

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
September 30, 2009 and 2008
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) September 30, 2009		(Unaudited) September 30, 2008		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) September 30, 2009		(Unaudited) September 30, 2008	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 502,003	1	\$ 1,759,372	4	Short-term borrowings (Note 4(10))	\$ 637,000	1	\$ 3,458,000	7
Financial assets measured at fair value through profit or loss-current (Notes 2, 4(2), 4(21) and 5)	13,062,339	28	20,520,524	43	Commercial paper payable (Note 4(11))	299,995	1	1,633,755	4
Bonds purchased under resale agreements (Notes 2 and 4(3) and 6)	5,270,455	11	1,360,804	3	Financial liabilities measured at fair value through profit or loss - current (Notes 4(12) and 4(21))	893,202	2	479,799	1
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	13,918,026	30	11,578,181	25	Bonds sold under repurchase agreements (Notes 4(13) and 5)	14,545,640	32	13,018,455	28
Refinancing margin	44,067	-	6,386	-	Guaranty deposited for securities lent	2,117,295	5	1,031,462	2
Receivable on refinancing collateral	42,548	-	42,359	-	Proceeds payable from securities lent	2,514,904	5	1,272,140	3
Receivables from securities lent	3,948	-	-	-	Notes payable	27,003	-	24,294	-
Guaranty margin for securities borrowed	284,424	1	616,770	1	Accounts payable	141,000	-	202,893	-
Notes receivable	2,211	-	1,716	-	Advance receipts	7,556	-	14,243	-
Accounts receivable (Note 4(4) and 5)	857,202	2	473,838	1	Receipts under custody	80,412	-	85,504	-
Prepayments	61,041	-	44,900	-	Other payables (Notes 2 and 4(14))	3,222,611	7	2,914,456	6
Other receivables	108,334	-	101,517	-	Long-term liabilities - current portion (Note 4(15))	599,779	1	-	-
Pledged assets - current (Note 6)	387,500	1	646,700	1	Deferred income tax liabilities - current (Notes 2 and 4(17))	103,090	-	113,135	-
	<u>34,544,098</u>	<u>74</u>	<u>37,153,067</u>	<u>78</u>	Other financial liabilities - current	691,481	2	824,793	2
						<u>25,880,968</u>	<u>56</u>	<u>25,072,929</u>	<u>53</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)	343,021	1	183,019	-	Long-term borrowings (Note 4(15))	500,000	1	598,860	1
Available-for-sale financial assets - non-current (Notes 2 and 4(2))	371,597	1	422,740	1	Other financial liabilities - non-current (Note 4(21))	453,554	1	249,075	1
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	791,024	2	792,124	2	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term investments under equity method (Notes 2 and 4(5))	2,877,562	6	2,808,672	6		<u>981,252</u>	<u>2</u>	<u>875,633</u>	<u>2</u>
	<u>4,383,204</u>	<u>10</u>	<u>4,206,555</u>	<u>9</u>	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	1	200,351	1
Land	2,940,703	6	2,894,458	6	Reserve for trading loss (Note 2)	73,574	-	-	-
Buildings	1,604,909	4	1,563,557	3	Guarantee deposits received	5,808	-	7,660	-
Equipment	495,842	1	560,665	1	Accrued pension liabilities - non-current (Notes 2 and 4(16))	15,874	-	14,446	-
Prepayment for equipment	-	-	5,143	-	Deferred income tax liabilities - non-current (Notes 2 and 4(17))	-	-	94,014	-
Leasehold improvements	214,763	1	224,124	1		<u>295,607</u>	<u>1</u>	<u>316,471</u>	<u>1</u>
	<u>5,256,217</u>	<u>12</u>	<u>5,247,947</u>	<u>11</u>	Total Liabilities	<u>27,157,827</u>	<u>59</u>	<u>26,265,033</u>	<u>56</u>
Less: Accumulated depreciation	<u>(1,191,414)</u>	<u>(3)</u>	<u>(1,155,182)</u>	<u>(2)</u>	Stockholders' Equity				
	<u>4,064,803</u>	<u>9</u>	<u>4,092,765</u>	<u>9</u>	Common stock, par value \$10 per share				
Intangible Assets					2,000,000,000 shares authorized,				
Operation franchise (Notes 2, 3(1) and 4(7))	389,999	1	400,864	1	1,626,787,000 shares issued and outstanding (Note 4(18))	16,107,860	35	16,267,870	34
					Capital surplus				
Other Assets					Premium from stock issuance	2,573	-	2,598	-
Guaranty deposited for business operations	70,000	-	89,900	-	Treasury stock transactions (Note 4(19))	107,031	-	62,040	-
Settlement fund	270,577	1	289,596	1	Long-term investments	29,534	-	1,491	-
Refundable deposits (Note 5)	300,457	1	296,241	1	Paid-in capital from merger (Note 1)	658,234	2	778,921	2
Deferred debits	25,219	-	29,060	-	Retained earnings				
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	656,000	1	732,952	1	Legal reserve	-	-	1,823,985	4
Deferred income tax assets - non-current (Notes 2 and 4(17))	1,222,318	3	-	-	Special reserve (Note 2)	-	-	3,647,970	8
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	296	-	728	-	Unappropriated earnings (Notes 4(17) and 4(18))	1,878,338	4	(1,624,874)	(4)
	<u>2,544,867</u>	<u>6</u>	<u>1,438,477</u>	<u>3</u>	Cumulative translation adjustments (Note 2)	83,205	-	81,845	-
Brokerage accounts, net (Note 4(9))	97,631	-	15,151	-	Total Stockholders' Equity	<u>18,866,775</u>	<u>41</u>	<u>21,041,846</u>	<u>44</u>
TOTAL ASSETS	<u>\$ 46,024,602</u>	<u>100</u>	<u>47,306,879</u>	<u>100</u>	Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 46,024,602</u>	<u>100</u>	<u>47,306,879</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF INCOME
Years Ended September 30, 2009 and 2008
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1-Sep. 30, 2009		Jan. 1-Sep. 30, 2008	
	Amount	%	Amount	%
Revenues				
Brokerage commissions	\$ 2,081,105	37	\$ 1,923,362	43
Underwriting commissions	93,988	2	70,185	2
Gain on sale of securities - proprietary trading	888,864	16	-	-
Gain on sale of securities - underwriting	17,736	-	-	-
Gain on sale of securities - hedging	217,736.00	4	-	-
Securities management, distribution, and management fees	54,857	1	54,176	1
Interest revenue	762,637	14	1,393,065	31
Dividend revenue	83,321	1	65,664	2
Gain on valuation of trading securities	820,085	15	-	-
Gain on covering of borrowed securities and bonds with resale agreements	-	-	31,540	1
Gain on valuation of borrowed securities and bonds with resale agreements	-	-	30,805	1
Gain on stock warrants issued (Note 4(21))	36,526	1	195,358	4
Futures commission revenue (Note 5)	91,023	2	87,932	2
Gain on derivative financial instruments - OTC (Note 4(21))	-	-	277,940	6
Other operating revenue	131,156	2	88,305	2
Non-operating revenue (Note 5)	178,608	3	215,967	5
Investment income under the equity method (Note 4(5))	84,774.00	2	-	-
	<u>5,542,416</u>	<u>100</u>	<u>4,434,299</u>	<u>100</u>
Expenses				
Brokerage fees	129,071	2	117,113	3
Brokerage and clearing fees - proprietary trading	5,210	-	7,379	-
Clearing and exchange fees - refinancing	1,440	-	1,002	-
Clearing and exchange fees - underwriting	2,490	-	5,754	-
Loss on sale of securities - proprietary trading	-	-	307,249	7
Loss on sale of securities - underwriting	-	-	175,484	4
Loss on sale of securities - hedging	-	-	277,176	6
Interest expense	86,487	2	481,007	11
Loss on valuation of trading securities	-	-	2,052,232	46
Loss on covering of borrowed securities and bonds with resale agreements	48,575	1	-	-
Loss on valuation of borrowed securities and bonds with resale agreements	70,233	1	-	-
Loss on transaction of borrowed securities	8,869	-	11,387	-
Stock warrant issuance expense	22,969	1	12,099	-
Clearing and settlement expenses (Note 5)	21	-	119	-
Loss on derivative financial instruments - futures (Note 4(21))	6,905	-	14,250	-
Loss on derivative financial instruments - OTC (Note 4(21))	257,602	5	-	-
Operating expenses (Note 5)	2,424,269	44	2,331,781	53
Other operating expenses	14,479	-	18,320	1
Non-operating expenses	17,056	-	28,082	1
Investment loss under the equity method (Note 4(5))	-	-	90,016	2
	<u>3,095,676</u>	<u>56</u>	<u>5,930,450</u>	<u>134</u>
Continuing operations' income before tax	2,446,740	44	(1,496,151)	(34)
Less: Income tax expense (Notes 2 and 4(17))	568,402	10	377,345	8
Net income	<u>\$ 1,878,338</u>	<u>34</u>	<u>(1,873,496)</u>	<u>(42)</u>
	2008		2007	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Basic earnings per share (Note 4(20))				
Income from continuing operations	\$ 1.52	1.17	\$ (0.92)	(1.15)
Net income	<u>\$ 1.52</u>	<u>1.16</u>	<u>\$ (0.92)</u>	<u>(1.15)</u>
Basic earnings per share-retroactively stated (Note 4(20))	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2009 and 2008
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1~Sep. 30, 2009	(Unaudited) Jan. 1~Sep. 30, 2008
Cash flows from operating activities		
Net income (loss)	\$ 1,878,338	\$ (1,873,496)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	112,831	123,553
Amortization	10,780	11,480
Amortization of held-to-maturity financial assets - non-current	80	-
Gain from sale of long-term investments under the equity method	(6,517)	-
Loss (gain) on disposal of premises and property, net	63	953
Loss (gain) on evaluation of trading securities	(820,085)	2,052,232
Excess of investment income under the equity method over cash dividends received	(30,830)	192,849
Impairment loss on available-for-sale financial assets	11,143	-
Provision for securities trading loss	71,767	(2,268)
Changes in assets and liabilities:		
Decrease in financial assets measured at fair value through profit or loss-current	6,216,414	7,932,805
Increase in bonds purchased under resale agreements	(5,268,455)	(328,226)
Decrease (increase) in receivable for securities provided as collateral	(6,546,405)	10,865,861
Decrease (increase) in refinancing margin	(44,067)	(6,386)
Decrease (increase) in receivable on refinancing collateral	(31,659)	(39,763)
Increase in receivables on refinancing collateral	(3,948)	-
Increase in guaranty margin for securities borrowed	(116,715)	(616,770)
Decrease (increase) in notes receivable	(285)	243
Decrease (increase) in accounts receivable	(467,703)	427,163
Decrease (increase) in prepayments	(1,141)	16,003
Increase in other receivables	(10,611)	(5,838)
Decrease (increase) in pledged assets - current	271,600	210,600
Decrease in available-for-sale financial assets - current	26,380	-
Deferred income tax assets and liabilities, net	417,758	9,247
Decrease (increase) in other assets	66	191
Decrease (increase) in brokerage accounts	(86,835)	202,890
Increase (decrease) in financial liabilities measured at fair value through profit or loss	580,558	(137,962)
Decrease in bonds sold under repurchase agreements	(136,028)	(9,784,084)
Decrease in guaranty deposited for securities lent	1,184,877	(389,638)
Decrease in proceeds payable from securities lent	1,412,187	(355,245)
Decrease in notes payable	1,328	(9,218)
Increase (decrease) in accounts payable	(89,768)	(34,261)
Increase in advance receipts	893	8,011
Increase in receipts under custody	32,585	12,453
Increase (decrease) in other payables	276,241	(292,996)
Increase in other financial liabilities	427,430	234,202
Increase in guaranty deposits received	(1,852)	8
Decrease in accrued pension liabilities - non-current	(281)	(1,984)
Net cash provided by (used in) operating activities	<u>(729,866)</u>	<u>8,422,609</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended September 30, 2009 and 2008
(New Taiwan Dollars in Thousands)

	(Unaudited)	(Unaudited)
	Jan. 1~Sep. 30, 2009	Jan. 1~Sep. 30, 2008
Cash flows from investing activities		
Proceeds from sale of investments under the equity method	22,756	155,017
Purchase of long-term investments under the equity method	-	(3,309)
Proceeds from capital reduction of investments under the equity method	-	27,209
Purchase of premises and property	(27,065)	(58,381)
Proceeds from sale of premises and property	-	1,299
Purchase of deferred debits	(4,315)	(10,398)
Proceeds from sale of deferred debits	-	165
Decrease in guaranty deposited for business operations	4,000	27,500
Decrease (increase) in settlement fund	19,019	8,631
Increase in refundable deposits	(3,882)	(524)
Net cash provided (used in) investing activities	10,513	147,209
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	127,000	(1,462,000)
Increase (decrease) in commercial paper payable	299,995	(5,650,968)
Increase (decrease) in long-term borrowings	(12,037)	(910)
Cash dividends	-	(294,823)
Employee bonuses	-	(22)
Remuneration to directors and supervisors	-	(70,169)
Net cash provided (used in) by financing activities	414,958	(7,478,892)
Decrease in cash and cash equivalents	(304,395)	1,090,926
Cash and cash equivalents, beginning of the year	806,398	668,446
Cash and cash equivalents, ended Sept. 30, 2009 and 2008	\$ 502,003	1,759,372
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 100,326	\$ 491,593
Cash paid during the year for income taxes	\$ 10,267	\$ 544,986
Investing and financing activities with no effect on cash flows:		
Long-term liabilities - current portion	\$ 599,779	\$ -

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