The Company paid the consulting fee according to the actual operating performance. During March, 2011, Mr. Liu and the Company re-signed a supplementary to replace the old agreement and the major difference is the annual consulting fee is fixed for \$16,000. The effective period is from January 1, 2011 to June 30, 2016. The payment should be done by the end of March every year. The Company already recognized \$12,000 both as miscellaneous expense for the nine months ended September 30, 2015 and 2014.
- (5) Securities and Futures Investors Protection Center claims against the Company for compensation of \$2,004; due to the fact that the Company, being the underwriter of client's year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The case is under the trial of Taiwan Shilin District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.
- (6) The client, Mr. Wu, declared that a resigned employee of Tung-Hu branch stole and sold off his stocks and withdrew his deposit illegally. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation for damages of \$36,000 with additional interests. Based on Year 2008 Chung Su No.684 verdict, the Taiwan Taipei District Court ruled in favor of the Company. Mr. Wu was unwilling accept the result and appealed to the high court. This case is currently under the review of the Taiwan High Court. According to the opinion from the attorney of the Company, the case is a personal financial dispute between customer and the former employee and had no impact to the Company.
- (7) The client, Mr. Chen, declared that Entie Securities Finance Ltd. (the Company's merged entity) did not return the remaining amount of the transaction and requested the Company to reimburse \$1,826 and related interests. Taiwan High Court ruled in favor of the Company. The client was not willing to accept the verdict and filed an appeal. It is currently under the review of the Taiwan Supreme Court.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (8) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the Regulations Governing Securities Firms due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. However, relevant evidence is still under inspection and the legal responsibilities are pending clarification. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 (including claim amount US\$280,000 towards Taiwan International Securities Investment Consulting Corp.). As of September 30, 2015, the damages claimed for amounted to US\$2,152,075 which is favorable to the Company instead of US\$5,026,873; and the investors reached compromises to waive off the appeal rights. Since the case is currently on trial, the possible loss remains uncertain at the moment according to the opinion from the attorney of the Company. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities.
- (9) Ding-Li Assets Management Co., Ltd. (hereinafter known as "Ding-Li") acquired the financing creditor's right of Mr. Huang and two other person and claimed that employees of Chang-Li Securities Corp. and Da-Yong Securities Corp. opened these three people's accounts without their consent. Since Chang-Li Securities Corp. and Da-Yong Securities Corp. were acquired by the Company, Ding-Li filed a lawsuit on December 17, 2014 to claim against the Company; amounting to \$1,800. Taiwan Taipei District Court ruled in favor of the Company and the case is currently under the review of the Taiwan High Court.
- (10) The original shareholder of Taiwan International Securities Corporation (hereinafter known as "TISC"), China Development Financial Holdings (hereinafter known as "CDFH"), possessed a different point of view towards the election motion of 2009 shareholder's meeting and instituted a proceeding in terms of the existence of fiduciary relation toward the TISC. On June 4, 2010, Taiwan Taipei District Court ruled that the fiduciary relation between TISC and aforementioned board of directors and supervisors was not existed based on Year 2009 No. 1086 verdict. The CDFH and TISC both appealed to the verdict. On July 12, 2011, Taiwan High Court ruled that the CDFH has no legal interests in demanding such judgment after the Company merged the TISC and reversed the original judgment and dismissed all the related appeals based on Year 2010 No. 507 verdict. The CDFH appealed to Taiwan Supreme Court. Taiwan Supreme Court reversed the case to Taiwan High Court based on July 19, Year 2012 No 1093 verdict that the original verdict was in contravention of the laws because the distributing method of the remuneration for directors and supervisors was not explained.
- (11) The Company provided the Letter of Comfort for its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(12) In October 2005, the former account executive of the Company's subsidiary - Taiwan International Futures Corporation (hereinafter known as "TIFC") was suspected for deceiving futures investors and causing a material loss. Several investors institute proceedings towards TIFC and claim joint responsibility of compensation for damages. After viewing by TIFC and its attorney, those litigations were classified by actual situations and relevant matters, thereon adopted different solutions. As of September 30, 2015, sixteen litigations with civic claim were filed (including seven cases with ancillary civil action transferred from Taiwan Taipei District Court Criminal Division to Taiwan Taipei District Court Civic Division). Two litigations had been settled and dismissed. Eleven litigations were ruled in favor of TIFC by Taiwan Supreme Court, Taiwan High Court and Taiwan Taipei District Court, respectively. Two litigations were ruled by Supreme Court that the resigned-employee and TIFC should be jointly responsible for the compensation for damages, and TIFC had indemnified \$52,701 for the investor. One litigation was ruled a partial victory and a partial defeat by Taiwan Taipei District Court on December 22, 2008, Taiwan High Court on May 25, 2010, Taiwan Supreme on June 30, 2011, and Taiwan High Court on February 19, 2014. TIFC has appealed and Taiwan Supreme Court remanded the case to Taiwan High Court on July 14, 2014. As of September 30, 2015, TIFC has paid \$162,182 for compensation and the estimated losses amounted to \$254,389 in other liabilities -non-current.

The alleged damages amounted to \$284,139 for those two litigations are still on trial. In addition, the plaintiffs of those four cases applied to the court for provisional seizure and the amount of provisional seizure and execution fees were \$222,991.

As of September 30, 2015, the objects of provisional seizure were as follows:

	Provisional Seizure Amount
Bank deposit	\$ 88,821
Clearing and Settlement fund	15,121
Accounts receivable	9
Other accounts receivable	4
	\$ 103,955

The Financial Supervisory Commission Executive Yuan voided TIFC's business license on December 27, 2007. Thus, the shareholders' special meeting of TIFC decided to dissolve the company on September 18, 2008. Mr. Kuo, a certified public accountant, and Mr. Liu, a lawyer were designated as liquidators. TIFC is still in the process of liquidation.

10. SIGNIFICANT CATASTROPHIC LOSS : NONE

11. SIGNIFICANT SUBSEQUENT EVENTS :

The Board of Directors of the subsidiary, Capital Futures Corporation, resolved to invest USD \$1,123 thousands to acquire 49% equity of True Partner Advisor Hong Kong Limited on April 27, 2015 and got the approval by the FSC No. 1040027513 on July 16, 2015. The base date of the transfer is determined on October 2, 2015.

The Board of Directors resolved to establish the venture capital company with investment \$1,000,000 on May 11, 2015 and got the approval by the FSC No. 1040034071 on September 8, 2015.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

12. OTHERS

(1) As of September 30, 2015, December 31, 2014, September 30, 2014, the open positions of futures and option contracts were as follows:

A. September 30, 2015

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Futures contract :						
	Taix Futures	Long	125	\$ 217,169	202,740	
	Taix Futures	Short	564	(922,061)	(917,536)	
	Mini-stock Futures	Short	104	(42,093)	(42,302)	
	Electronic Futures	Short	56	(70,479)	(70,504)	
	Non-Finance Non-Electronics Sub-Index Futures	Long	4	4,061	4,072	
	Stock Futures	Long	2,113	356,957	349,731	
	Stock Futures	Short	2,976	(345,694)	(332,849)	
	Finance Sector Index Futures	Long	5	5,051	5,057	
	Sugar No.11 Futures	Long	4	1,782	1,897	
	Gold Futures	Short	7	(25,420)	(25,659)	
	Unleaded gasoline Futures	Long	1	1,899	1,887	
	Cocoa bean Futures	Short	2	(2,105)	(2,047)	
	Coffee Futures	Long	1	1,501	1,496	
	Soy bean Futures	Long	3	4,361	4,398	
	S&P Futures	Long	71	217,849	221,136	
	A50 Index Futures	Long	35	10,511	10,590	
	U.S. 5-Year T-Note Futures	Long	50	196,714	198,067	
	U.S. 10-Year T-Note Futures	Long	5	21,134	21,157	
	U.S. 2-Year T-Note Futures	Long	10	71,723	71,996	
	U.S. 30-Year T-Note Futures	Short	10	(51,637)	(51,719)	
	Platinum Futures	Short	3	(4,648)	(4,482)	
	Subtotal			(353,425)		

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Options contract :						
	Taix Options (Call)	Long	12,886	\$ 22,344	17,201	
	Taix Options (Put)	Long	4,899	16,831	23,560	
	Taix Options (Call)	Short	4,858	(32,892)	(28,200)	
	Taix Options (Put)	Short	6,343	(69,169)	(99,334)	
	Stock Options (Call)	Long	601	2,704	4,101	
	Stock Options (Put)	Long	311	1,011	902	
	Stock Options (Call)	Short	141	(575)	(350)	
	Stock Options (Put)	Short	216	(626)	(973)	
	Taix Weekly Options (Call)	Long	1,217	2,180	2,501	
	Taix Weekly Options (Put)	Long	2,414	3,936	3,279	
	Taix Weekly Options (Call)	Short	515	(1,065)	(1,063)	
	Taix Weekly Options (Put)	Short	208	(52)	(19)	
	Gold Option (Call)	Long	62	257	186	
	Gold Option (Putl)	Long	113	460	383	
	Gold Option (Call)	Short	77	(286)	(220)	
	Gold Option (Put)	Short	131	(286)	(165)	
	Electronic Sector Index Options (Call)	Long	392	925	936	
	Electronic Sector Index Options (Put)	Long	168	581	432	
	Electronic Sector Index Options (Call)	Short	316	(1,037)	(933)	
	Electronic Sector Index Options (Put)	Short	765	(5,270)	(3,786)	
	Finance Sector Index Options (Call)	Long	388	513	35	
	Finance Sector Index Options (Put)	Long	491	1,193	1,541	
	Finance Sector Index Options (Call)	Short	500	(1,675)	(576)	
	Finance Sector Index Options (Put)	Short	215	(887)	(1,146)	
	S&P Sector Index Options (Call)	Long	3	165	749	
	S&P Sector Index Options (Put)	Long	183	1,958	1,250	
	S&P Sector Index Options (Call)	Short	104	(2,646)	(4,402)	
	Subtotal			(61,408)		
Total				\$ (414,833)		

B. December 31, 2014

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Futures contract :						
	Taix Futures	Long	62	\$ 228,649	229,455	
	Taix Futures	Short	964	(1,835,105)	(1,835,101)	
	Mini-Taix Futures	Long	365	168,381	169,378	
	Electronic Sector Index Futures	Long	10	14,672	14,792	
	Finance Sector Index Futures	Short	51	(54,853)	(55,192)	
	Non-Finance Non-Electronics Sub- Index Futures	Long	37	42,206	42,162	
	Stock Futures	Long	1,276	194,200	197,026	
	Stock Futures	Short	3,998	(742,978)	(759,364)	
	HSI Futures	Long	3	14,383	14,473	
	Mini DJ index futures	Short	6	(16,945)	(16,856)	
	Wheat Futures	Short	4	(4,004)	(3,733)	
	Soy bean Futures	Short	4	(6,604)	(6,479)	
	Copppe Futures	Short	2	(4,516)	(4,471)	
	Gold Futures	Short	4	(15,036)	(14,991)	
	Crude oil Futures	Short	3	(5,097)	(5,058)	
	AUD dollars Futures	Short	2	(5,153)	(5,141)	
	JPY dollars Futures	Long	1	3,318	3,303	
	CHF dollars Futures	Short	1	(4,039)	(3,986)	
	Sugar No.11 Futures	Long	2	1,044	1,029	
	Natural gas Futures	Short	2	(1,931)	(1,829)	
	A50 Index Futures	Short	46	(16,106)	(16,832)	
	S&P Futures	Long	44	143,280	141,280	
	Subtotal			(1,902,234)		

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	Taixex Options (Call)	Long	16,832	\$ 37,986	79,495	
	Taixex Options (Put)	Long	10,509	25,936	11,831	
	Taixex Options (Call)	Short	3,087	(48,673)	(67,453)	
	Taixex Options (Put)	Short	12,706	(64,411)	(35,779)	
	Stock Options (Call)	Long	19,875	74,565	110,259	
	Stock Options (Put)	Long	57,443	96,330	54,772	
	Stock Options (Call)	Short	26,307	(71,790)	(123,807)	
	Stock Options (Put)	Short	8,044	(60,210)	(26,400)	
	Taixex Weekly Options (Call)	Long	51	7	8	
	Taixex Weekly Options (Put)	Long	1,474	231	252	
	Taixex Weekly Options (Call)	Short	1,711	(2,714)	(2,755)	
	Taixex Weekly Options (Put)	Short	2,009	(3,230)	(2,776)	
	Electronic Sector Index Options (Call)	Long	280	360	605	
	Electronic Sector Index Options (Put)	Long	301	1,143	320	
	Electronic Sector Index Options (Call)	Short	66	(297)	(496)	
	Electronic Sector Index Options (Put)	Short	32	(136)	(54)	
	Finance Sector Index Options (Call)	Long	493	1,418	2,974	
	Finance Sector Index Options (Put)	Long	586	1,088	372	
	Finance Sector Index Options (Call)	Short	118	(153)	(62)	
	S&P Sector Index Options (Call)	Long	34	685	758	
	S&P Sector Index Options (Put)	Long	65	658	2,124	
	S&P Sector Index Options (Call)	Short	53	(5,540)	(11,994)	
	S&P Sector Index Options (Put)	Short	155	(11,854)	(3,982)	
	Gold option (Call)	Long	24	48	58	
	Gold option (Put)	Long	20	80	66	
	Gold option (Call)	Short	1	(1)	(1)	
	Gold option (Put)	Short	169	(166)	(89)	
	Subtotal			(28,640)		
Total				\$ (1,930,874)		

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. September 30, 2014

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Futures contract :						
	Taix Futures	Long	357	\$ 709,047	697,948	
	Taix Futures	Short	1,076	(2,154,836)	(2,144,977)	
	Mini-Taix Futures	Long	36	16,421	16,184	
	Electronic Sector Index Futures	Short	36	(51,284)	(50,364)	
	Finance Sector Index Futures	Short	3	(3,333)	(3,229)	
	Non-Finance Non-Electronics Sub- Index Futures	Long	5	5,637	5,665	
	Non-Finance Non-Electronics Sub- Index Futures	Short	1	(1,133)	(1,133)	
	Stock Futures	Long	1,680	191,361	193,542	
	Stock Futures	Short	6,340	(847,616)	(821,314)	
	S&P Futures	Long	57	174,415	170,896	
	A50 Index Futures	Short	113	(24,945)	(24,856)	
	Subtotal			(1,986,266)		
Options contract :						
	Taix Options (Call)	Long	10,754	\$ 23,026	11,789	
	Taix Options (Put)	Long	14,875	41,004	96,466	
	Taix Options (Call)	Short	17,097	(61,332)	(22,265)	
	Taix Options (Put)	Short	8,560	(111,823)	(164,135)	
	Stock Options (Call)	Long	38,045	83,912	44,630	
	Stock Options (Put)	Long	53,745	113,719	181,273	
	Stock Options (Call)	Short	22,672	(57,095)	(38,096)	
	Stock Options (Put)	Short	19,047	(58,650)	(84,391)	
	Taix Weekly Options (Call)	Long	13,049	8,008	6,260	
	Taix Weekly Options (Put)	Long	6,400	3,985	2,547	
	Taix Weekly Options (Put)	Short	837	(3,607)	(2,489)	
	Electronic Sector Index Options(Call)	Long	694	2,784	1,238	
	Electronic Sector Index Options(Put)	Long	544	2,688	5,990	
	Electronic Sector Index Options(Call)	Short	67	(62)	(58)	
	Electronic Sector Index Options(Put)	Short	362	(1,046)	(4,001)	
	Finance Sector Index Options (Call)	Long	1,133	3,389	1,504	
	Finance Sector Index Options (Put)	Long	611	1,880	3,756	
	Finance Sector Index Options (Call)	Short	22	(207)	(126)	
	Finance Sector Index Options (Put)	Short	465	(770)	(1,217)	
	S&P Sector Index Options (Call)	Long	47	154	72	
	S&P Sector Index Options (Put)	Long	140	1,866	2,777	
	S&P Sector Index Options (Call)	Short	26	(1,197)	(1,235)	
	S&P Sector Index Options(Put)	Short	401	(10,147)	(9,220)	
	Gold option (Call)	Long	219	309	254	
	Gold option (Put)	Long	117	205	202	
	Gold option (Call)	Short	73	(39)	(24)	
	Gold option (Put)	Short	40	(8)	(1)	
	Subtotal			(19,054)		
	Total			\$ (2,005,320)		

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (2) Restrictions and enforcement of the Company's various financial ratios under futures trading law

A. Subsidiary - Capital Futures Corp.

The restrictions and enforcement of each financial ratio was calculated in accordance with Regulations Governing Futures Commission Merchants as follow:

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	2,866,064	8.40	2,567,303	10.69	≥ 1	Satisfactory to requirement
	(Total liabilities –futures traders' equity)	341,363		240,239			
17	Current Assets	17,638,859	1.12	12,842,284	1.15	≥ 1	"
	Current Liabilities	15,730,700		11,169,346			
22	Stockholders' equity	2,866,064	257.05%	2,567,303	359.06%	≥ 60%	"
	Minimum paid-in capital	1,115,000		715,000		≥ 40%	
22	Post-adjustment net capital	2,039,840	98.49%	1,820,554	80.49%	≥ 20%	"
	Total customer margin deposits required for open positions of customers	2,071,192		2,261,813		≥ 15%	

- B. The Department of Managed Futures Enterprises of the subsidiary Capital Futures Corp. commenced with conducting discretionary futures trading business on September 29, 2010. In accordance with the Regulations Governing Managed Futures Enterprises Article 31 and the Financial Supervisory Commission issued No. Financial-Supervisory-Futures-10100480292, the ratio between the total transaction amount of discretionary futures trading business and its net value should be within the limitations listed below:

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Multiple	Calculation	Multiple		
31	Total transaction amount of discretionary futures trading business	21,000	0.23	14,000	0.15	≤ 10	Satisfactory to requirement
	Net value	92,291		94,260			

- (3) Unique risks to specific futures commission merchant services

Transactions in futures and options carry a high degree of risk because of the amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily leveraged, the fluctuation of underlying markets is unpredictable, and the variance risk of the exchange rate is high. Futures industry thus bears higher operation risk than other industries. If the customers can't exercise the contract or maintain the proper margin, in order to dealing with such abrupt condition, the futures firm needs sufficient liquidity to cover the transactions and suffer the loss may occur.

- (4) Taiwan International Securities Corp. (hereinafter known as "TISC"), the Company's merged entity, entrusted \$182,000 to an impartial third party on the merging date with First Securities Co., Ltd. and Far East Securities Co., Ltd. In relations to the agreement of indemnification to the stockholders with aforementioned companies arising from the fraud matter of Taiwan International Futures Corporation (hereinafter known as "TIFC"). Such deposit shall be allocated by the trustee to the stockholders who are merged in proportion of their shareholdings in TISC, after being decided by the court or accommodated by the investors of TIFC.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

As of September 30, 2015, TIFC had reached partial consensus with its investors, and the accumulated amount of compensation was \$162,812. According to the indemnification to the former stockholders of First Securities Co., Ltd. and Far Eastern Securities Co., Ltd, the Company needs to pay all of the compensation to the company participating in the merger. As of September 30, 2015, the trust amount of the impartial third party is \$130,586 and the accumulated compensation expense is \$51,414.

13. DISCLOSURES REQUIRED

(1) Information on significant transaction:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- A. Loans to others: Exhibit 1.
- B. Endorsements and guarantee for others: None.
- C. Acquisition of real estate over \$100 millions or 20% of paid-in capital: None.
- D. Disposal of real estate over \$100 millions or 20% of paid-in capital: None.
- E. Discount on commissions of transactions with related parties over \$5 millions: None.
- F. Receivables from related parties over \$100 millions or 20% of paid-in capital: None.
- G. Details of material transactions between parent company and subsidiaries: Exhibit 2.

(2) Information on reinvestment business: Exhibit 3.

(3) Information on investments in China:

A. Investment in Mainland China and related information :

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2015	Remittance or recoverable investment this period		Accumulated remittance as of September 30, 2015	Net gains or losses of investee	Direct or indirect shareholdings (%) by the company	Investment gains and losses recognized during this period (Note 2)	Ending balance of investment	Investment income remitted back as of September 30, 2015
					Remittance amount	Recoverable amount						
Capital True Partner Co., Ltd.	Management, consulting and information service business	5,013	C	-	24,372	-	24,372	8,307	30.10%	2,159 B (3)	16,600	-

Note 1: Investment methods are classified into the following three categories:

- A. Directly invest in a company in Mainland China.
- B. Through investing in an existing company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).
- C. Through a subsidiary to invest in a company in Mainland China.

Note 2: Investment gains and losses recognized during the period

- A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:
 - (1) The recognition of investment gains or losses is based on the financial statements audited by international certified public accountant cooperated with certified public accountant of the Republic of China.
 - (2) The recognition of investment gains or losses is based on the financial statements audited by certified public accountant of the Company.
 - (3) The recognition of investment gains or losses is based on the financial statements provided by the investee without audited by certified public account .

Note 3: Above information is expressed in New Taiwan Dollars.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

B. Quota for investment in China:

Unit: NT\$ thousands

Company Name	Accumulative remittance from Taiwan to Mainland China as of June 30, 2015	Amount of investment approved by Investment Commission, Ministry of Economic Affairs (MOEA)	Limit on the amount of investment in Mainland China by MOEA
Capital True Partner Co., Limited	24,372	24,372	30,810

14. SEGMENT INFORMATION:

(1) Operating segment information

The operating segments are consistent with the internal reports provided to the chief operating decision-maker. The Group's operating segments are classified into brokerage, underwriting, dealing, derivative instrument and reinvestment according to the sources of revenue. The remaining operating results which have not reached the threshold requirements are consolidated in 'other operating segments'. Sources of income from products and services rendered by each segment are as follows:

- A. Brokerage segment: Engaged in brokerage trading, margin trading, and securities lending business.
- B. Underwriting segment: Engaged in providing advisory on initial public offering or to register on the emerging or listed market, securities underwriting and sales, corporate finance, mergers and acquisitions.
- C. Dealing segment: Engaged in trading securities and related listed stock instruments on a proprietary basis.
- D. Derivative instrument segment: Engaged in the investment, consultancy and issuance of derivative instruments.
- E. Capital Futures Corporation: Engaged in the business of domestic futures brokerage services, trading on a proprietary basis, futures consultancy and managed futures enterprises.

(2) Measurement of segmental information

All of the Group's operating segments' accounting policies are no material difference from the ones described in Note 4 "significant accounting policies". The Group evaluates segment performance based on the net profit before tax of various operating segments. Income and expense attributable to each operating segment are directly attributed to the profits and losses of the corresponding operating segment. Indirect expenses and expenses from logistic support segment that cannot be directly attributed are listed under 'other segments'.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Information about segments' gains or losses, assets and liabilities

For the three months ended September 30, 2015

	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue	\$ 817,784	61,873	(88,448)	(6,843)	60,368	540,755	(70,666)	1,314,823
Income	\$ 244,113	9,982	(150,539)	(72,286)	(40,322)	193,205	(85,661)	98,492

For the three months ended September 30, 2014

	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue	\$ 1,053,444	125,225	20,486	132,574	70,162	424,458	(74,911)	1,751,438
Income	\$ 445,174	64,205	(9,867)	62,729	(21,092)	149,639	(102,348)	588,440

For the nine months ended September 30, 2015

	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue	\$ 2,605,604	279,882	328,974	281,512	202,669	1,149,789	(187,631)	4,660,799
Income	\$ 899,928	116,395	121,028	107,211	(173,889)	384,863	(200,925)	1,254,611

For the nine months ended September 30, 2014

	Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue	\$ 3,126,274	337,211	499,643	367,027	182,409	926,842	(188,987)	5,250,419
Income	\$ 1,301,462	140,540	356,038	197,788	(263,583)	215,155	(135,655)	1,811,745

Note 1: Internal segment revenues are eliminated on consolidation.

Note 2: The Group's segment assets and liabilities are not provided to the chief operating decision maker, so such items are not required to be disclosed.

(4) Information about products and services

The Group identified the reportable segments based on the type of products and service provided and the general information is already to be disclosed. Thus, no additional disclosure is required.

(5) Information about geographical areas

The Group received revenue from any single foreign customer is insignificant and there is no need to disclose the information.

(6) Information about major customers

The Group does not receive revenue from any single customer which exceeds 10% or more of operating income and there is no need to disclose the information.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
(Amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

Exhibit 1: Loans to others

(In thousands dollars)

No.	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related Party	Maximum Balance of this Period	Ending Balance	Capital Employed	Range of interest Rate	Type of Loans	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on loans to a single business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Account receivables - Related party	Yes	US 22,289	US 22,289	US 22,289	-	2	-	Operations	-		-	US 56,662	US 56,662
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other receivables - Related party	Yes	US 3,380	US 3,404	US 3,380	-	2	-	Operations & repayment of financing	-		-	US 3,405	US 3,404
3	TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	HK 1,463	HK 1,463	HK 1,463	-	2	-	Repayment of financing	-		-	HK 1,463	HK 1,463
4	CSC Futures (HK) Ltd.	AP CAPITAL INVESTMENT LIMITED	Account receivables - Customer	No	HK 7,750	HK -	HK -	5%	2	-	Tradings	-		-	HK 7,750	HK 45,167
5	CSC Futures (HK) Ltd.	KLAW TRADING LIMITED	Account receivables - Customer	No	HK 7,750	HK 7,750	HK 7,750	5%	2	-	Tradings	-		-	HK 7,750	HK 45,167

Note: Type of Loans

1. Business transactions
2. Necessaries of short-term financing □

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
(Amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

Exhibit 2: Significant transactions between parent company and subsidiaries for the nine months ended September 30, 2015

(In thousands dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	General ledger account	Transaction details		Percentage(%) of total consolidated revenue
					Amount	Trading terms	
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	196		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	13,447		0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	145		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	98,028		0.10%
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	3,508		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Future commission revenue	106,285	General transaction	2.28%
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	10,006	General transaction	0.21%
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	269	General transaction	0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	491	General transaction	0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	12	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	2,736	General transaction	0.06%
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	154	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Operating expense	5,567	General transaction	0.12%
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenues	14,051	General transaction	0.30%
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions	209	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Co., Ltd.	1	Bonds sold under repurchase agreements	2,001		- %
0	Capital Securities Corp.	Capital Investment Management Corporation	1	Professional service fees	61,500	General transaction	1.32%
0	Capital Securities Corp.	Capital Investment Management Corporation	1	Lease revenue	900	General transaction	0.02%
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Guarantee deposits received	30		- %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Lease revenue	90	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities Investment Consulting Corp.	1	Other non-operating revenue	90	General transaction	- %
0	Capital Securities Corp.	Taiwan International Futures Corp.	1	Guarantee deposits received	171		- %
0	Capital Securities Corp.	Taiwan International Futures Corp.	1	Lease revenue	747	General transaction	0.02%
0	Capital Securities Corp.	Taiwan International Futures Corp.	1	Other non-operating revenue	450	General transaction	0.01%
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	21		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	23		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Commission expense	40	General transaction	- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customer margin account	859,032		0.91%
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	859,032		0.91%
1	Capital Futures Corp.	CSC Futures (HK) Limited	3	Customer margin account	221,172		0.23%
1	Capital Futures Corp.	Capital True Partner Co., Limited	3	Information technology expense	947	General transaction	0.02%
1	Capital Futures Corp.	Capital True Partner Co., Limited	3	Other payables	984		- %
1	Capital Futures Corp.	CSC Futures (HK) Limited	3	Futures traders' equity	918,492		0.97%
1	Capital Futures Corp.	CSC Futures (HK) Limited	3	Commission expense - futures	12,680	General transaction	0.27%
1	Capital Futures Corp.	CSC Futures (HK) Limited	3	Brokerage commissions	33,856	General transaction	0.73%
1	Capital Futures Corp.	CSC Futures (HK) Limited	3	Financial costs	49	General transaction	- %
1	Capital Futures Corp.	CSC Futures (HK) Limited	3	Information technology expense	17,802	General transaction	0.38%
1	Capital Futures Corp.	CSC Futures (HK) Limited	3	Accounts payable	762		- %
1	Capital Futures Corp.	Capital International Technology Co., Ltd.	3	Lease revenue	109	General transaction	- %
2	CSC Futures (HK) Limited	Capital Futures Corp.	3	Customer margin account	2,309		- %
2	CSC Futures (HK) Limited	Capital True Partner Co., Limited	3	Professional service fees	1,577	General transaction	0.03%
2	CSC Futures (HK) Limited	Capital True Partner Co., Limited	3	Accumulated depreciation	67		- %
2	CSC Futures (HK) Limited	Capital True Partner Co., Limited	3	Depreciation expense	67		- %
2	CSC Futures (HK) Limited	Capital True Partner Co., Limited	3	Property and equipment	1,200		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Limited	3	Other receivables	195		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Limited	3	Other operating revenue	HK 2,610		0.23%
3	CSC Securities (HK) Ltd.	CSC International Holdings Ltd.	3	Other payables	USD 22,289		0.78%
4	Capital Securities (Hong Kong) Ltd.	CSC International Holdings Ltd.	3	Other receivables	HK 2,953		0.01%
5	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	3	Other receivables	HK 26,195		0.12%

Note 1: The numbers in the Ref No. column represent as follows:

- (1) 0 stands for the parent company.
- (2) Subsidiaries are coded from No 1 per respective companies.

Note 2: Transaction relationship with the counterparties are as follows:

- (1) Parent company to subsidiaries.
- (2) Subsidiaries to parent company.
- (3) Subsidiaries to subsidiaries.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
(Amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

Exhibit 3: Information on reinvestment business

Ref No.	Name of investee company (Notes 1 and 2)	Area	Primary business operation	Original investment amount		Equity Ownership by the company (Note 3)			Net gains or losses of investee during this period	Investment gain or loss recognized during this period	Note
				Balance on September 30, 2015	Balance on December 31, 2014	Shares	Ratio	Book value			
0	Capital Investment Management Corp.	Taipei ,Taiwan, R.O.C.	Engaged in providing advice on securities investment and related matters , or securities investment consultancy analyzing the published materials on securities investments.	72,515	72,515	7,000,000	100.00%	102,882	10,615	10,615	The transaction has been written off in the consolidated financial statements
0	Capital Futures Corp.	Taipei ,Taiwan, R.O.C.	Engaged in domestic and foreign futures business.	649,610	649,610	70,810,918	59.01%	1,691,264	329,833	194,635	"
0	CSC International Holdings Ltd.	British Virgin Island	Long-term equity investment business.	1,339,555	1,339,555	45,000,000	100.00%	1,834,552	(10,757)	(10,757)	"
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	389,000	100.00%	56,044	46,393	46,393	Subsidiary
0	Capital Insurance Agency Corp.	Taipei ,Taiwan, R.O.C.	Manages personal insurance agent business.	7,400	7,400	740,000	100.00%	47,476	10,914	10,914	"
0	Taiwan International Futures Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	Liquidation in progress.	429,990	429,990	11,999,721	99.99%	-	-	-	The transaction has been written off in the consolidated financial statements
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	Holding company for international securities business.	1,394,817	1,394,817	300	100.00%	1,287	(205)	(205)	"
0	Taiwan International Securities Investment Consulting Corp. (Note 5)	Taipei ,Taiwan, R.O.C.	Liquidation in progress.	9,992	9,992	999,200	99.92%	13,600	(169)	(169)	"
1	CSC Asia Ltd. (Note 7)	Hong Kong	Liquidation in progress.	HK10,000 thousand	HK10,000 thousand	1,000,000	66.67%	HK-	HK-	-	"
1	Capital Securities (Hong Kong) Ltd. (Note 7)	Hong Kong	Long-term equity investment businesses.	HK48,644 thousand	HK48,644 thousand	4,864,400	100.00%	HK54,327 thousand	HK400 thousand	-	"
1	CSC Securities (HK) Ltd.	Hong Kong	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK89,600 thousand	HK89,600 thousand	89,600,000	70.00%	HK119,874 thousand	HK2,334 thousand	-	"
1	CSC Finance Ltd. (Note 7)	Hong Kong	Liquidation in progress.	HK42,439 thousand	HK42,439 thousand	42,439,000	100.00%	HK-	HK-	-	"
2	CSC Securities (HK) Ltd.	Hong Kong	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK38,400 thousand	HK38,400 thousand	38,400,000	30.00%	HK51,374 thousand	HK2,334 thousand	-	"
2	CSC Asia Ltd. (Note 7)	Hong Kong	Liquidation in progress.	HK5,000 thousand	HK5,000 thousand	500,000	33.33%	HK-	HK-	-	"
2	CSC Financial Service Ltd. (Note 7)	Hong Kong	Liquidation in progress.	HK5,000 thousand	HK5,000 thousand	5,000,000	100.00%	HK-	HK-	-	"
3	TIS Securities (HK) Limited (Note 6)	Hong Kong	Liquidation in progress.	HK265,000 thousand	HK265,000 thousand	265,000,000	100.00%	HK(26,076) thousand	HK(41) thousand	-	"
4	Taiwan International Capital (HK) Ltd. (Note 6)	Hong Kong	Liquidation in progress.	HK2	HK2	2	100.00%	HK(49,208) thousand	HK(12) thousand	-	"
5	CSC Futures (HK) Ltd.	Hong Kong	Futures dealing business.	450,631	474,348	114,000,000	95.00%	451,722	(9,615)	-	"
5	Capital International Technology Co., Ltd.	Taipei ,Taiwan, R.O.C.	Management, consulting and information service business	50,000	50,000	5,000,000	100.00%	54,266	4,774	-	"
6	Capital Securities Nominee Ltd.	Hong Kong	Agency services.	HK2	HK2	2	100.00%	HK-	HK-	-	"

Note 1: (0) Capital Securities Corporation (1) CSC International Holdings Ltd.(2) Capital Securities (Hong Kong) Ltd.(3) Taiwan International Securities (B.V.I) Corp. (4)TIS Securities (HK) Limited. (5) Capital Futures Corp. (6) CSC Securities (HK) Ltd.

Note 2: Includes the Company's investment in overseas business and its reinvestments in other businesses, etc.

Note 3: Book value is the investment balance according to equity method, including investment income (loss), cash dividends, and cumulative translation adjustment, etc.

Note 4: The stockholders' special meeting of Taiwan International Securities Corp. resolved to dissolve the investee company on September 18, 2008 and the liquidation procedure is ongoing.

Note 5: The stockholders' special meeting resolved to dissolve on June 27, 2012 and the liquidation procedure is ongoing.

Note 6: The board of directors of the Company resolved to dissolve the investee company on December 30, 2011.

Note 7: The board of directors of Company resolved to cease operation on October 30, 2012.