

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
March 31, 2010 and 2009
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) March 31, 2010		(Unaudited) March 31, 2009		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 2010		(Unaudited) March 31, 2009	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 761,746	2	\$ 1,079,476	3	Short-term borrowings (Note 4(10))	\$ 1,038,000	2	\$ 200,000	-
Financial assets measured at fair value through profit or loss-current (Notes 2, 4(2), 4(21) and 5)	13,322,145	29	10,696,187	31	Commercial paper payable (Note 4(11))	1,759,902	4	-	-
Bonds purchased under resale agreements (Notes 2 and 4(3) and 6)	2,676,883	6	451,254	1	Financial liabilities measured at fair value through profit or loss - current (Notes 4(12) and 4(21))	1,014,733	2	464,225	1
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	17,052,003	37	8,662,302	25	Bonds sold under repurchase agreements (Notes 4(13) and 5)	9,715,366	21	8,562,467	25
Refinancing margin	2,800	-	-	-	Guaranty deposited for securities lent	1,148,740	3	917,318	3
Receivable on refinancing collateral	6,596	-	446	-	Proceeds payable from securities lent	1,307,770	3	1,040,865	3
Receivables on refinancing collateral	18,269	-	759	-	Accounts payable	56,154	-	239,066	1
Guaranty margin for securities borrowed	160,696	-	284,105	1	Advance receipts	5,978	-	4,926	-
Notes receivable	1,406	-	2,136	-	Receipts under custody	75,455	-	68,817	-
Accounts receivable (Note 4(4) and 5)	593,886	1	579,473	2	Other payables (Notes 2 and 4(14))	3,240,072	7	3,016,047	9
Prepayments	35,470	-	30,724	-	Deferred income tax liabilities - current (Notes 2 and 4(17))	57,268	-	90,848	-
Other receivables	108,821	-	91,879	-	Long-term liabilities - current portion (Note 4(15))	599,954	1	-	-
Pledged assets - current (Note 6)	297,500	1	453,500	2	Other financial liabilities - current (Note 4(21))	280,412	1	895,079	3
	<u>35,038,221</u>	<u>76</u>	<u>22,332,241</u>	<u>65</u>		<u>20,299,804</u>	<u>44</u>	<u>15,499,658</u>	<u>45</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)	322,480	1	378,727	1	Long-term borrowings (Note 4(15))	1,700,000	4	699,768	2
Available-for-sale financial assets - non-current (Notes 2 and 4(2))	134,285	-	382,740	1	Other financial liabilities - non-current (Note 4(21))	777,938	2	-	-
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	790,969	2	791,078	2	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term investments under equity method (Notes 2 and 4(5))	2,932,068	6	2,968,470	9		<u>2,505,636</u>	<u>6</u>	<u>727,466</u>	<u>2</u>
	<u>4,179,802</u>	<u>9</u>	<u>4,521,015</u>	<u>13</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	8	Reserve for trading loss (Note 2)	38,201	-	24,168	-
Buildings	1,607,918	3	1,563,557	5	Guarantee deposits received	5,808	-	5,798	-
Equipment	457,131	1	466,542	1	Accrued pension liabilities - non-current (Notes 2 and 4(16))	24,235	-	15,874	-
Prepayment for equipment	1,830	-	10,150	-	Deferred income tax liabilities - non-current (Notes 2 and 4(17))	-	-	-	-
Leasehold improvements	223,190	1	214,675	1		<u>268,595</u>	<u>-</u>	<u>246,191</u>	<u>1.00</u>
	<u>5,230,772</u>	<u>11</u>	<u>5,149,382</u>	<u>15</u>	Brokerage accounts, net (Note 4(9))	<u>9,303</u>	<u>-</u>	<u>299,930</u>	<u>1</u>
Less: Accumulated depreciation	(1,202,017)	(3)	(1,102,858)	(3)	Total Liabilities	<u>23,083,338</u>	<u>50</u>	<u>16,773,245</u>	<u>49</u>
	<u>4,028,755</u>	<u>8</u>	<u>4,046,524</u>	<u>12</u>	Stockholders' Equity				
Intangible Assets					Common stock, par value \$10 per share				
Deferred pension costs (Notes 2)	7,471	-	-	-	2,000,000,000 shares authorized,				
Operation franchise (Notes 2 and 4(7))	389,999	1	389,999	1	1,610,786 thousand shares issued and outstanding (Note 4(18))	18,796,582	41	16,107,860	47
	<u>397,470</u>	<u>1</u>	<u>389,999</u>	<u>1</u>	Capital surplus				
Other Assets					Premium from stock issuance	508,053	##	2,572	-
Guaranty deposited for business operations	74,000	-	84,000	-	Treasury stock transactions (Note 4(19))	107,031	-	107,031	-
Settlement fund	291,995	1	275,023	1	Long-term investments	29,534	-	1,491	-
Refundable deposits	227,234	1	298,937	1	Paid-in capital from merger (Note 1)	658,234	2	778,921	2
Deferred debits	38,703	-	28,664	-	Retained earnings				
Deferred income tax assets - non-current (Notes 2 and 4(17))	1,286,600	3	1,593,718	5	Legal reserve	-	-	1,823,985	6
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	653,416	1	730,021	2	Special reserve (Note 2)	-	-	3,647,970	11
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	296	-	316	-	Unappropriated earnings (Notes 4(17) and 4(18))	2,970,138	6	(5,104,629)	(15)
	<u>2,572,244</u>	<u>6</u>	<u>3,010,679</u>	<u>9</u>	Cumulative translation adjustments (Note 2)	63,582	-	162,012	-
TOTAL ASSETS	<u>\$ 46,216,492</u>	<u>100</u>	<u>34,300,458</u>	<u>100</u>	Total Stockholders' Equity	<u>23,133,154</u>	<u>50</u>	<u>17,527,213</u>	<u>51</u>
					Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 46,216,492</u>	<u>100</u>	<u>34,300,458</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, 2010 and 2009
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1~Mar. 31, 2010		Jan. 1~Mar. 31, 2009	
	Amount	%	Amount	%
Revenues				
Brokerage commissions	\$ 643,166	39	\$ 415,998	29
Underwriting commissions	40,287	3	65,713	5
Gain on sale of securities - proprietary trading	20,721	1	186,084	13
Gain on sale of securities - underwriting	18,267	1	6,735	-
Securities management, distribution, and management fees	17,853	1	17,281	1
Interest revenue	314,156	19	185,256	13
Dividend revenue	2	-	-	-
Gain on valuation of trading securities	-	-	392,459	28
Gain on covering of borrowed securities and bonds with resale agreements	73	-	4,010	-
Gain on valuation of borrowed securities and bonds with resale agreements	6,796	-	-	-
Gain on stock warrants issued (Note 4(21))	358,448	22	10,788	1
Futures commission revenue (Note 5)	24,082	2	28,519	2
Gain on derivative financial instruments - futures (Note 4(21))	13,871	1	1,006	-
Loss on derivative financial instruments - OTC (Note 4(21))	10,588	1	-	-
Other operating revenue	105,800	6	31,567	2
Non-operating revenue (Note 5)	51,290	3	58,818	4
Investment income under the equity method (Note 4(5))	23,856	1	30,949	2
	<u>1,649,256</u>	<u>100</u>	<u>1,435,183</u>	<u>100</u>
Expenses				
Brokerage fees	41,530	3	24,661	2
Brokerage and clearing fees - proprietary trading	2,470	-	1,138	-
Clearing and exchange fees - refinancing	558	-	307	-
Clearing and exchange fees - underwriting	760	-	2,720	-
Loss on sale of securities - hedging	200,051	12	16,692	1
Interest expense (Note 5)	42,514	3	34,849	2
	54,948	3	-	-
Loss on valuation of borrowed securities and bonds with resale agreements	-	-	32,124	2
Stock warrant issuance expense	7,333	1	7,391	1
Clearing and settlement expenses (Note 5)	20	-	17	-
Loss on derivative financial instruments - OTC (Note 4(21))	-	-	30,737	2
Operating expenses (Note 5)	736,075	45	682,439	48
Other operating expenses	7,222	-	4,434	-
Non-operating expenses	4,430	-	1,538	-
	<u>1,097,911</u>	<u>67</u>	<u>839,047</u>	<u>58</u>
Continuing operations' income before tax	551,345	33	596,136	42
Less: Income tax expense (Notes 2 and 4(17))	172,080	10	108,123	8
	379,265	23	488,013	34
Extraordinary income	45,542	3	-	-
Net income	<u>\$ 424,807</u>	<u>26</u>	<u>\$ 488,013</u>	<u>34</u>
	<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	\$ 0.33	0.22	\$ 0.37	0.30
Extraordinary income	\$ 0.03	0.03	\$ -	-
Net income	<u>\$ 0.36</u>	<u>0.25</u>	<u>\$ 0.37</u>	<u>0.30</u>
Basic earnings per share - retroactively stated (Note 4(20))				
Diluted earnings per share (Note 4(20))	<u>\$ 0.36</u>	<u>0.25</u>	<u>\$ 0.37</u>	<u>0.30</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2010 and 2009
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1~Mar. 31, 2010	(Unaudited) Jan. 1~Mar. 31, 2009
Cash flows from operating activities		
Net income	\$ 424,807	\$ 488,013
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Extraordinary income	(56,927)	-
Depreciation expense	37,862	37,651
Amortization	5,335	3,509
Amortization of held-to-maturity financial assets - non-current	27	26
Loss (gain) on disposal of premises and property, net	(909)	63
Loss (gain) on evaluation of trading securities	54,948	(392,459)
Excess of investment income under the equity method over cash dividends received	(23,856)	(30,949)
Provision for securities trading loss	(59,115)	22,361
Decrease (increase) in financial assets measured at fair value through profit or loss-current	3,701,768	8,124,577
Increase in bonds purchased under resale agreements	(1,272,385)	(449,254)
Decrease (increase) in receivable for securities provided as collateral	216,180	(1,290,681)
Decrease in refinancing margin	40,221	-
Decrease in receivable on refinancing collateral	72,202	10,443
Increase in receivables on refinancing collateral	(6,771)	(759)
Increase in guaranty margin for securities borrowed	(17,604)	(116,396)
Increase in notes receivable	1,047	(210)
Decrease (increase) in accounts receivable	135,930	(189,974)
Decrease (increase) in prepayments	(3,879)	(3,924)
Decrease (increase) in other receivables	31,830	5,843
Decrease in pledged assets - current	98,000	205,600
Decrease in available-for-sale financial assets - current	-	26,380
Deferred income tax assets and liabilities, net	37,219	10,331
Decrease in other assets	2	47
Decrease (increase) in brokerage accounts	(102,941)	310,726
Increase in financial liabilities measured at fair value through profit or loss	(63,588)	146,236
Increase (decrease) in bonds sold under repurchase agreements	276,370	(6,119,201)
Decrease in guaranty deposited for securities lent	(945,629)	(15,100)
Decrease in proceeds payable from securities lent	(1,102,709)	(61,852)
Increase in notes payable	-	7,425
Increase (decrease) in accounts payable	(458,191)	8,298
Decrease in advance receipts	(1,371)	(1,737)
Increase (decrease) in receipts under custody	(28,947)	20,990
Increase (decrease) in other payables	(545,939)	69,677
Increase in other financial liabilities	(276,654)	177,474
Increase (decrease) in guaranty deposits received	-	(1,862)
Decrease in accrued pension liabilities - non-current	327	(281)
Net cash provided by operating activities	166,660	1,001,031

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended March 31, 2010 and 2009
(New Taiwan Dollars in Thousands)

	(Unaudited)	(Unaudited)
	Jan. 1~Mar. 31, 2010	Jan. 1~Mar. 31, 2009
Cash flows from investing activities		
Purchase of long-term investments under the equity method	\$ -	\$ -
Purchase of premises and property	(13,164)	(7,627)
Proceeds from sale of premises and property	1,570	-
Purchase of deferred debits and intangible assets	-	(489)
Increase in guaranty deposited for business operations	9,300	(10,000)
Decrease in settlement fund	(21,418)	14,573
Increase in refundable deposits	76,091	(2,362)
Net cash used in investing activities	<u>52,379</u>	<u>(5,905)</u>
 Cash flows from financing activities		
Decrease in short-term borrowings	(992,000)	(310,000)
Decrease in commercial paper payable	(2,729,721)	-
Increase in long-term borrowings	600,283	-
Decrease in long-term borrowings	-	(412,048)
Increase cash due to consolidation	3,168,142	-
Net cash used in financing activities	<u>46,704</u>	<u>(722,048)</u>
Increase (decrease) in cash and cash equivalents	265,743	273,078
Cash and cash equivalents, beginning of the year	496,003	806,398
Cash and cash equivalents, end of the year	<u>\$ 761,746</u>	<u>1,079,476</u>
 Supplemental disclosures of cash flows information		
Cash paid during the period for interest	<u>\$ 41,920</u>	<u>48,245</u>
Cash paid during the period for income taxes	<u>\$ 1,904</u>	<u>308</u>

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