

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
June 30, 2010 and 2009
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	June 30, 2010		June 30, 2009		LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2010		June 30, 2009	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 778,847	2	\$ 533,772	2	Short-term borrowings (Note 4(10))	\$ 859,000	2	\$ 1,725,000	5
Financial assets at fair value through profit or loss - current (Notes 2, 4(2), 4(21) and 5)	11,009,979	26	10,993,443	30	Commercial paper payable (Note 4(11))	99,995	-	1,449,959	4
Bonds purchased under resale agreements (Notes 2, 4(3) and 6)	2,237,052	5	51,068	-	Financial liabilities at fair value through profit or loss - current (Notes 4(12) and 4(21))	865,868	2	714,556	2
Refinancing margin	10,869	-	30,157	-	Bonds sold under repurchase agreements (Notes 4(13) and 5)	9,304,060	22	6,873,444	19
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	16,195,728	38	12,344,230	33	Guaranty deposited for securities lent	999,145	3	1,347,846	4
Receivables on refinancing collateral	33,716	-	29,557	-	Proceeds payable from securities lent	1,131,536	3	1,539,826	4
Receivables from securities lent	9,603	-	-	-	Notes payable	1,422	-	37,873	-
Guaranty margin for securities borrowed	218,162	-	264,022	1	Accounts payable	311,268	1	277,450	1
Notes receivable	2,568	-	2,463	-	Advance receipts	6,196	-	6,559	-
Accounts receivable (Notes 4(4) and 5)	733,596	2	626,676	2	Collections for other parties	56,679	-	66,206	-
Prepayments	17,476	-	68,129	-	Other payables (Notes 2 and 4(14))	2,799,904	7	3,064,758	8
Other receivables	125,486	-	137,728	-	Long-term liabilities - current portion (Note 4(15))	-	-	599,443	2
Pledged assets - current (Note 6)	297,500	1	389,500	1	Deferred income tax liabilities - current (Notes 2 and 4(17))	50,284	-	123,230	-
	31,670,582	74	25,470,745	69	Other financial liabilities - current (Note 4(21))	66,286	-	720,022	2
					Other current liabilities	-	-	-	-
						16,551,643	40	18,546,172	51
Long-Term Investments					Long-Term Liabilities				
Financial assets at fair value through profit or loss -non-current (Notes 2, 4(2), 4(21) and 6)	308,217	1	311,847	1	Long-term borrowings (Note 4(15))	1,700,000	4	-	-
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))	748,519	2	162,639	-
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	790,941	2	791,051	2	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term equity investments accounted for under the equity method (Notes 2 and 4(5))	2,934,793	7	2,947,976	8		2,476,217	6	190,337	-
	4,168,236	10	4,433,614	12	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	1	200,351	1
Land	2,918,738	7	2,940,702	8	Reserve for trading loss (Note 2)	4,460	-	50,186	-
Buildings	1,600,896	3	1,604,909	4	Guaranty deposits received (Note 5)	7,463	-	5,808	-
Equipments	493,968	1	484,301	1	Accrued pension liabilities (Notes 2 and 4(16))	24,235	-	15,874	-
Prepayment for equipments	260	-	-	-	Deferred income tax liabilities - non-current (Notes 2 and 4(17))	-	-	-	-
Leasehold improvements	231,735	1	214,675	1		236,509	-	272,219	1
	5,245,597	12	5,244,587	14		179,072	-	-	-
Less: Accumulated depreciation	(1,238,182)	(3)	(1,155,182)	(3)	Brokerage accounts, net (Note 4(9))				
	4,007,415	9	4,089,405	11	Total Liabilities	19,443,441	46	19,008,728	52
Intangible Assets					Stockholders' Equity				
Deferred pension costs (Notes 2)	7,471	-	-	-	Common stock, par value \$10 per share				
Operation franchise (Notes 2, and 4(7))	389,999	1	389,999	1	3,000,000,000 shares authorized,				
	397,470	1	389,999	1	1,610,786,000 shares issued and outstanding (Note 4(18))	18,796,582	44	16,107,860	43
Other Assets					Stock dividends to be distributed	1,578,913	4	-	-
Guaranty deposited for business operations	74,650	-	75,000	-	Capital surplus				
Settlement fund	303,995	1	270,577	1	Premium from stock issuance	508,053	1	2,573	-
Refundable deposits	72,016	-	299,715	1	Treasury stock transactions (Note 4(19))	107,031	-	107,031	-
Deferred debits	38,257	-	28,205	-	Long-term investments	29,534	-	29,534	-
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	679,550	2	657,292	2	Paid-in capital from merger (Note 1)	658,234	2	658,234	2
Deferred income tax assets - non-current (Notes 2 and 4(17))	1,091,856	3	1,272,417	3	Retained earnings				
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	296	-	310	-	Legal reserve	254,533	1	-	-
	2,260,620	6	2,603,516	7	Special reserve (Note 2)	509,066	1	-	-
	-	-	122,260	-	Unappropriated earnings (Notes 4(17) and 4(18))	529,775	1	1,082,072	3
					Cumulative translation adjustments (Note 2)	89,161	-	113,507	-
Brokerage accounts, net (Note 4(9))					Total Stockholders' Equity	23,060,882	54	18,100,811	48
TOTAL ASSETS	\$ 42,504,323	100	\$ 37,109,539	100	Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 42,504,323	100	\$ 37,109,539	100

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF INCOME
Years Ended June 30, 2010 and 2009
(New Taiwan Dollars in Thousands, Except Share and Per Share Data)

	Jan. 1 ~ June 30, 2010		Jan. 1 ~ June 30, 2009	
	Amount	%	Amount	%
Revenues:				
Brokerage commissions	\$ 1,216,753	37	\$ 1,313,230	37
Underwriting commissions	90,691	3	74,253	2
Gain on sale of securities - proprietary trading	115,519	3	445,963	13
Gain on sale of securities - underwriting	23,995	1	7,774	-
Gain on sale of securities - hedging	-	-	163,679	5
Securities management, distribution, and management fees	36,229	1	35,505	1
Interest revenue	720,810	22	510,749	15
Dividend revenue	5,364	-	4,722	-
Gain on valuation of trading securities	-	-	596,181	17
Gain on covering of borrowed securities and bonds with resale agreements	-	-	-	-
Gain on valuation of borrowed securities and bonds with resale agreements	34,774	1	-	-
Gain on stock warrants issued (Note 4(21))	617,911	19	-	-
Futures commission revenue (Note 5)	50,632	2	61,789	2
Gain on derivative financial instruments (Note 4(21))	22,667	1	4,601	-
Gain on derivative financial instruments - OTC (Note 4(21))	33,040	1	-	-
Other operating revenues	186,487	5	95,448	3
Non-operating revenues (Note 5)	110,465	3	117,915	3
Investment income under the equity method (Note 4(5))	30,847	1	63,365	2
	3,296,184	100	3,495,174	100
Expenses:				
Brokerage fees	78,583	2	80,656	3
Brokerage and clearing fees: proprietary trading	4,935	-	2,947	-
Clearing and exchange fees: refinancing	799	-	827	-
Clearing and exchange fees: underwriting	1,483	-	2,343	-
Loss on sale of securities - hedging	315,680	10	-	-
Interest expense	96,618	3	73,382	2
Loss on valuation of trading securities	383,977	12	-	-
Loss on covering of borrowed securities and bonds with resale agreements	7,244	-	12,483	-
Loss on valuation of borrowed securities and bonds with resale agreements	-	-	69,672	2
Loss on transaction of borrowed securities	-	-	4,813	-
Stock warrant issuance expense	19,135	1	14,884	-
Loss on stock warrants issued (Note 4(21))	-	-	69,235	2
Clearing and settlement expenses (Note 5)	20	-	18	-
Loss on derivative financial instruments-TSE (Note 4(21))	-	-	-	-
Loss on derivative financial instruments - OTC (Note 4(21))	-	-	126,970	4
Operating expenses (Note 5)	1,502,564	46	1,551,821	45
Other operating expenses	8,818	-	12,052	-
Non-operating expenses	8,136	-	3,368	-
	2,427,992	74	2,025,471	58
Continuing operations income before tax	868,192	26	1,469,703	42
Less: Income tax expense (Notes 2 and 4(17))	400,519	12	387,631	11
Extraordinary income	47,249	1	-	-
Net income	\$ 514,922	15	\$ 1,082,072	31
Basic earnings per share (Note 4(20))				
	Before Tax	After Tax	Before Tax	After Tax
Net income	\$ 0.52	0.29	\$ 0.91	0.67
Basic earnings per share-retroactively stated (Note 4(20))	\$ 0.48	0.27	\$ 0.84	0.62
Diluted earnings per share (Note 4(20))	\$ 0.52	0.29	\$ 0.91	0.67
Diluted earnings per share - retroactively stated (Note 4(20))	\$ 0.48	0.27	\$ 0.84	0.62

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended June 30, 2010 and 2009
(New Taiwan Dollars in Thousands)

	Capital stock	Stock dividends to be distributed	Capital surplus	Retained earnings			Shareholder equity - other items			Total
				Legal reserve	Special reserve	Unappropriated earnings	Unrealized gains on financial products	Cumulative translation adjustments	Treasury stock	
Beginning balance, January 1, 2009	\$ 16,267,870	-	845,050	1,823,985	3,647,970	(5,592,642)	1,400	113,007	(115,044)	16,991,596
Appropriation of 2008 earnings :										
Loss offsetting from legal reserve	-	-	-	(1,823,985)	-	1,823,985	-	-	-	-
Loss offsetting from special reserve	-	-	-	-	(3,647,970)	3,647,970	-	-	-	-
Loss offsetting from capital surplus	-	-	(120,687)	-	-	120,687	-	-	-	-
Net income for the six months ended June 30, 2009	-	-	-	-	-	1,082,072	-	-	-	1,082,072
Non-subscription of newly issued investee shares according to ownership	-	-	28,043	-	-	-	-	-	-	28,043
Unrealized gains on available-for-sale financial assets - current	-	-	-	-	-	-	(1,400)	-	-	(1,400)
Cumulative translation adjustments from investees	-	-	-	-	-	-	-	500	-	500
Cancellation of treasury stock	(160,010)	-	44,966	-	-	-	-	-	115,044	-
Ending balance, June 30, 2009	\$ 16,107,860	-	797,372	-	-	1,082,072	-	113,507	-	18,100,811
Beginning balance, January 1, 2010	\$ 16,107,860	-	797,372	-	-	2,545,331	73,575	-	-	19,524,138
New shares issuance due to merger	2,688,722	-	505,480	-	-	-	-	-	-	3,194,202
Net income for the six months ended June 30, 2010	-	-	-	-	-	514,922	-	-	-	514,922
Appropriation of 2009 earnings :										
Legal reserve	-	-	-	254,533	-	(254,533)	-	-	-	-
Special reserve	-	-	-	-	509,066	(509,066)	-	-	-	-
Cash dividends	-	-	-	-	-	(187,966)	-	-	-	(187,966)
Shares issuance from retained earnings	-	1,578,913	-	-	-	(1,578,913)	-	-	-	-
Gain (loss) on currency	-	-	-	-	-	-	15,586	-	-	15,586
Ending balance, June 30, 2009	\$ 18,796,582	1,578,913	1,302,852	254,533	509,066	529,775	89,161	-	-	23,060,882

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009
(New Taiwan Dollars in Thousands)

	<u>Jan. 1~June 30, 2010</u>	<u>Jan. 1~June 30, 2009</u>
Cash flows from operating activities:		
Net income	\$ 514,922	1,082,072
Changes in assets and liabilities:		
Extraordinary income	(56,927)	
Depreciation expense	76,880	75,308
Amortization	10,734	7,164
Amortization of held-to-maturity financial assets - non-current	55	53
Gain from sale of long-term investments under the equity method	-	(6,517)
Loss (gain) on disposal of premises and property, net	(909)	63
Loss (gain) on valuation of trading securities	383,977	(596,181)
Excess (less) of investment income under the equity method over cash dividends received	(30,847)	(63,365)
Provision for (reversal of) securities trading loss	(92,855)	48,379
Decrease in financial assets at fair value through profit or loss -current	5,699,168	8,097,726
Increase in bonds purchased under resale agreements	(832,554)	(49,068)
Decrease (increase) in receivable for securities provided as collateral	1,072,455	(4,973,527)
Increase in refinancing margin	32,152	(30,157)
Increase in receivables on refinancing collateral	45,082	(18,668)
Decrease in receivables on refinancing collateral	1,895	
Increase in guaranty margin for securities borrowed	(75,070)	(96,313)
Increase in notes receivable	(115)	(537)
Increase in accounts receivable	(3,780)	(237,177)
Decrease (increase) in prepayment	14,115	(8,229)
Increase in other receivables	37,960	(39,056)
Decrease in pledged assets - current	98,000	269,600
Decrease in available-for-sale financial assets - current	-	26,380
Deferred income tax assets and liabilities, net	232,028	380,223
Decrease in other assets	2	21
Brokerage accounts, net	66,828	(111,465)
Increase in financial liabilities at fair value through profit or loss -current	(212,453)	396,766
Decrease in bonds sold under repurchase agreements	(134,936)	(7,808,224)
Increase (decrease) in guaranty deposited for securities lent	(1,095,224)	415,428
Increase (decrease) in proceeds payable from securities lent	(1,278,943)	437,109
Increase in notes payable	1,422	12,198
Increase in accounts payable	(203,077)	46,682
Increase (decrease) in advance receipts	(1,153)	(104)
Increase (decrease) in collections for other parties	(47,723)	18,379
Increase (decrease) in other payables	(1,174,073)	118,388
Increase in other financial liabilities	(520,199)	165,056
Increase (decrease) in guaranty deposits received	1,655	(1,852)
Decrease in accrued pension liabilities - non-current	327	(281)
Net cash provided by (used in) operating activities	<u>2,528,819</u>	<u>(2,443,726)</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended June 30, 2010 and 2009
(New Taiwan Dollars in Thousands)

	Jan. 1~June 30, 2010	Jan. 1~June 30, 2009
Cash flows from investing activities:		
Proceeds from sale of long-term investments under the equity method	\$ -	22,756
Purchase of long-term investments under the equity method	-	-
Purchase of premises and property	(56,976)	(15,436)
Proceeds from sale of premises and property	1,570	-
Purchase of deferred debits and intangible assets	(4,953)	(3,685)
Proceeds from sale of deferred debits and intangible assets	-	-
Decrease (increase) in guaranty deposited for business operations	8,650	(1,000)
Decrease in settlement fund	(33,418)	19,019
Decrease (increase) in refundable deposits	231,309	(3,140)
Cash flow in due to merger	3,168,142	-
Net cash provided by (used in) investing activities	3,314,324	18,514
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,171,000)	1,215,000
Increase (decrease) in commercial paper payable	(4,389,628)	1,449,959
Increase (decrease) in long-term borrowings	(599,671)	(512,373)
Increase in long-term borrowings	600,000	-
Net cash provided by (used in) financing activities	(5,560,299)	2,152,586
Increase (decrease) in cash and cash equivalents	282,844	(272,626)
Cash and cash equivalents, beginning of the year	496,003	806,398
Cash and cash equivalents, ended June 30, 2009 and 2008	\$ 778,847	\$ 533,772
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 96,164	\$ 87,816
Cash paid during the year for income taxes	\$ 942,015	\$ 91,793
Investing and financing activities with no effect on cash flows:		
Cash dividend payable	\$ 187,966	\$ -
Employee bonuses payable	\$ -	\$ -
Long-term liabilities - current portion	\$ -	\$ -

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