

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
March 31, 2009 and 2008
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) March 31, 2009		(Unaudited) March 31, 2008		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 2009		(Unaudited) March 31, 2008	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 1,079,476	3	561,261	1	Short-term borrowings (Note 4(10))	\$ 200,000	-	3,105,000	4
Financial assets measured at fair value through profit or loss-current (Notes 2, 4(2), 4(21) and 5)	10,690,842	31	33,482,140	48	Commercial paper payable (Note 4(11))	-	-	6,214,818	9
Bonds purchased under resale agreements (Notes 2 and 4(3) and 6)	451,254	1	1,711,066	3	Financial liabilities measured at fair value through profit or loss -current (Notes 4(12) and 4(21))	458,880	1	1,177,961	2
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	8,662,302	25	21,576,040	31	Bonds sold under repurchase agreements (Notes 4(13) and 5)	8,562,467	25	24,224,578	35
Receivable on refinancing collateral	446	-	535	-	Guaranty deposited for securities lent	917,318	3	1,001,818	1
Receivables on refinancing collateral	759	-	-	-	Proceeds payable from securities lent	1,040,865	3	1,179,650	2
Guaranty margin for securities borrowed	284,105	1	-	-	Notes payable	33,100	-	33,835	-
Notes receivable	2,136	-	2,194	-	Accounts payable	239,066	1	3,352,774	5
Accounts receivable (Note 4(4) and 5)	579,473	2	889,661	1	Advance receipts	4,926	-	4,253	-
Prepayments	63,824	-	58,755	-	Receipts under custody	68,817	-	62,391	-
Other receivables	91,879	-	140,087	-	Other payables (Notes 2 and 4(14))	3,016,047	9	3,196,913	5
Pledged assets - current (Note 6)	453,500	2	647,300	1	Deferred income tax liabilities - current (Notes 2 and 4(17))	90,848	-	7,387	-
	<u>22,359,996</u>	<u>65</u>	<u>59,069,039</u>	<u>85</u>	Other financial liabilities - current (Note 4(21))	895,079	3	849,516	1
						<u>15,527,413</u>	<u>45</u>	<u>44,410,894</u>	<u>64</u>
Funds and Long-Term Investments					Long-Term Liabilities				
Financial assets measured at fair value through profit or loss-non-current (Notes 2, 4(2), 4(21) and 6)	378,727	1	191,999	-	Long-term borrowings (Note 4(15))	699,768	2	598,410	1
Available-for-sale financial assets - non-current (Notes 2 and 4(2))	382,740	1	422,740	1	Other financial liabilities - non-current (Note 4(21))	-	-	99,179	-
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	791,078	2	792,124	1	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term investments under equity method (Notes 2 and 4(5))	2,968,470	9	3,098,757	4		<u>727,466</u>	<u>2</u>	<u>725,287</u>	<u>1</u>
	<u>4,521,015</u>	<u>13</u>	<u>4,505,620</u>	<u>6</u>	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	1	200,351	-
Land	2,894,458	8	2,894,458	4	Reserve for trading loss (Note 2)	24,168	-	26,347	-
Buildings	1,563,557	5	1,563,124	2	Guarantee deposits received	5,798	-	7,660	-
Equipment	466,542	1	545,160	1	Accrued pension liabilities - non-current (Notes 2 and 4(16))	15,874	-	14,446	-
Prepayment for equipment	10,150	-	5,257	-	Deferred income tax liabilities - non-current (Notes 2 and 4(17))	-	-	112,018	-
Leasehold improvements	214,675	1	217,504	1		<u>246,191</u>	<u>1</u>	<u>360,822</u>	<u>-</u>
	<u>5,149,382</u>	<u>15</u>	<u>5,225,503</u>	<u>8</u>	Brokerage accounts, net (Note 4(9))	<u>299,930</u>	<u>1</u>	<u>506,364</u>	<u>1</u>
Less: Accumulated depreciation	<u>(1,102,858)</u>	<u>(3)</u>	<u>(1,081,425)</u>	<u>(2)</u>	Total Liabilities	<u>16,801,000</u>	<u>49</u>	<u>46,003,367</u>	<u>66</u>
	<u>4,046,524</u>	<u>12</u>	<u>4,144,078</u>	<u>6</u>	Stockholders' Equity				
Intangible Assets					Common stock, par value \$10 per share				
Operation franchise (Notes 2 and 4(7))	389,999	1	400,864	1	2,000,000,000 shares authorized,				
					1,610,786 thousand shares issued and outstanding (Note 4(18))	16,107,860	47	14,741,150	21
Other Assets					Capital surplus				
Guaranty deposited for business operations	84,000	-	147,000	-	Premium from stock issuance	2,572	-	2,598	-
Settlement fund	275,023	1	292,716	-	Treasury stock transactions (Note 4(19))	107,031	-	62,040	-
Refundable deposits	298,937	1	297,095	1	Long-term investments	1,491	-	1,491	-
Deferred debits	28,664	-	26,760	-	Paid-in capital from merger (Note 1)	778,921	2	778,921	1
Deferred income tax assets - non-current (Notes 2 and 4(17))	1,593,718	5	-	-	Retained earnings				
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	730,021	2	735,883	1	Legal reserve	1,823,985	6	1,573,381	2
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	316	-	704	-	Special reserve (Note 2)	3,647,970	11	3,146,762	5
	<u>3,010,679</u>	<u>9</u>	<u>1,500,158</u>	<u>2</u>	Unappropriated earnings (Notes 4(17) and 4(18))	(5,104,629)	(15)	3,318,255	5
					Cumulative translation adjustments (Note 2)	162,012	-	(8,206)	-
TOTAL ASSETS	<u>\$ 34,328,213</u>	<u>100</u>	<u>69,619,759</u>	<u>100</u>	Total Stockholders' Equity	<u>17,527,213</u>	<u>51</u>	<u>23,616,392</u>	<u>34</u>
					Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 34,328,213</u>	<u>100</u>	<u>69,619,759</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF INCOME
Years Ended March 31, 2009 and 2008
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1~Mar. 31, 2009		Jan. 1~Mar. 31, 2008	
	Amount	%	Amount	%
Revenues				
Brokerage commissions	\$ 415,998	29	682,887	32
Underwriting commissions	65,713	5	19,645	1
Gain on sale of securities - proprietary trading	186,084	13	151,418	7
Gain on sale of securities - underwriting	6,735	-	21,204	1
Securities management, distribution, and management fees	17,281	1	17,839	1
Interest revenue	185,256	13	466,289	22
Dividend revenue	-	-	90	-
Gain on valuation of trading securities	392,459	28	583,940	28
Gain on covering of borrowed securities and bonds with resale agreements	4,010	-	3,544	-
Gain on valuation of borrowed securities and bonds with resale agreements	-	-	6,110	-
Gain on stock warrants issued (Note 4(21))	10,788	1	31,223	1
Futures commission revenue (Note 5)	28,519	2	28,610	1
Gain on derivative financial instruments - futures (Note 4(21))	1,006	-	-	-
Other operating revenue	31,567	2	33,715	2
Non-operating revenue (Note 5)	58,818	4	41,490	2
Investment income under the equity method (Note 4(5))	30,949	2	35,079	2
	<u>1,435,183</u>	<u>100</u>	<u>2,123,083</u>	<u>100</u>
Expenses				
Brokerage fees	24,661	2	41,722	2
Brokerage and clearing fees - proprietary trading	1,138	-	2,863	-
Clearing and exchange fees - refinancing	307	-	322	-
Clearing and exchange fees - underwriting	2,720	-	1,834	-
Loss on sale of securities - hedging	16,692	1	117,257	6
Interest expense (Note 5)	34,849	2	181,277	9
Loss on valuation of borrowed securities and bonds with resale agreements	32,124	2	-	-
Stock warrant issuance expense	7,391	1	2,930	-
Clearing and settlement expenses (Note 5)	17	-	116	-
Loss on derivative financial instruments - futures (Note 4(21))	-	-	10,968	1
Loss on derivative financial instruments - OTC (Note 4(21))	30,737	2	297,943	14
Operating expenses (Note 5)	682,439	48	902,324	42
Other operating expenses	4,434	-	6,412	-
Non-operating expenses	1,538	-	60,411	3
	<u>839,047</u>	<u>58</u>	<u>1,626,379</u>	<u>77</u>
Continuing operations' income before tax	596,136	42	496,704	23
Less: Income tax expense (Notes 2 and 4(17))	108,123	8	70,617	3
Net income	<u>\$ 488,013</u>	<u>34</u>	<u>426,087</u>	<u>20</u>
			<u>Before Tax</u>	<u>After Tax</u>
Basic earnings per share (Note 4(20))				
Income from continuing operations	\$ 0.37	0.30	0.34	0.29
Net income	<u>\$ 0.37</u>	<u>0.30</u>	<u>0.34</u>	<u>0.29</u>
Basic earnings per share - retroactively stated (Note 4(20))	<u>\$ -</u>	<u>-</u>	<u>0.31</u>	<u>0.26</u>
Diluted earnings per share (Note 4(20))	<u>\$ 0.37</u>	<u>0.30</u>	<u>0.34</u>	<u>0.29</u>
Diluted earnings per share - retroactively stated (Note 4(20))	<u>\$ -</u>	<u>-</u>	<u>0.31</u>	<u>0.26</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2009 and 2008
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1~Mar. 31, 2009	(Unaudited) Jan. 1~Mar. 31, 2008
Cash flows from operating activities		
Net income	\$ 488,013	426,087
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	37,651	42,813
Amortization	3,509	3,825
Amortization of held-to-maturity financial assets - non-current	26	-
Loss (gain) on disposal of premises and property, net	63	974
Loss (gain) on evaluation of trading securities	(392,459)	(583,940)
Excess of investment income under the equity method over cash dividends received	(30,949)	(35,079)
Provision for securities trading loss	22,361	24,079
Decrease (increase) in financial assets measured at fair value through profit or loss-current	8,124,577	(2,401,619)
Increase in bonds purchased under resale agreements	(449,254)	(678,488)
Decrease (increase) in receivable for securities provided as collateral	(1,290,681)	868,002
Decrease in receivable on refinancing collateral	10,443	2,061
Increase in receivables on refinancing collateral	(759)	-
Increase in guaranty margin for securities borrowed	(116,396)	-
Increase in notes receivable	(210)	(235)
Decrease (increase) in accounts receivable	(189,974)	11,340
Decrease (increase) in prepayments	(3,924)	2,148
Decrease (increase) in other receivables	5,843	(44,408)
Decrease in pledged assets - current	205,600	210,000
Decrease in available-for-sale financial assets - current	26,380	-
Deferred income tax assets and liabilities, net	10,331	(48,478)
Decrease in other assets	47	215
Decrease (increase) in brokerage accounts	310,726	724,405
Increase in financial liabilities measured at fair value through profit or loss	146,236	560,200
Increase (decrease) in bonds sold under repurchase agreements	(6,119,201)	1,422,039
Decrease in guaranty deposited for securities lent	(15,100)	(419,282)
Decrease in proceeds payable from securities lent	(61,852)	(447,735)
Increase in notes payable	7,425	323
Increase (decrease) in accounts payable	8,298	3,115,620
Decrease in advance receipts	(1,737)	(1,979)
Increase (decrease) in receipts under custody	20,990	(10,660)
Increase (decrease) in other payables	69,677	(10,539)
Increase in other financial liabilities	177,474	109,029
Increase (decrease) in guaranty deposits received	(1,862)	8
Decrease in accrued pension liabilities - non-current	(281)	(1,984)
Net cash provided by operating activities	<u>1,001,031</u>	<u>2,838,742</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended March 31, 2009 and 2008
(New Taiwan Dollars in Thousands)

	(Unaudited)	(Unaudited)
	Jan. 1~Mar. 31, 2009	Jan. 1~Mar. 31, 2008
Cash flows from investing activities		
Purchase of long-term investments under the equity method	\$ -	(3,309)
Purchase of premises and property	(7,627)	(31,258)
Proceeds from sale of premises and property	-	650
Purchase of deferred debits and intangible assets	(489)	(278)
Increase in guaranty deposited for business operations	(10,000)	(29,600)
Decrease in settlement fund	14,573	5,511
Increase in refundable deposits	(2,362)	(1,378)
Net cash used in investing activities	(5,905)	(59,662)
Cash flows from financing activities		
Decrease in short-term borrowings	(310,000)	(1,815,000)
Decrease in commercial paper payable	-	(1,069,905)
Decrease in long-term borrowings	(412,048)	(1,360)
Net cash used in financing activities	(722,048)	(2,886,265)
Increase (decrease) in cash and cash equivalents	273,078	(107,185)
Cash and cash equivalents, beginning of the year	806,398	668,446
Cash and cash equivalents, end of the year	\$ 1,079,476	561,261
Supplemental disclosures of cash flows information		
Cash paid during the period for interest	\$ 48,245	178,246
Cash paid during the period for income taxes	\$ 308	4,154

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