

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

ASSETS	(Unaudited) September 30, 2010		(Unaudited) September 30, 2009		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) September 30, 2010		(Unaudited) September 30, 2009	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 1,135,061	2	\$ 502,003	1	Short-term borrowings (Note 4(10))	\$ 1,697,000	4	\$ 637,000	1
Financial assets measured at fair value through profit or loss-current (Notes 2, 4(2), 4(21) and 5)	13,004,302	29	13,075,401	28	Commercial paper payable (Note 4(11))	2,149,872	6	299,995	1
Bonds purchased under resale agreements (Notes 2 and 4(3) and 6)	2,368,736	5	5,270,455	11	Financial liabilities measured at fair value through profit or loss - current (Notes 4(12) and 4(21))	1,401,443	3	906,264	2
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	18,537,421	39	13,918,026	30	Bonds sold under repurchase agreements (Notes 4(13) and 5)	9,368,540	20	14,545,640	32
Refinancing margin	19,226	-	44,067	-	Guaranty deposited for securities lent	1,540,678	3	2,117,295	5
Receivable on refinancing collateral	37,798	-	42,548	-	Proceeds payable from securities lent	1,879,054	4	2,514,904	5
Receivables from securities lent	6,504	-	3,948	-	Guaranty deposited for securities lent	850,010	2	-	-
Guaranty margin for securities borrowed	98,981	-	284,424	1	Notes payable	1,044	-	27,003	-
Notes receivable	3,757	-	2,211	-	Accounts payable	54,928	-	141,000	-
Accounts receivable (Note 4(4) and 5)	701,580	2	857,202	2	Advance receipts	12,190	-	7,556	-
Prepayments	18,544	-	61,041	-	Receipts under custody	89,138	-	80,412	-
Other receivables	95,484	-	108,334	-	Other payables (Notes 2 and 4(14))	2,960,140	6	3,222,611	7
Pledged assets - current (Note 6)	359,500	1	387,500	1	Long-term liabilities - current portion (Note 4(15))	-	-	599,779	1
	71,573	-	-	-	Deferred income tax liabilities - current (Notes 2 and 4(17))	14,039	-	103,090	-
	36,458,467	78	34,557,160	74	Other financial liabilities - current	182,977	-	691,481	2
						22,201,053	48	25,894,030	56
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)	275,330	1	343,021	1	Long-term borrowings (Note 4(15))	299,974	1	500,000	1
Available-for-sale financial assets - non-current (Notes 2 and 4(2))	66,170	-	371,597	1	Other financial liabilities - non-current (Note 4(21))	895,156	2	453,554	1
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	790,913	2	791,024	2	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term investments under equity method (Notes 2 and 4(5))	2,904,110	6	2,877,562	6		1,222,828	3	981,252	2
	4,036,523	9	4,383,204	10	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	-	200,351	1
Land	2,918,738	6	2,940,703	6	Reserve for trading loss (Note 2)	10,856	-	73,574	-
Buildings	1,600,896	4	1,604,909	4	Guarantee deposits received	7,163	-	5,808	-
Equipment	512,800	1	495,842	1	Accrued pension liabilities - non-current (Notes 2 and 4(16))	24,235	-	15,874	-
Prepayment for equipment	5,189	-	-	-	Deferred income tax liabilities - non-current (Notes 2 and 4(17))	-	-	-	-
Leasehold improvements	235,652	-	214,763	1		242,605	-	295,607	1
	5,273,275	11	5,256,217	12	Total Liabilities	23,666,486	51	27,170,889	59
Less: Accumulated depreciation	(1,272,865)	(3)	(1,191,414)	(3)	Stockholders' Equity				
	4,000,410	8	4,064,803	9	Common stock, par value \$10 per share				
Intangible Assets					2,000,000,000 shares authorized,				
Deferred pension costs (Notes 2)	7,471	-	-	-	1,626,787,000 shares issued and outstanding (Note 4(18))	20,375,495	43	16,107,860	35
Operation franchise (Notes 2, and 4(7))	389,999	1	389,999	1	Capital surplus				
	397,470	1	389,999	1	Premium from stock issuance	508,053	###	2,573	-
Other Assets					Treasury stock transactions (Note 4(19))	107,031	-	107,031	-
Guaranty deposited for business operations	74,700	-	70,000	-	Long-term investments	29,534	-	29,534	-
Settlement fund	303,995	1	270,577	1	Paid-in capital from merger (Note 1)	658,234	1	658,234	2
Refundable deposits (Note 5)	71,176	-	300,457	1	Retained earnings				
Deferred debits	33,991	-	25,219	-	Legal reserve	254,533	1	-	-
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	678,224	1	656,000	1	Special reserve (Note 2)	509,066	1	-	-
Deferred income tax assets - non-current (Notes 2 and 4(17))	1,097,371	2	1,222,318	3	Unappropriated earnings (Notes 4(17) and 4(18))	1,068,170	2	1,878,338	4
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	242	-	296	-	Cumulative translation adjustments (Note 2)	47,737	-	83,205	-
	2,259,699	4	2,544,867	6	Unrealized gain from financial products	3,458	-	-	-
	75,228	-	97,631	-	Total Stockholders' Equity	23,561,311	49	18,866,775	41
Brokerage accounts, net (Note 4(9))					Significant commitments and contingencies				
TOTAL ASSETS	\$ 47,227,797	100	46,037,664	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 47,227,797	100	46,037,664	100

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

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

	(Unaudited)		(Unaudited)	
	Jan. 1-Sep. 30, 2010		Jan. 1-Sep. 30, 2009	
	Amount	%	Amount	%
Revenues				
Brokerage commissions	\$ 1,926,867	40	2,081,105	37
Underwriting commissions	155,907	3	93,988	2
Gain on sale of securities - proprietary trading	179,756	4	888,864	16
Gain on sale of securities - underwriting	26,615	1	17,736	-
Gain on sale of securities - hedging	-	-	217,736	4
Securities management, distribution, and management fees	54,103	1	54,857	1
Interest revenue	1,038,668	22	760,682	14
Dividend revenue	121,216	2	83,321	1
Gain on valuation of trading securities	161,077	3	820,085	15
Gain on valuation of borrowed securities and bonds with resale agreements	17,011	-	-	-
Gain on stock warrants issued (Note 4(21))	638,674	13	36,526	1
Futures commission revenue (Note 5)	74,873	2	91,023	2
Other operating revenue	234,295	5	131,125	2
Non-operating revenue (Note 5)	158,504	3	178,557	3
Investment income under the equity method (Note 4(5))	65,335	1	84,774	2
	<u>4,852,901</u>	<u>100</u>	<u>5,540,379</u>	<u>100</u>
Expenses				
Brokerage fees	124,679	3	129,071	2
Brokerage and clearing fees - proprietary trading	7,793	-	5,204	-
Clearing and exchange fees - refinancing	1,633	-	1,440	-
Clearing and exchange fees - underwriting	2,448	-	2,490	-
Loss on sale of securities - hedging	215,977	5	-	-
Interest expense	112,782	2	86,487	2
Loss on covering of borrowed securities and bonds with resale agreements	13,117	-	48,575	1
Loss on valuation of borrowed securities and bonds with resale agreements	-	-	70,233	1
Loss on transaction of borrowed securities	6,975	-	8,869	-
Stock warrant issuance expense	35,888	1	22,969	1
Clearing and settlement expenses (Note 5)	32	-	-	-
Loss on derivative financial instruments - futures (Note 4(21))	9,922	-	7,217	-
Loss on derivative financial instruments - OTC (Note 4(21))	336,780	7	257,602	5
Operating expenses (Note 5)	2,418,903	50	2,421,159	44
Other operating expenses	14,188	-	14,479	-
Non-operating expenses	9,432	-	17,056	-
	<u>3,310,549</u>	<u>68</u>	<u>3,092,851</u>	<u>56</u>
Continuing operations' income before tax	1,542,352	32	2,447,528	44
Less: Income tax expense (Notes 2 and 4(17))	534,985	11	567,444	10
Net income	1,007,367	21	1,880,084	34
	(1,299)	-	(1,746)	-
	1,006,068	21	1,878,338	34
	47,249	1	-	-
	<u>\$ 1,053,317</u>	<u>22</u>	<u>\$ 1,878,338</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	\$ 0.78	0.51	\$ 1.52	1.17
Net income	<u>\$ 0.81</u>	<u>0.53</u>	<u>\$ 1.52</u>	<u>1.16</u>
Basic earnings per share-retroactively stated (Note 4(20))	<u>\$ 0.81</u>	<u>0.53</u>	<u>\$ 1.40</u>	<u>1.07</u>

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

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

	(Unaudited) Jan. 1~Sep. 30, 2010	(Unaudited) Jan. 1~Sep. 30, 2009
Cash flows from operating activities		
Net income (loss)	\$ 1,053,317	\$ 1,878,338
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Extraordinary income	(56,927)	
Depreciation expense	113,614	112,831
Amortization	15,925	10,780
Amortization of held-to-maturity financial assets - non-current	83	80
Excess of investment income under the equity method over cash dividends received	(65,335)	(84,774)
Gain from sale of long-term investments under the equity method	-	(6,517)
Loss (gain) on disposal of premises and property, net	(1,090)	63
Loss (gain) on evaluation of trading securities	(161,077)	(820,085)
Excess of investment income under the equity method over cash dividends received	38,057	53,944
Impairment loss on available-for-sale financial assets	-	11,143
Provision for securities trading loss	(86,460)	71,767
Changes in assets and liabilities:		
Decrease in financial assets measured at fair value through profit or loss-current	4,282,786	6,216,414
Increase in bonds purchased under resale agreements	(964,238)	(5,268,455)
Decrease (increase) in receivable for securities provided as collateral	(1,269,238)	(6,546,405)
Decrease (increase) in refinancing margin	23,795	(44,067)
Decrease (increase) in receivable on refinancing collateral	41,000	(31,659)
Increase in receivables on refinancing collateral	4,994	(3,948)
Increase in guaranty margin for securities borrowed	44,111	(116,715)
Decrease (increase) in notes receivable	(1,304)	(285)
Decrease (increase) in accounts receivable	28,236	(467,703)
Decrease (increase) in prepayments	13,047	(1,141)
Increase in other receivables	45,167	(10,611)
Decrease (increase) in pledged assets - current	36,000	271,600
Decrease in available-for-sale financial assets - current	-	26,380
Deferred income tax assets and liabilities, net	198,754	417,758
Decrease (increase) in other assets	56	66
Decrease (increase) in brokerage accounts	(187,472)	(86,835)
Increase (decrease) in financial liabilities measured at fair value through profit or loss	323,122	580,558
Decrease in bonds sold under repurchase agreements	(70,456)	(136,028)
Decrease in guaranty deposited for securities lent	(553,691)	1,184,877
Decrease in proceeds payable from securities lent	(531,425)	1,412,187
Increase in guaranty margin for securities borrowed	850,010	
Decrease in notes payable	1,044	1,328
Increase (decrease) in accounts payable	(459,417)	(89,768)
Increase in advance receipts	4,841	893
Increase in receipts under custody	(15,264)	32,585
Increase (decrease) in other payables	(825,871)	276,241
Increase in other financial liabilities	(256,871)	427,430
Increase in guaranty deposits received	1,355	(1,852)
Decrease in accrued pension liabilities - non-current	327	(281)
Net cash provided by (used in) operating activities	<u>1,613,505</u>	<u>(729,866)</u>

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

	(Unaudited)	(Unaudited)
	Jan. 1~Sep. 30, 2010	Jan. 1~Sep. 30, 2009
Cash flows from investing activities		
Proceeds from sale of investments under the equity method	-	22,756
Purchase of premises and property	(85,378)	(27,065)
Proceeds from sale of premises and property	1,750	-
Purchase of deferred debits	(5,878)	(4,315)
Decrease in guaranty deposited for business operations	8,600	4,000
Decrease (increase) in settlement fund	(33,418)	19,019
Increase in refundable deposits	232,149	(3,882)
Cash flow in due to merger (note10(4))	<u>3,168,142</u>	
Net cash provided (used in) investing activities	<u>3,285,967</u>	<u>10,513</u>
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(333,000)	127,000
Increase (decrease) in commercial paper payable	(2,339,751)	299,995
Increase (decrease) in long-term borrowings	(1,399,697)	(12,037)
Cash dividends	<u>(187,966)</u>	<u>-</u>
Net cash provided (used in) by financing activities	<u>(4,260,414)</u>	<u>414,958</u>
Decrease in cash and cash equivalents	639,058	(304,395)
Cash and cash equivalents, beginning of the year	496,003	806,398
Cash and cash equivalents, ended Sept. 30, 2010 and 2009	<u>\$ 1,135,061</u>	<u>\$ 502,003</u>
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	<u>\$ 113,034</u>	<u>\$ 100,326</u>
Cash paid during the year for income taxes	<u>\$ 1,004,159</u>	<u>\$ 10,267</u>
Investing and financing activities with no effect on cash flows:		
Long-term liabilities - current portion	<u>\$ -</u>	<u>\$ 599,779</u>

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