

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
March 31, 2011 and 2010
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) March 31, 2011		(Unaudited) March 31, 2010		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 2011		(Unaudited) March 31, 2010	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 1,013,197	2	\$ 761,746	2	Short-term borrowings (Note 4(10))	\$ 2,787,000	5	\$ 1,038,000	2
Financial assets measured at fair value through profit or loss-current (Notes 2, 4(2), 4(21) and 5)	13,634,442	23	13,322,145	29	Commercial paper payable (Note 4(11))	6,448,738	11	1,759,902	4
Bonds purchased under resale agreements (Notes 2 and 4(3) and 6)	1,811,538	3	2,676,883	6	Financial liabilities measured at fair value through profit or loss - current (Notes 4(12) and 4(21))	1,483,171	3	1,014,733	2
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	18,366,517	31	17,052,003	37	Bonds sold under repurchase agreements (Notes 4(13) and 5)	8,561,831	14	9,715,366	21
Refinancing margin	-	-	2,800	-	Guaranty deposited for securities lent	861,741	1	1,148,740	3
Receivable on refinancing collateral	7,484	-	6,596	-	Proceeds payable from securities lent	968,465	2	1,307,770	3
Receivables on refinancing collateral	2,681	-	18,269	-	Guaranty deposited for securities borrowed	893,637	2	-	-
Guaranty margin for securities borrowed	655,624	1	160,696	-	Notes payable	165	-	-	-
Notes receivable	2,138	-	1,406	-	Accounts payable	153,552	-	56,154	-
Accounts receivable (Note 4(4) and 5)	810,055	1	593,886	1	Advance receipts	17,395	-	5,978	-
Prepayments	32,770	-	35,470	-	Receipts under custody	71,035	-	75,455	-
Other receivables	116,375	-	108,821	-	Other payables (Notes 2 and 4(14))	2,789,813	5	3,240,072	7
Pledged assets - current (Note 6)	360,100	1	297,500	1	Deferred income tax liabilities - current (Notes 2 and 4(17))	-	-	57,268	-
Deferred income tax assets - current (Notes 2 and 4(17))	488,282	1	-	-	Long-term liabilities - current portion (Note 4(15))	-	-	599,954	1
	<u>37,301,203</u>	<u>63</u>	<u>35,038,221</u>	<u>76</u>	Other financial liabilities - current (Note 4(21))	166,036	-	280,412	1
						<u>25,202,579</u>	<u>43</u>	<u>20,299,804</u>	<u>44</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)	252,466	-	322,480	1	Long-term borrowings (Note 4(15))	3,014,871	5	1,700,000	4
Available-for-sale financial assets - non-current (Notes 2 and 4(2))	50,558	-	134,285	-	Other financial liabilities - non-current (Note 4(21))	2,302,799	4	777,938	2
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	790,856	1	790,969	2	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term investments under equity method (Notes 2 and 4(5))	15,157,777	26	2,932,068	6		<u>5,345,368</u>	<u>9</u>	<u>2,505,636</u>	<u>6</u>
	<u>16,251,657</u>	<u>27</u>	<u>4,179,802</u>	<u>9</u>	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	-	-	200,351	1
Land	2,918,738	5	2,940,703	6	Reserve for trading loss (Note 2)	-	-	38,201	-
Buildings	1,600,896	3	1,607,918	3	Guarantee deposits received	7,163	-	5,808	-
Equipment	372,037	1	457,131	1	Accrued pension liabilities - non-current (Notes 2 and 4(16))	24,483	-	24,235	-
Prepayment for equipment	35,470	-	1,830	-	Deferred income tax liabilities - non-current (Notes 2 and 4(17))	-	-	-	-
Leasehold improvements	220,430	-	223,190	1		<u>31,646</u>	<u>-</u>	<u>268,595</u>	<u>-</u>
	<u>5,147,571</u>	<u>9</u>	<u>5,230,772</u>	<u>11</u>	Brokerage accounts, net (Note 4(9))	<u>234,086</u>	<u>-</u>	<u>9,303</u>	<u>-</u>
Less: Accumulated depreciation	(1,131,121)	(2)	(1,202,017)	(3)	Total Liabilities	<u>30,813,679</u>	<u>52</u>	<u>23,083,338</u>	<u>50</u>
	<u>4,016,450</u>	<u>7</u>	<u>4,028,755</u>	<u>8</u>	Stockholders' Equity				
Intangible Assets					Common stock, par value \$10 per share				
Deferred pension costs (Notes 2)	7,471	-	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))	23,057,225	39	18,796,582	41
	<u>397,470</u>	<u>1</u>	<u>397,470</u>	<u>1</u>	Capital surplus				
Other Assets					Premium from stock issuance	1,803,328	3	508,053	1.00
Guaranty deposited for business operations	101,000	-	74,000	-	Treasury stock transactions (Note 4(19))	107,031	-	107,031	-
Settlement fund	290,571	-	291,995	1	Long-term investments	29,534	-	29,534	-
Refundable deposits	70,957	-	227,234	1	Paid-in capital from merger (Note 1)	658,234	1	658,234	2
Deferred debits	40,146	-	38,703	-	Retained earnings				
Deferred income tax assets - non-current (Notes 2 and 4(17))	489,238	1	1,286,600	3	Legal reserve	254,533	-	-	-
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	675,572	1	653,416	1	Special reserve (Note 2)	902,364	2	-	-
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	248	-	296	-	Unappropriated earnings (Notes 4(17) and 4(18))	2,053,975	3	2,970,138	6
	<u>1,667,732</u>	<u>2</u>	<u>2,572,244</u>	<u>6</u>	Cumulative translation adjustments (Note 2)	(45,456)	-	63,582	-
						<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 59,634,512</u>	<u>100</u>	<u>46,216,492</u>	<u>100</u>	Total Stockholders' Equity	<u>28,820,833</u>	<u>48</u>	<u>23,133,154</u>	<u>50</u>
					Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 59,634,512</u>	<u>100</u>	<u>46,216,492</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, 2011 and 2010
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1-Mar. 31, 2011		Jan. 1-Mar. 31, 2010	
	Amount	%	Amount	%
Revenues				
Brokerage commissions	\$ 603,441	35	\$ 643,166	39
Underwriting commissions	41,991	3	40,287	3
Gain on sale of securities - proprietary trading	87,570	5	20,721	1
Gain on sale of securities - underwriting	9,107	1	18,267	1
Gain on sale of securities - hedging	60,792	4	-	-
Securities management, distribution, and management fees	17,107	1	17,853	1
Interest revenue	343,682	20	313,941	19
Dividend revenue	-	-	2	-
Gain on covering of borrowed securities and bonds with resale agreements	680	-	73	-
Gain on valuation of borrowed securities and bonds with resale agreements	2,373	-	6,796	-
Gain on stock warrants issued (Note 4(21))	233,977	14	358,448	22
Futures commission revenue (Note 5)	23,830	1	24,082	2
Gain on derivative financial instruments - futures (Note 4(21))	7,491	-	13,909	1
Loss on derivative financial instruments - OTC (Note 4(21))	151,409	9	10,588	1
Other operating revenue	68,358	4	105,800	6
Non-operating revenue (Note 5)	57,712	3	51,237	3
Investment income under the equity method (Note 4(5))	-	-	23,856	1
	<u>1,709,520</u>	<u>100</u>	<u>1,649,026</u>	<u>100</u>
Expenses				
Brokerage fees	39,410	3	41,530	3
Brokerage and clearing fees - proprietary trading	3,264	-	2,464	-
Clearing and exchange fees - refinancing	706	-	558	-
Clearing and exchange fees - underwriting	2,918	-	760	-
Loss on sale of securities - hedging	-	-	200,051	12
Interest expense (Note 5)	37,858	2	42,514	3
	<u>307,753</u>	<u>18</u>	<u>54,948</u>	<u>3</u>
Stock warrant issuance expense	14,467	1	7,333	1
Securities commission expenses (Note 5)	917	-	-	-
Operating expenses (Note 5)	765,530	45	735,189	45
Other operating expenses	3,640	-	7,222	-
Non-operating expenses	1,326	-	4,430	-
Loss on investment (Note4(5))	23,292	1	-	-
	<u>1,201,081</u>	<u>70</u>	<u>1,096,999</u>	<u>67</u>
Continuing operations' income before tax	508,439	30	552,027	33
Less: Income tax expense (Notes 2 and 4(17))	114,911	7	172,080	10
	<u>393,528</u>	<u>23</u>	<u>379,947</u>	<u>23</u>
	-	-	(682)	-
	<u>393,528</u>	<u>-</u>	<u>379,265</u>	<u>23</u>
Extraordinary income	-	-	45,542	3
Net income	<u>\$ 393,528</u>	<u>23</u>	<u>\$ 424,807</u>	<u>26</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	\$ 0.22	0.17	\$ 0.33	0.22
Extraordinary income	\$ -	\$ -	\$ 0.03	0.03
Net income	<u>\$ 0.22</u>	<u>0.17</u>	<u>\$ 0.36</u>	<u>0.25</u>
Basic earnings per share - retroactively stated (Note 4(20))				
Extraordinary income	\$ 0.30	0.21	\$ 0.03	0.02
Diluted earnings per share (Note 4(20))	<u>\$ 0.22</u>	<u>0.17</u>	<u>\$ 0.33</u>	<u>0.23</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2011 and 2010
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1~Mar. 31, 2011	(Unaudited) Jan. 1~Mar. 31, 2010
Cash flows from operating activities		
Net income	\$ 393,528	\$ 424,807
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Extraordinary income	-	(56,927)
Depreciation expense	32,429	37,862
Amortization	6,065	5,335
Amortization of held-to-maturity financial assets - non-current	29	27
Loss (gain) on disposal of premises and property, net	-	(909)
Loss (gain) on evaluation of trading securities	307,753	54,948
Excess of investment income under the equity method over cash dividends received	23,292	(23,856)
Provision for securities trading loss	-	(59,115)
Decrease (increase) in financial assets measured at fair value through profit or loss-current	1,129,526	3,701,768
Increase in bonds purchased under resale agreements	(235,979)	(1,272,385)
Decrease (increase) in receivable for securities provided as collateral	1,637,027	216,180
Decrease in refinancing margin	-	40,221
Decrease in receivable on refinancing collateral	4,361	72,202
Increase in receivables on refinancing collateral	(1,217)	(6,771)
Increase in guaranty margin for securities borrowed	(509,698)	(17,604)
Increase in notes receivable	926	1,047
Decrease (increase) in accounts receivable	(49,446)	135,930
Decrease (increase) in prepayments	(16,695)	(3,879)
Decrease (increase) in other receivables	14,457	31,830
Decrease in pledged assets - current	(600)	98,000
Decrease in available-for-sale financial assets - current	-	-
Deferred income tax assets and liabilities, net	114,938	37,219
Decrease in other assets	95	2
Decrease (increase) in brokerage accounts	108,242	(102,941)
Increase in financial liabilities measured at fair value through profit or loss	(229,612)	(63,588)
Increase (decrease) in bonds sold under repurchase agreements	210,675	276,370
Decrease in guaranty deposited for securities lent	(718,263)	(945,629)
Decrease in proceeds payable from securities lent	(902,353)	(1,102,709)
Decrease in guaranty deposited for securities borrowed	(356,589)	-
Decrease in notes payable	(736)	-
Increase (decrease) in accounts payable	(104,500)	(458,191)
Decrease in advance receipts	4,437	(1,371)
Increase (decrease) in receipts under custody	(18,379)	(28,947)
Increase (decrease) in other payables	(304,739)	(545,939)
Increase in other financial liabilities	900,431	(276,654)
Increase (decrease) in guaranty deposits received	-	-
Decrease in accrued pension liabilities - non-current	4,990	327
Net cash provided by operating activities	1,444,395	166,660

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended March 31, 2011 and 2010
(New Taiwan Dollars in Thousands)

	(Unaudited)	(Unaudited)
	Jan. 1~Mar. 31, 2011	Jan. 1~Mar. 31, 2010
Cash flows from investing activities		
Purchase of long-term investments under the equity method	\$ (146)	\$ -
Purchase of premises and property	(27,639)	(13,164)
Proceeds from sale of premises and property	-	1,570
Purchase of deferred debits and intangible assets	(6,023)	-
Increase in guaranty deposited for business operations	(17,750)	9,300
Decrease in settlement fund	13,424	(21,418)
Increase in refundable deposits	781	76,091
Increase in deferred pension fund cost	(4,742)	-
Net cash used in investing activities	<u>(42,095)</u>	<u>52,379</u>
Cash flows from financing activities		
Decrease in short-term borrowings	811,973	(992,000)
Decrease in commercial paper payable	(859,587)	(2,729,721)
Increase in long-term borrowings	(1,684,996)	600,283
Decrease in long-term borrowings	-	-
Increase cash due to consolidation	-	3,168,142
Net cash used in financing activities	<u>(1,732,610)</u>	<u>46,704</u>
Increase (decrease) in cash and cash equivalents	(330,310)	265,743
Cash and cash equivalents, beginning of the year	1,343,507	496,003
Cash and cash equivalents, end of the year	<u>\$ 1,013,197</u>	<u>761,746</u>
Supplemental disclosures of cash flows information		
Cash paid during the period for interest	<u>\$ 37,566</u>	<u>151,550</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>1,904</u>

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