

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
December 31, 2009 and 2008
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	Dec. 31, 2009		Dec. 31, 2008		LIABILITIES AND STOCKHOLDERS' EQUITY	Dec. 31, 2009		Dec. 31, 2008	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 496,003	1	\$ 806,398	2	Short-term borrowings (Note 4(10))	\$ 2,030,000	4	\$ 510,000	1
Financial assets at fair value through profit or loss - current (Notes 2, 4(2), 4(21) and 5)	16,880,839	34	18,420,708	46	Commercial paper payable (Note 4(11))	4,489,623	10	-	-
Bonds purchased under resale agreements (Notes 2, 4(3) and 6)	1,404,498	3	2,000	-	Financial liabilities at fair value through profit or loss - current (Notes 4(12) and 4(21))	1,078,321	3	312,856	1
Refinancing margin	43,021	-	-	-	Bonds sold under repurchase agreements (Notes 4(13) and 5)	9,438,996	19	14,681,668	37
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	17,268,183	35	7,371,621	19	Guaranty deposited for securities lent	2,094,369	4	932,418	2
Receivables from securities lent	11,498	-	-	-	Proceeds payable from securities lent	2,410,479	5	1,102,717	3
Receivables on refinancing collateral	78,798	-	10,889	-	Notes payable	21,383	-	25,675	-
Guaranty margin for securities borrowed	143,092	-	167,709	-	Accounts payable	514,345	1	230,768	1
Notes receivable	2,353	-	1,926	-	Advance receipts	7,349	-	6,663	-
Accounts receivable (Notes 4(4) and 5)	726,673	1	389,499	1	Collections for other parties	-	-	-	-
Prepayments	52,295	-	59,900	-	Receipts under custody	104,402	-	47,827	-
Other receivables	95,781	-	97,723	-	Other payables (Notes 2 and 4(14))	3,785,588	8	2,946,370	7
Pledged assets - current (Note 6)	395,500	1	659,100	2	Long-term liabilities - current portion (Note 4(15))	599,671	1	-	-
Available-for-sale financial assets-current (Note4(2))	-	-	27,780	-	Deferred income tax liabilities - current (Notes 2 and 4(17))	97,926	-	78,473	-
	<u>37,598,534</u>	<u>75</u>	<u>28,015,253</u>	<u>70</u>	Other financial liabilities - current (Note 4(21))	619,494	1	689,439	2
						<u>27,291,946</u>	<u>56</u>	<u>21,564,874</u>	<u>54</u>
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)	328,272	1	381,193	1	Long-term borrowings (Note 4(15))	1,100,000	3	1,111,816	2
Available-for-sale financial assets -non-current (Notes 2 and 4(2))	371,597	1	382,740	1	Other financial liabilities - non-current (Note 4(21))	715,510	1	28,166	-
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	790,996	2	791,104	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))	2,920,703	6	2,872,180	7		<u>1,843,208</u>	<u>4</u>	<u>1,167,680</u>	<u>2</u>
	<u>4,411,568</u>	<u>10</u>	<u>4,427,217</u>	<u>11</u>	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	1	200,351	1
Land	2,940,703	6	2,894,458	7	Reserve for trading loss (Note 2)	97,316	-	1,807	-
Buildings	1,607,918	3	1,563,557	4	Guaranty deposits received (Note 5)	5,808	-	7,660	-
Equipments	509,792	1	569,826	1	Accrued pension liabilities (Notes 2 and 4(16))	23,908	-	16,155	-
Prepayment for equipments	-	-	14,273	-	Deferred income tax liabilities - non-current (Notes 2 and 4(17))	-	-	-	-
Leasehold improvements	222,457	-	224,299	1	Brokerage accounts, net (Note 4(9))	112,244	-	-	-
	5,280,870	11	5,266,413	13		<u>327,383</u>	<u>-</u>	<u>225,973</u>	<u>1</u>
Less: Accumulated depreciation	(1,228,048)	(3)	(1,191,373)	(3)	Total Liabilities	<u>29,574,781</u>	<u>60</u>	<u>22,958,527</u>	<u>57</u>
	<u>4,052,822</u>	<u>8</u>	<u>4,075,040</u>	<u>10</u>	Stockholders' Equity				
Intangible Assets					Common stock, par value \$10 per share				
Deferred pension costs (Notes 2)	7,471	-	-	-	3,000,000,000 shares authorized,				
Operation franchise (Notes 2, and 4(7))	389,999	1	389,999	1	1,610,786,000 shares issued and outstanding (Note 4(18))	16,107,860	33	16,267,870	41
	<u>397,470</u>	<u>1</u>	<u>389,999</u>	<u>1</u>	Stock dividends to be distributed	-	-	-	-
Other Assets					Capital surplus				
Guaranty deposited for business operations	83,300	-	74,000	-	Premium from stock issuance	2,573	-	2,598	-
Settlement fund	270,577	1	289,596	1	Treasury stock transactions (Note 4(19))	107,031	-	62,040	-
Refundable deposits	298,025	1	296,575	1	Long-term investments	29,534	-	1,491	-
Deferred debits	44,038	-	31,789	-	Paid-in capital from merger (Note 1)	658,234	2	778,921	2
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	654,708	1	731,487	2	Retained earnings				
Deferred income tax assets - non-current (Notes 2 and 4(17))	1,287,579	3	1,608,009	4	Legal reserve	-	-	1,823,985	5
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	298	-	362	-	Special reserve (Note 2)	-	-	3,647,970	9
	<u>2,638,525</u>	<u>6</u>	<u>3,031,818</u>	<u>8</u>	Unappropriated earnings (Notes 4(17) and 4(18))	2,545,331	5	(5,592,642)	(14)
Brokerage accounts, net (Note 4(9))	-	-	10,796	-	Cumulative translation adjustments (Note 2)	73,575	-	113,007	-
					Treasury stock (Note 2 and 4(19))	-	-	(115,044)	-
TOTAL ASSETS	<u>\$ 49,098,919</u>	<u>100</u>	<u>\$ 39,950,123</u>	<u>100</u>	Unrealized gain or loss on financial instruments (Note 2)	-	-	1,400	-
					Total Stockholders' Equity	<u>19,524,138</u>	<u>40</u>	<u>16,991,596</u>	<u>43</u>
					Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 49,098,919</u>	<u>100</u>	<u>\$ 39,950,123</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF INCOME
Years Ended December 31, 2009 and 2008
(New Taiwan Dollars in Thousands, Except Share and Per Share Data)

	2009		2008	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues:				
Brokerage commissions	\$ 2,882,548	38	\$ 2,224,366	43
Underwriting commissions	141,695	2	85,846	2
Gain on sale of securities - proprietary trading	1,126,283	15	-	-
Gain on sale of securities - underwriting	29,206	-	-	-
Gain on sale of securities - hedging	422,991	6	-	-
Securities management, distribution, and management fees	73,210	1	71,945	1
Interest revenue	1,149,065	15	1,619,401	31
Dividend revenue	85,632	1	67,027	1
Gain on valuation of trading securities	909,672	12	-	-
Gain on covering of borrowed securities and bonds with resale agreements	-	-	72,691	1
Gain on valuation of borrowed securities and bonds with resale agreements	-	-	41,814	1
Gain on stock warrants issued (Note 4(21))	143,475	2	180,650	4
Futures commission revenue (Note 5)	115,442	2	123,074	3
Gain on derivative financial instruments (Note 4(21))	-	-	-	-
Gain on derivative financial instruments - OTC (Note 4(21))	-	-	285,592	6
Other operating revenues	170,251	2	103,211	2
Non-operating revenues (Note 5)	229,027	3	269,447	5
Investment income under the equity method (Note 4(5))	111,826	1	-	-
	<u>7,590,323</u>	<u>100</u>	<u>5,145,064</u>	<u>100</u>
Expenses:				
Brokerage fees	181,039	2	135,702	3
Brokerage and clearing fees: proprietary trading	7,529	-	7,930	-
Clearing and exchange fees: refinancing	2,112	-	1,159	-
Clearing and exchange fees: underwriting	3,259	-	5,998	-
Loss on sale of trading securities - proprietary trading	-	-	361,804	7
Loss on sale of trading securities - underwriting	-	-	545,119	11
Loss on sale of trading securities - hedging	-	-	414,193	8
Interest expense	98,960	1	581,875	11
Loss on valuation of trading securities	-	-	7,088,102	138
Loss on covering of borrowed securities and bonds with resale agreements	65,665	1	-	-
Loss on valuation of borrowed securities and bonds with resale agreements	58,448	1	-	-
Loss on transaction of borrowed securities	9,169	-	19,910	-
Stock warrant issuance expense	33,745	1	14,144	-
Loss on stock warrants issued (Note 4(21))	-	-	-	-
Clearing and settlement expenses (Note 5)	25	-	120	-
Loss on derivative financial instruments (Note 4(21))	21,951	-	18,802	-
Loss on derivative financial instruments - OTC (Note 4(21))	344,875	5	-	-
Operating expenses (Note 5)	3,368,136	44	2,923,384	57
Other operating expenses	22,056	-	22,401	-
Non-operating expenses	25,905	-	80,671	2
Investment loss under the equity method (Note 4(5))	-	-	68,056	1
	<u>4,242,874</u>	<u>55</u>	<u>12,289,370</u>	<u>238</u>
Continuing operations income before tax	3,347,449	45	(7,144,306)	(138)
Less: Income tax expense (Notes 2 and 4(17))	802,118	11	(1,303,042)	(25)
Net income	<u>\$ 2,545,331</u>	<u>34</u>	<u>\$ (5,841,264)</u>	<u>(113)</u>
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Basic earnings per share (Note 4(20))				
Net income	<u>\$ 2.08</u>	<u>1.58</u>	<u>\$ (4.40)</u>	<u>(3.60)</u>
Basic earnings per share-retroactively stated (Note 4(20))	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Diluted earnings per share (Note 4(20))	<u>\$ 2.07</u>	<u>1.58</u>	<u>\$ (4.40)</u>	<u>(3.60)</u>
Diluted earnings per share - retroactively stated (Note 4(20))	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2009 and 2008
(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, 2008	\$ 14,741,150	-	845,050	1,573,381	3,146,762	2,892,168	-	90,706	-	23,289,217
Appropriation of 2007 earnings :										
Legal reserve	-	-	-	250,604	-	(250,604)	-	-	-	-
Special reserve	-	-	-	-	501,208	(501,208)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	(70,169)	-	-	-	(70,169)
Cash dividends	-	-	-	-	-	(294,823)	-	-	-	(294,823)
Shares issuance from retained earnings	1,526,720	-	-	-	-	(1,526,720)	-	-	-	-
Employee bonuses	-	-	-	-	-	(22)	-	-	-	(22)
Net loss for year ended December 31, 2008	-	-	-	-	-	(5,841,264)	-	-	-	(5,841,264)
Unrealized gains on available-for-sale financial assets - current	-	-	-	-	-	-	1,400	-	-	1,400
Cumulative translation adjustments from investees	-	-	-	-	-	-	-	22,301	-	22,301
Shares buyback	-	-	-	-	-	-	-	-	(115,044)	(115,044)
Ending balance, December 31, 2008	\$ 16,267,870	0	845,050	1,823,985	3,647,970	(5,592,642)	1,400	113,007	(115,044)	16,991,596
Beginning balance, December 31, 2008	\$ 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 year ended December 31, 2009	-	-	-	-	-	2,545,331	-	-	-	2,545,331
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	-	-	-	-	-	-	-	(39,432)	-	(39,432)
Cancellation of treasury stock	(160,010)	-	44,966	-	-	-	-	-	115,044	-
Ending balance, December 31, 2009	\$ 16,107,860	-	797,372	-	-	2,545,331	-	73,575	-	19,524,138

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008
(New Taiwan Dollars in Thousands)

	<u>Jan. 1~Dec. 31, 2009</u>	<u>Jan. 1~Dec. 31, 2008</u>
Cash flows from operating activities:		
Net income	\$ 2,545,331	(5,841,264)
Changes in assets and liabilities:		
Bad Debt expense	-	55
Depreciation expense	150,861	161,930
Amortization	15,189	15,512
Amortization of held-to-maturity financial assets - non-current	108	1,020
Gain from sale of long-term investments under the equity method	(6,517)	-
Loss (gain) on disposal of premises and property, net	91	954
Loss (gain) on valuation of trading securities	(909,672)	7,088,102
Excess (less) of investment income under the equity method over cash dividends received	(57,882)	170,890
Impairment loss on available-for-sale financial assets	11,143	40,000
Impairment loss on operation franchise	-	10,865
Reversal of reserve for trading loss, net	95,509	(461)
Decrease in financial assets at fair value through profit or loss -current	2,502,462	4,798,789
Decrease (increase) in bonds purchased under resale agreements	(1,402,498)	1,030,578
Decrease (increase) in receivable for securities provided as collateral	(9,896,562)	15,071,197
Decrease in refinancing margin	(43,021)	-
Decrease (increase) in receivables on refinancing collateral	(67,909)	(8,293)
Increase in receivables on refinancing collateral	(11,498)	-
Increase in guaranty margin for securities borrowed	24,617	(167,709)
Increase in notes receivable	(427)	33
Increase in accounts receivable	(337,174)	511,447
Decrease (increase) in prepayment	4,596	1,003
Increase in other receivables	1,942	(1,073)
Decrease in pledged assets - current	263,600	198,200
Decrease in available-for-sale financial assets - current	26,380	(26,380)
Deferred income tax assets and liabilities, net	349,741	(1,737,825)
Decrease in other assets	64	810
Brokerage accounts, net	123,040	207,245
Increase in financial liabilities at fair value through profit or loss -current	765,465	(305,117)
Decrease in bonds sold under repurchase agreements	(5,242,672)	(8,120,871)
Increase (decrease) in guaranty deposited for securities lent	1,161,951	(488,682)
Increase (decrease) in proceeds payable from securities lent	1,307,762	(524,668)
Increase in notes payable	(4,292)	(7,837)
Increase in accounts payable	283,577	(6,386)
Increase (decrease) in advance receipts	686	431
Increase (decrease) in collections for other parties	56,575	(25,224)
Increase (decrease) in other payables	839,218	(261,082)
Increase in other financial liabilities	617,399	(122,061)
Increase (decrease) in guaranty deposits received	(1,852)	8
Decrease in accrued pension liabilities - non-current	282	(275)
Net cash provided by (used in) operating activities	<u>(6,834,387)</u>	<u>11,663,861</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended December 31, 2009 and 2008
(New Taiwan Dollars in Thousands)

	Jan. 1~Dec. 31, 2009	Jan. 1~Dec. 31, 2008
Cash flows from investing activities:		
Proceeds from sale of long-term investments under the equity method	\$ 22,756	155,017
Purchase of long-term investments under the equity method	(28,127)	(3,309)
Proceeds from capital reduction of investments under equity method	-	27,209
Purchase of premises and property	(48,841)	(77,618)
Proceeds from sale of premises and property	-	1,348
Purchase of deferred debits and intangible assets	(27,543)	(17,159)
Proceeds from sale of deferred debits and intangible assets	-	165
Decrease (increase) in guaranty deposited for business operations	(9,300)	43,400
Decrease in settlement fund	19,019	8,631
Decrease (increase) in refundable deposits	(1,450)	(858)
Net cash provided by (used in) investing activities	(73,486)	136,826
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	1,520,000	(4,410,000)
Increase (decrease) in commercial paper payable	4,489,623	(7,284,723)
Increase (decrease) in long-term borrowings	587,855	512,046
Cash dividends	-	(294,823)
Employee bonuses	-	(22)
Remuneration to directors and supervisors	-	(70,169)
Treasury stocks transaction	-	(115,044)
Net cash provided by (used in) financing activities	6,597,478	(11,662,735)
Increase (decrease) in cash and cash equivalents	(310,395)	137,952
Cash and cash equivalents, beginning of the year	806,398	668,446
Cash and cash equivalents, end of the year	\$ 496,003	\$ 806,398
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 109,570	\$ 588,557
Cash paid during the year for income taxes	\$ 32,762	\$ 401,879
Investing and financing activities with no effect on cash flows:		
Long-term liabilities - current portion	\$ 599,671	\$ -

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