

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
September 30, 2011 and 2010
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) September 30, 2011		(Unaudited) September 30, 2010		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) September 30, 2011		(Unaudited) September 30, 2010	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 3,163,218	6	1,135,061	2	Short-term borrowings (Note 4(10))	\$ 2,400,000	4	1,697,000	4
Financial assets measured at fair value through profit or loss - current (Notes 2, 4(2), 4(21) and 6)	12,686,446	22	13,004,302	29	Commercial paper payable (Note 4(11))	-	-	2,149,872	6
Bonds purchased under resale agreements (Notes 2, 4(3) and 6)	1,302,470	2	2,368,736	5	Bonds sold under repurchase agreements (Notes 4(13) and 5)	8,847,749	16	9,368,540	20
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	20,915,879	36	18,537,421	39	Financial liabilities measured at fair value through profit or loss - current (Notes 4(12) and 4(21))	2,192,904	4	1,401,443	3
Refinancing margin	20,352	-	19,226	-	Guaranty deposited for securities lent	2,578,730	4	1,540,678	3
Receivable on refinancing collateral	40,740	-	37,798	-	Proceeds payable from securities lent	3,234,861	5	1,879,054	4
Receivable for securities lending and borrowing	-	-	6,504	-	Securities lending refundable deposits	3,118,838	5	850,010	2
Security borrowing margin	1,854,118	3	98,981	-	Notes payable	127	-	1,044	-
Notes receivable	6,446	-	3,757	-	Accounts payable	31,187	-	54,928	-
Accounts receivable (Notes 4(4) and 5)	593,524	1	701,580	2	Advance receipts	20,608	-	12,190	-
Prepayments	25,138	-	18,544	-	Receipts under custody	176,611	-	89,138	-
Other receivables	217,215	-	95,484	-	Other payables (Notes 2 and 4(14))	3,652,974	7	2,960,140	6
Pledged assets - current (Note 6)	575,228	1	359,500	1	Deferred income tax liabilities - current (Notes 2 and 4(17))	-	-	14,039	-
Deferred income tax assets - current (Notes 2 and 4(17))	361,044	1	-	-	Long-term liability - current portion (Note 4(15))	690,000	1	-	-
Available-for-sale financial assets - current (Notes 2 and 4(2))	-	-	71,573	-	Other financial liabilities - current (Note 4(21))	133,752	-	182,977	-
	<u>41,761,818</u>	<u>72</u>	<u>36,458,467</u>	<u>78</u>		<u>27,078,341</u>	<u>46</u>	<u>22,201,053</u>	<u>48</u>
Funds and Long-Term Investments					Long-Term Liabilities				
Long-term investments under equity method (Notes 2 and 4(5))	3,055,977	5	2,904,110	6	Long-term borrowings (Note 4(15))	299,956	1	299,974	1
Available-for-sale financial assets - non-current (Notes 2 and 4(2))	646,539	1	66,170	-	Other financial liabilities - non-current (Note 4(21))	2,518,702	4	895,156	2
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	290,101	-	790,913	2	Other long-term liabilities	50,823	-	27,698	-
Financial assets measured at fair value through profit or loss - non-current (Notes 2, 4(2), 4(21) and 6)	239,364	-	275,330	1		<u>2,869,481</u>	<u>5</u>	<u>1,222,828</u>	<u>3</u>
	<u>4,231,981</u>	<u>6</u>	<u>4,036,523</u>	<u>9</u>	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	-	-	200,351	-
Land	4,186,109	7	2,918,738	6	Reserve for trading loss (Note 2)	-	-	10,856	-
Buildings	2,191,149	4	1,600,896	4	Guarantee deposits received (Note 5)	18,608	-	7,163	-
Equipment	515,925	1	512,800	1	Accrued pension liabilities - non-current (Notes 2 and 4(16))	238,596	-	24,235	-
Prepayment for equipment	90,563	-	5,189	-	Other liabilities (Notes 7(8))	173,000	-	-	-
Leasehold improvements	238,315	-	235,652	-		<u>430,204</u>	<u>-</u>	<u>242,605</u>	<u>-</u>
	<u>7,222,061</u>	<u>12</u>	<u>5,273,275</u>	<u>11</u>	Total Liabilities	<u>30,378,026</u>	<u>51</u>	<u>23,666,486</u>	<u>51</u>
Less: Accumulated depreciation	(1,222,737)	(2)	(1,272,865)	(3)	Stockholders' Equity				
	<u>5,999,324</u>	<u>10</u>	<u>4,000,410</u>	<u>8</u>	Common stock, par value \$10 per share, 3,000,000 thousand shares authorized, 2,369,073 and 2,037,550 thousand shares issued and outstanding, respectively (Note 4(18))	23,690,730	41	20,375,495	43
Intangible Assets (Notes 2, and 4(7))					Capital surplus				
Goodwill	3,126,698	5	-	-	Premium from stock issuance	1,940,208	3	508,053	1
Deferred pension cost	7,471	-	7,471	-	Treasury stock transactions (Note 4(19))	107,031	-	107,031	-
Other intangible assets	405,658	1	389,999	1	Long-term investments	29,534	-	29,534	-
	<u>3,539,827</u>	<u>6</u>	<u>397,470</u>	<u>1</u>	Paid-in capital from merger (Note 1)	658,234	1	658,234	1
Other Assets					Retained earnings				
Guaranty deposited for business operations	990,181	2	74,700	-	Legal reserve	419,092	1	254,533	1
Settlement fund	420,314	1	303,995	1	Special reserve (Note 2)	1,136,038	2	509,066	1
Refundable deposits	100,422	-	71,176	-	Unappropriated earnings (Notes 4(17) and 4(18))	632,245	1	1,068,170	2
Deferred debits	47,810	-	33,991	-	Cumulative translation adjustments (Note 2)	8,366	-	47,737	-
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	1,293,577	2	678,224	1	Unrealized gain or loss on financial instruments	(2,609)	-	3,458	-
Idle assets - land (Notes 2 and 6)	9,904	-	-	-		<u>28,618,869</u>	<u>49</u>	<u>23,561,311</u>	<u>49</u>
Deferred income tax assets - non-current (Notes 2 and 4(17))	466,538	1	1,097,371	2	Total Stockholders' Equity				
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	16,330	-	242	-	Significant commitments and contingencies				
	<u>3,345,076</u>	<u>6</u>	<u>2,259,699</u>	<u>4</u>					
Brokerage accounts, net (Note 4(9))	118,869	-	75,228	-					
	<u>\$ 58,996,895</u>	<u>100</u>	<u>47,227,797</u>	<u>100</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 58,996,895</u>	<u>100</u>	<u>47,227,797</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF INCOME
Years Ended September 30, 2011 and 2010
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1- Sept. 30, 2011		Jan. 1- Sept. 30, 2010	
	Amount	%	Amount	%
Revenues:				
Brokerage commissions	\$ 2,101,711	37	1,926,867	40
Underwriting commissions	156,700	3	155,907	3
Gain on sale of trading securities - proprietary trading	-	-	179,756	4
Gain on sale of trading securities - underwriting	-	-	26,615	1
Securities management, distribution, and management fees	90,012	2	54,103	1
Interest revenue	1,196,385	21	1,038,668	22
Dividend revenue	210,971	4	121,216	2
Gain on valuation of trading securities	-	-	161,077	3
Gain on covering of borrowed securities and bonds with resale agreements	16,041	-	-	-
Gain on valuation of borrowed securities and bonds with resale agreements	39,856	1	17,011	-
Gain on stock warrants issued (Note 4(21))	980,614	17	638,674	13
Futures commission revenue (Note 5)	85,959	1	74,873	2
Gain on derivative financial instruments - futures (Note 4(21))	27,218	-	-	-
Gain on derivative financial instruments - OTC (Note 4(21))	323,412	6	-	-
Other operating revenue	212,775	4	234,295	5
Non-operating revenue (Note 5)	229,439	4	158,504	3
Investment income under the equity method (Note 4(5))	-	-	65,335	1
	<u>5,671,093</u>	<u>100</u>	<u>4,852,901</u>	<u>100</u>
Expenses:				
Brokerage fees	137,239	3	124,679	3
Brokerage and clearing fees - proprietary trading	9,950	-	7,793	-
Clearing and exchange fees - refinancing	1,203	-	1,633	-
Clearing and exchange fees - underwriting	4,705	-	2,448	-
Loss on sale of trading securities - proprietary trading	329,126	6	-	-
Loss on sale of trading securities - underwriting	2,100	-	-	-
Loss on sale of trading securities - hedging	341,502	6	215,977	5
Interest expense (Note 5)	194,874	4	112,782	2
Loss on valuation of trading securities	809,338	14	-	-
Loss on covering of borrowed securities and bonds with resale agreements	-	-	13,117	-
Loss on borrowed securities	6,436	-	6,975	-
Stock warrant issuance expense	62,140	1	35,888	1
Securities commission expense(Note 5)	2,362	-	32	-
Loss on derivative financial instruments - futures (Note 4(21))	-	-	9,922	-
Loss on derivative financial instruments - OTC (Note 4(21))	-	-	336,780	7
Operating expenses (Note 5)	2,801,298	49	2,418,903	50
Other operating expenses	8,680	-	14,188	-
Non-operating expenses	10,640	-	9,432	-
Investment loss under the equity method (Note 4(5))	32,901	1	-	-
	<u>4,754,494</u>	<u>84</u>	<u>3,310,549</u>	<u>68</u>
Continuing operations' income before tax			916,599	16
Income tax expense(Notes 2 and 4(17))			342,904	6
Income from continuing operations, Net of Tax			573,695	10
Loss from discontinued operations, Net of Tax (Note 10(4))			-	-
Net income (before extraordinary gain)			573,695	10
Extraordinary gain, Net of Tax(less income tax expense \$9,678)(Notes 2, and 10(6))			-	-
Net income	<u>\$ 573,695</u>	<u>10</u>	<u>1,053,317</u>	<u>22</u>
			Before Tax	After Tax
Basic earnings per share(dollar)(Note 4(20))				
Income from continuing operations	\$ 0.39	0.24	0.78	0.51
Loss from discontinued operations	-	-	-	-
Extraordinary gain	-	-	0.03	0.02
Net income	<u>\$ 0.39</u>	<u>0.24</u>	<u>0.81</u>	<u>0.53</u>
Basic earnings per share(dollar)-retroactively stated(Note 4(20))				
Income from continuing operations			0.77	0.50
Loss from discontinued operations			-	-
Extraordinary gain			0.03	0.02
Net income			<u>0.80</u>	<u>0.52</u>
Dilutive earnings per share(dollar) (Note 4(20))				
Income from continuing operations	\$ 0.39	0.24	0.78	0.51
Loss from discontinued operations	-	-	-	-
Extraordinary gain	-	-	0.03	0.02
Net income	<u>\$ 0.39</u>	<u>0.24</u>	<u>0.81</u>	<u>0.53</u>
Dilutive earnings per share(dollar)-retroactively stated(Note 4(20))				
Income from continuing operations			0.77	0.50
Loss from discontinued operations			-	-
Extraordinary gain			0.03	0.02
Net income			<u>0.80</u>	<u>0.52</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2011 and 2010
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1~ Sept. 30, 2011	(Unaudited) Jan. 1~ Sept. 30, 2010
Cash flows from operating activities:		
Net income	\$ 573,695	1,053,317
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Extraordinary gain	-	(56,927)
Depreciation expense	128,145	113,614
Amortization	23,371	15,925
Provision for (reversal of) reserve for trading loss, net	-	(86,460)
Amortization of financial assets	-	83
Investment loss (gain) under the equity method	32,901	(65,335)
Cash dividend received from long-term investments under equity method	25,748	38,057
Loss (gain) on disposal of premises and property	(60)	(1,090)
Loss (gain) on disposal of long term investment under equity method	(638)	-
Investment loss on available-for-sale financial assets - non-current	(4,586)	-
Loss (gain) on valuation of trading securities	809,338	(161,077)
Net changes of operating assets and liabilities:		
Net changes of operating assets:		
Decrease in financial assets measured at fair value through profit or loss - current	2,617,853	4,282,786
Decrease (increase) in bonds purchased under resale agreements	273,089	(964,238)
Decrease (increase) in receivable for securities provided as collateral	9,001,852	(1,269,238)
Decrease (increase) in refinancing margin	(18,137)	23,795
Decrease (increase) in receivable on refinancing collateral	(27,051)	41,000
Decrease (increase) in receivable for securities borrowing and lending	1,464	4,994
Decrease (increase) in security borrowing margin	(1,708,192)	44,111
Decrease (increase) in notes receivable	(267)	(1,304)
Decrease (increase) in accounts receivable	409,394	28,236
Decrease in prepayments	16,302	13,047
Decrease (increase) in other receivables	69,024	45,167
Decrease in pledged assets	494,500	36,000
Deferred income tax assets and liabilities, net	338,686	198,754
Decrease (increase) in other assets	(15,985)	56
Brokerage accounts , net	15,176	(187,472)
Changes in operating assets:	<u>11,467,708</u>	<u>2,295,694</u>
Net changes of operating liabilities:		
Increase (decrease) in bonds sold under repurchase agreements	496,593	(70,456)
Increase in financial liabilities measured at fair value through profit or loss - current	480,121	323,122
Increase (decrease) in guaranty deposited for securities lent	715,436	(553,691)
Increase (decrease) in proceeds payable from securities lent	1,044,230	(531,425)
Increase (decrease) in securities lending refundable deposits	1,868,612	850,010
Increase (decrease) in notes payable	(23,747)	1,044
Increase (decrease) in accounts payable	(234,926)	(459,417)
Increase (decrease) in advance receipts	7,650	4,841
Increase (decrease) in receipts under custody	(22,591)	(15,264)
Increase (decrease) in other payables	(2,052,397)	(825,871)
Increase in accrued pension liabilities - non-current	811	327
Increase (decrease) in other financial liabilities	1,084,050	(256,871)
Increase (decrease) in guarantee deposits received	2,099	1,355
Changes in operating liabilities:	<u>3,365,941</u>	<u>(1,532,296)</u>
Net cash provided by (used in) operating activities	<u>16,421,563</u>	<u>1,613,505</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended Sept. 30, 2011 and 2010
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1~ Sept. 30, 2011	(Unaudited) Jan. 1~ Sept. 30, 2010
Cash flows from investing activities:		
Proceeds from capital reduction of Available-for-sale financial assets	\$ 4,929	-
Repayment from maturity of held-to-maturity financial assets	500,784	-
Purchase of long term investments under the equity method	(146)	-
Proceeds from capital reduction of investments under the equity method	56,101	-
Purchase of premises and property	(114,271)	(85,378)
Proceeds from sale of premises and property	60	1,750
Decrease (increase) in guaranty deposited for business operations	(275,976)	8,600
Decrease (increase) in settlement fund	62,055	(33,418)
Decrease (increase) in refundable deposits	3,362	232,149
Purchase of deferred debits	(12,541)	(5,878)
Cash transfer from merge	205,915	3,168,142
Cash payment for merge	(861,861)	-
Net cash provided used in investing activities	(431,589)	3,285,967
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,402,027)	(333,000)
Decrease in commercial paper payable	(9,058,325)	(2,339,751)
Reimburse in long-term borrowings	(3,709,911)	(1,399,697)
Cash dividends	-	(187,966)
Net cash provided by financing activities	(14,170,263)	(4,260,414)
Increase (decrease) in cash and cash equivalents	1,819,711	639,058
Cash and cash equivalents, beginning of the year	1,343,507	496,003
Cash and cash equivalents, end of the year	\$ 3,163,218	1,135,061
Supplemental disclosures of cash flows information:		
Cash paid during the nine months period for interest	\$ 156,533	113,034
Cash paid during the nine months period for income taxes	\$ 1,543,501	1,004,159
Material item not affecting investing and financing activities		
Long-term liabilities - current portion	\$ 690,000	-
Cash dividend payment	\$ 700,218	-

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