

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

ASSETS	June 30, 2009		June 30, 2008		LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2009		June 30, 2008	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 533,772	2	\$ 1,481,798	2	Short-term borrowings (Note 4(10))	\$ 1,725,000	5	\$ 2,890,000	5
Financial assets at fair value through profit or loss - current (Notes 2, 4(2), 4(21) and 5)	10,988,297	30	25,138,832	41	Commercial paper payable (Note 4(11))	1,449,959	4	4,045,740	7
Bonds purchased under resale agreements (Notes 2, 4(3) and 6)	51,068	-	2,219,638	4	Financial liabilities at fair value through profit or loss - current (Notes 4(12) and 4(21))	709,410	2	706,517	1
Refinancing margin	30,157	-	33,919	-	Bonds sold under repurchase agreements (Notes 4(13) and 5)	6,873,444	19	22,652,159	37
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	12,344,230	33	20,092,563	33	Guaranty deposited for securities lent	1,347,846	4	960,063	2
Receivables on refinancing collateral	29,557	-	30,225	-	Proceeds payable from securities lent	1,539,826	4	1,117,594	2
Guaranty margin for securities borrowed	264,022	1	-	-	Notes payable	37,873	-	37,122	-
Notes receivable	2,463	-	2,282	-	Accounts payable	277,450	1	351,903	-
Accounts receivable (Notes 4(4) and 5)	626,676	2	1,320,277	2	Advance receipts	6,559	-	13,479	-
Prepayments	68,129	-	55,151	-	Collections for other parties	66,206	-	59,160	-
Other receivables	137,728	-	103,324	-	Other payables (Notes 2 and 4(14))	3,064,758	8	2,907,967	5
Pledged assets - current (Note 6)	389,500	1	612,300	1	Long-term liabilities - current portion (Note 4(15))	599,443	2	-	-
	25,465,599	69	51,090,309	83	Deferred income tax liabilities - current (Notes 2 and 4(17))	123,230	-	103,852	-
					Other financial liabilities - current (Note 4(21))	720,022	2	1,141,243	2
					Other current liabilities	-	-	294,823	-
						18,541,026	51	37,281,622	61
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)	311,847	1	163,586	-	Long-term borrowings (Note 4(15))	-	-	599,883	1
Available-for-sale financial assets -non-current (Notes 2 and 4(2))	382,740	1	422,740	1	Other financial liabilities - non-current (Note 4(21))	162,639	-	318,942	1
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	791,051	2	792,124	1	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term equity investments accounted for under the equity method (Notes 2 and 4(5))	2,947,976	8	2,871,336	5		190,337	-	946,523	2
	4,433,614	12	4,249,786	7	Other Liabilities				
					Reserve for default loss (Note 2)	200,351	1	200,351	-
					Reserve for trading loss (Note 2)	50,186	-	-	-
					Guaranty deposits received (Note 5)	5,808	-	7,660	-
					Accrued pension liabilities (Notes 2 and 4(16))	15,874	-	14,446	-
					Deferred income tax liabilities - non-current (Notes 2 and 4(17))	-	-	106,853	-
						272,219	1	329,310	-
					Total Liabilities	19,003,582	52	38,557,455	63
Premises and Property (Notes 2, 4(6) and 6)					Stockholders' Equity				
Land	2,940,703	8	2,894,458	5	Common stock, par value \$10 per share				
Buildings	1,604,909	4	1,563,401	3	3,000,000,000 shares authorized,				
Equipments	484,300	1	557,023	1	1,610,786,000 shares issued and outstanding (Note 4(18))	16,107,860	43	14,741,150	24
Prepayment for equipments	-	-	2,073	-	Stock dividends to be distributed	-	-	1,526,720	2
Leasehold improvements	214,675	1	223,764	-	Capital surplus				
	5,244,587	14	5,240,719	9	Premium from stock issuance	2,573	-	2,598	-
Less: Accumulated depreciation	(1,155,182)	(3)	(1,121,109)	(2)	Treasury stock transactions (Note 4(19))	107,031	-	62,040	-
	4,089,405	11	4,119,610	7	Long-term investments	29,534	-	1,491	-
					Paid-in capital from merger (Note 1)	658,234	2	778,921	1
					Retained earnings				
					Legal reserve	-	-	1,823,985	3
					Special reserve (Note 2)	-	-	3,647,970	6
					Unappropriated earnings (Notes 4(17) and 4(18))	1,082,072	3	695,602	1
					Cumulative translation adjustments (Note 2)	113,507	-	(12,147)	-
					Total Stockholders' Equity	18,100,811	48	23,268,330	37
Intangible Assets					Significant commitments and contingencies				
Operation franchise (Notes 2, and 4(7))	389,999	1	400,864	1	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,104,393	100	\$ 61,825,785	100
Other Assets									
Guaranty deposited for business operations	75,000	-	94,800	-					
Settlement fund	270,577	1	289,596	-					
Refundable deposits	299,715	1	295,381	-					
Deferred debits	28,205	-	28,936	-					
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	657,292	2	734,418	1					
Deferred income tax assets - non-current (Notes 2 and 4(17))	1,272,417	3	-	-					
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	310	-	721	-					
	2,603,516	7	1,443,852	1					
	122,260	-	521,364	1					
Brokerage accounts, net (Note 4(9))									
TOTAL ASSETS	\$ 37,104,393	100	\$ 61,825,785	100					

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

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

	Jan. 1 ~ June 30, 2009		Jan. 1 ~ June 30, 2008	
	Amount	%	Amount	%
Revenues:				
Brokerage commissions	\$ 1,313,230	37	\$ 1,420,068	42
Underwriting commissions	74,253	2	45,299	1
Gain on sale of securities - proprietary trading	445,963	13	53,512	1
Gain on sale of securities - underwriting	7,774	-	192,496	5
Gain on sale of securities - hedging	163,679	5	-	-
Securities management, distribution, and management fees	35,505	1	36,254	1
Interest revenue	510,749	15	975,120	29
Dividend revenue	4,722	-	3,278	-
Gain on valuation of trading securities	596,181	17	-	-
Gain on covering of borrowed securities and bonds with resale agreements	-	-	22,430	1
Gain on valuation of borrowed securities and bonds with resale agreements	-	-	3,164	-
Gain on stock warrants issued (Note 4(21))	-	-	173,097	5
Futures commission revenue (Note 5)	61,789	2	56,157	2
Gain on derivative financial instruments (Note 4(21))	4,601	-	-	-
Gain on derivative financial instruments - OTC (Note 4(21))	-	-	93,679	3
Other operating revenues	95,448	3	61,432	2
Non-operating revenues (Note 5)	117,915	3	205,063	6
Investment income under the equity method (Note 4(5))	63,365	2	54,097	2
	3,495,174	100	3,395,146	100
Expenses:				
Brokerage fees	80,656	3	87,258	3
Brokerage and clearing fees: proprietary trading	2,947	-	5,963	-
Clearing and exchange fees: refinancing	827	-	571	-
Clearing and exchange fees: underwriting	2,343	-	5,144	-
Loss on sale of securities - hedging	-	-	151,211	5
Interest expense	73,382	2	356,864	11
Loss on valuation of trading securities	-	-	328,514	10
Loss on covering of borrowed securities and bonds with resale agreements	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	14,884	-	8,265	-
Loss on stock warrants issued (Note 4(21))	69,235	2	-	-
Clearing and settlement expenses (Note 5)	18	-	119	-
Loss on derivative financial instruments (Note 4(21))	-	-	13,314	-
Loss on derivative financial instruments - OTC (Note 4(21))	126,970	4	-	-
Operating expenses (Note 5)	1,551,821	45	1,679,564	49
Other operating expenses	12,052	-	10,770	-
Non-operating expenses	3,368	-	62,897	2
	2,025,471	58	2,710,454	80
Continuing operations income before tax	1,469,703	42	684,692	20
Less: Income tax expense (Notes 2 and 4(17))	387,631	11	237,712	7
Net income	\$ 1,082,072	31	\$ 446,980	13
Basic earnings per share (Note 4(20))				
	Before Tax	After Tax	Before Tax	After Tax
Net income	\$ 0.91	0.67	\$ 0.46	0.30
Basic earnings per share-retroactively stated (Note 4(20))	\$ -	-	\$ 0.42	0.27
Diluted earnings per share (Note 4(20))	\$ 0.91	0.67	\$ 0.46	0.30
Diluted earnings per share - retroactively stated (Note 4(20))	\$ -	-	0.42	0.27

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

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

	<u>Jan. 1~June 30, 2009</u>	<u>Jan. 1~June 30, 2008</u>
Cash flows from operating activities:		
Net income	\$ 1,082,072	446,980
Changes in assets and liabilities:		
Depreciation expense	75,308	83,963
Amortization	7,164	7,540
Amortization of held-to-maturity financial assets - non-current	53	
Gain from sale of long-term investments under the equity method	(6,517)	(124,642)
Loss (gain) on disposal of premises and property, net	63	974
Loss (gain) on valuation of trading securities	(596,181)	328,514
Excess (less) of investment income under the equity method over cash dividends received	(63,365)	32,071
Provision for (reversal of) securities trading loss	48,379	(2,268)
Decrease in financial assets at fair value through profit or loss -current	8,097,726	5,057,648
Increase in bonds purchased under resale agreements	(49,068)	(1,187,060)
Decrease (increase) in receivable for securities provided as collateral	(4,973,527)	2,351,479
Increase in refinancing margin	(30,157)	(33,919)
Increase in receivables on refinancing collateral	(18,668)	(27,629)
Increase in guaranty margin for securities borrowed	(96,313)	-
Increase in notes receivable	(537)	(323)
Increase in accounts receivable	(237,177)	(419,276)
Decrease (increase) in prepayment	(8,229)	5,752
Increase in other receivables	(39,056)	(7,645)
Decrease in pledged assets - current	269,600	245,000
Decrease in available-for-sale financial assets - current	26,380	-
Deferred income tax assets and liabilities, net	380,223	44,133
Decrease in other assets	21	198
Brokerage accounts, net	(111,465)	(303,323)
Increase in financial liabilities at fair value through profit or loss -current	396,766	88,756
Decrease in bonds sold under repurchase agreements	(7,808,224)	(150,380)
Increase (decrease) in guaranty deposited for securities lent	415,428	(461,037)
Increase (decrease) in proceeds payable from securities lent	437,109	(509,791)
Increase in notes payable	12,198	3,610
Increase in accounts payable	46,682	114,749
Increase (decrease) in advance receipts	(104)	7,247
Increase (decrease) in collections for other parties	18,379	(13,891)
Increase (decrease) in other payables	118,388	(299,506)
Increase in other financial liabilities	165,056	620,519
Increase (decrease) 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>(2,443,726)</u>	<u>5,896,467</u>

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

	Jan. 1~June 30, 2009	Jan. 1~June 30, 2008
Cash flows from investing activities:		
Proceeds from sale of long-term investments under the equity method	\$ 22,756	279,659
Purchase of long-term investments under the equity method	-	(3,309)
Purchase of premises and property	(15,436)	(46,475)
Proceeds from sale of premises and property	-	650
Purchase of deferred debits and intangible assets	(3,685)	(6,333)
Proceeds from sale of deferred debits and intangible assets	-	165
Decrease (increase) in guaranty deposited for business operations	(1,000)	22,600
Decrease in settlement fund	19,019	8,631
Decrease (increase) in refundable deposits	(3,140)	336
Net cash provided by (used in) investing activities	18,514	255,924
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	1,215,000	(2,030,000)
Increase (decrease) in commercial paper payable	1,449,959	(3,238,983)
Increase (decrease) in long-term borrowings	(512,373)	113
Remuneration to directors and supervisors	-	(70,169)
Net cash provided by (used in) financing activities	2,152,586	(5,339,039)
Increase (decrease) in cash and cash equivalents	(272,626)	813,352
Cash and cash equivalents, beginning of the year	806,398	668,446
Cash and cash equivalents, ended June 30, 2009 and 2008	\$ 533,772	\$ 1,481,798
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 87,816	\$ 358,347
Cash paid during the year for income taxes	\$ 91,793	\$ 397,306
Investing and financing activities with no effect on cash flows:		
Cash dividend payable	\$ -	\$ 294,823
Employee bonuses payable	\$ -	\$ 22
Long-term liabilities - current portion	\$ 599,443	\$ -

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