

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
March 31, 2007 and 2006
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	Mar. 31, 2007		Mar. 31, 2006		LIABILITIES AND STOCKHOLDERS' EQUITY	Mar. 31, 2007		Mar. 31, 2006	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 565,214	1	\$ 753,942	1	Short-term borrowings (Note 4(10))	\$ 3,176,000	5	\$ 2,340,000	3
Financial assets at fair value through profit or loss - current (Notes 2, 4(2), 4(20) and 5)	33,783,471	49	35,721,733	53	Commercial paper payable (Note 4(11))	5,666,311	8	5,087,428	7
Bonds purchased under resale agreements (Notes 2 and 4(3))	1,546,073	2	3,729,976	5	Financial liabilities at fair value through profit or loss - current (Notes 4(12) and 4(21))	499,382	1	1,027,004	2
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	20,549,652	30	15,634,027	24	Bonds sold under repurchase agreements (Notes 4(13) and 5)	28,440,837	42	32,645,045	49
Refinancing margin	-	-	415	-	Bills sold under repurchase agreements (Notes 4(13) and 5)	-	-	19,988	-
Receivables on refinancing collateral	3,099	-	3,158	-	Guaranty deposited for securities lent	1,325,935	2	869,160	1
Notes receivable	2,209	-	3,493	-	Proceeds payable from securities lent	1,538,572	2	1,023,113	1
Accounts receivable (Note 4(4))	609,900	1	748,848	1	Notes payable	34,847	-	31,070	-
Prepayments	56,353	-	45,030	-	Accounts payable	170,064	-	671,913	1
Other receivables	81,219	-	80,851	-	Advance receipts	61,021	-	17,155	-
Pledged assets - current (Note 6)	266,900	-	630,900	1	Collections for other parties	995,638	1	339,501	-
Deferred income tax assets - current (Notes 4(16))	6,610	-	-	-	Other payables (Note 4(14))	2,939,974	4	2,203,391	3
	<u>57,470,700</u>	<u>83</u>	<u>57,352,373</u>	<u>85</u>	Long-term liabilities - current portion (Note 4(15))	499,185	1	-	-
					Deferred income tax liabilities - current (Note 4(17))	-	-	10,653	-
					Other financial liabilities - current (Note 4(21))	1,357,070	2	1,102,914	2
					Other current liabilities	-	-	-	-
						<u>46,704,836</u>	<u>68</u>	<u>47,388,335</u>	<u>69</u>
Long-Term Investments					Long-Term Liabilities				
Financial assets at fair value through profit or loss -non-current (Notes 2, 4(2) and 6)	185,554	-	165,146	-	Long-term borrowings (Note 4(15))	-	-	499,008	1
Available-for-sale financial assets -non-current (Notes 2 and 4(2))	449,868	1	442,773	1	Other financial liabilities - non-current (Note 4(21))	-	-	-	-
Long-term equity investments accounted for under the equity method (Notes 2 and 4(5))	3,207,582	5	3,022,266	4	Reserve for land appreciation tax	27,698	-	27,698	-
	<u>3,843,004</u>	<u>6</u>	<u>3,630,185</u>	<u>5</u>		<u>27,698</u>	<u>-</u>	<u>526,706</u>	<u>1</u>
					Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	-	200,351	-
Land	2,895,821	4	2,894,000	4	Reserve for trading loss (Note 2)	41,249	-	3,917	-
Buildings	1,564,583	2	1,538,604	2	Guaranty deposits received (Note 5)	7,652	-	7,652	-
Equipments	513,117	1	523,893	1	Accrued pension liabilities (Notes 2 and 4(16))	14,862	-	16,356	-
Prepayment for equipments	2,949	-	94,939	-	Deferred income tax liabilities - non-current (Note 4(17))	130,768	-	98,212	-
Leasehold improvements	219,893	-	227,773	-	Other liabilities	-	-	-	-
	5,196,363	7	5,279,209	7		<u>394,882</u>	<u>-</u>	<u>326,488</u>	<u>-</u>
Less: Accumulated depreciation	(1,039,484)	(1)	(1,077,119)	(2)	Total Liabilities	<u>47,127,416</u>	<u>68</u>	<u>48,241,529</u>	<u>70</u>
	<u>4,156,879</u>	<u>6</u>	<u>4,202,090</u>	<u>5</u>	Stockholders' Equity				
					Common stock, par value \$10 per share				
Intangible Assets					2,000,000,000 shares authorized,				
Operation franchise (Notes 2, 3(2) and 4(7))	400,864	1	465,647	1	1,400,967,000 shares issued and outstanding (Note 4(18))	14,009,670	21	13,643,105	20
					Stock dividends to be distributed	-	-	-	-
Other Assets					Capital surplus				
Guaranty deposited for business operations	925,100	2	1,042,400	3	Premium from stock issuance	2,598	-	2,598	-
Settlement fund	295,373	-	284,569	-	Treasury stock transactions (Note 4(19))	62,040	-	62,040	-
Refundable deposits	294,373	-	326,167	-	Long-term investments	1,491	-	1,491	-
Deferred debits	26,586	-	40,262	-	Paid-in capital from merger (Note 1)	778,921	1	778,921	2
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	739,366	1	748,369	1	Retained earnings				
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	396	-	455	-	Legal reserve	1,425,492	2	1,369,099	2
	2,281,194	3	2,442,222	4	Special reserve (Note 2)	2,850,984	4	2,738,198	4
	<u>470,419</u>	<u>1</u>	<u>205,873</u>	<u>-</u>	Unappropriated earnings (Notes 4(17) and 4(18))	2,243,434	4	1,364,409	2
					Cumulative translation adjustments (Note 2)	121,014	-	97,000	-
						<u>21,495,644</u>	<u>32</u>	<u>20,056,861</u>	<u>30</u>
Brokerage accounts, net (Note 4(9))					Total Stockholders' Equity				
						<u>\$ 68,623,060</u>	<u>100</u>	<u>\$ 68,298,390</u>	<u>100</u>
TOTAL ASSETS	<u>\$ 68,623,060</u>	<u>100</u>	<u>\$ 68,298,390</u>	<u>100</u>	Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 68,623,060</u>	<u>100</u>	<u>\$ 68,298,390</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF INCOME
Years Ended Mar 31, 2007 and 2006
(New Taiwan Dollars in Thousands, Except Share and Per Share Data)

	Jan. 1 ~ Mar. 31, 2007		Jan. 1 ~ Mar. 31, 2006	
	Amount	%	Amount	%
Revenues:				
Brokerage commissions	\$ 699,322	40	\$ 632,037	43
Underwriting commissions	23,839	1	16,337	1
Gain on sale of trading securities	111,526	6	-	-
Securities management, distribution, and management fees	17,027	1	18,796	1
Interest revenue	472,686	27	433,306	29
Dividend revenue	1,017	-	5	-
Gain on valuation of trading securities	-	-	73,974	5
Gain on covering of borrowed securities and bonds with resale agreements	-	-	-	-
Gain on valuation of borrowed securities and bonds with resale agreements	1,345	-	-	-
Gain on stock warrants issued (Note 4(21))	261,263	15	61,335	4
Futures commission revenue (Note 5)	19,295	1	28,949	2
Gain on derivative financial instruments (Note 4(21))	-	-	8,999	1
Gain on derivative financial instruments - OTC (Note 4(21))	-	-	5,360	-
Other operating revenues	40,597	2	58,923	4
Non-operating revenues (Note 5)	56,216	3	49,747	3
Investment income under the equity method (Note 4(5))	67,257	4	94,582	7
	1,771,390	100	1,482,350	100
Expenses:				
Brokerage fees	43,138	3	41,258	3
Brokerage and clearing fees: proprietary trading	2,929	-	4,675	-
Clearing and exchange fees: refinancing	461	-	325	-
Clearing and exchange fees: underwriting	991	-	1,346	-
Loss on sale of trading securities	-	-	47,392	3
Interest expense (Note 5)	158,213	9	150,501	10
Loss on valuation of trading securities	96,035	6	-	-
Loss on covering of borrowed securities and bonds with resale agreements	2,780	-	5,499	-
Loss on valuation of borrowed securities and bonds with resale agreements	-	-	497	-
Stock warrant issuance expense	4,167	-	883	-
Clearing and settlement expenses (Note 5)	315	-	492	-
Loss on derivative financial instruments (Note 4(21))	5,813	-	-	-
Loss on derivative financial instruments - OTC (Note 4(21))	53,053	3	-	-
Loss on structured notes (Note 4(20))	2,382	-	2,356	-
Operating expenses (Note 5)	775,433	44	709,637	48
Other operating expenses	11,518	1	5,568	-
Non-operating expenses	1,636	-	4,201	-
	1,158,864	66	974,630	64
Continuing operations income before tax	612,526	34	507,720	36
Less: Income tax expense (Notes 2 and 4(17))	252,030	14	187,000	13
Continuing operations' income after tax	360,496	20	320,720	23
Cumulative effect of changes in accounting principle	-	-	33,525	2
Net income	\$ 360,496	20	\$ 354,245	25
	2007		2006	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (Note 4(20))				
Continuing operations' income after tax	\$ 0.44	0.26	\$ 0.37	0.24
Cumulative effect of changes in accounting principle	-	-	0.02	0.02
Net income	0.44	0.26	0.39	0.26
Basic earnings per share-retroactively stated (Note 4(20))			0.38	0.25

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2007 and 2006
(New Taiwan Dollars in Thousands)

	<u>Jan. 1-Mar. 31, 2007</u>	<u>Jan. 1-Mar. 31, 2006</u>
Cash flows from operating activities:		
Net income	\$ 360,496	\$ 354,245
Changes in assets and liabilities:		
Depreciation expense	41,596	41,511
Amortization	4,983	24,567
Interest expense in discounts of commercial paper payable	2,158	2,626
Loss (gain) on disposal of premises and property, net	25	(76)
Loss (gain) on valuation of trading securities	96,035	(73,974)
Excess of investment income under the equity method over cash dividends received	(67,257)	(94,582)
Provision for (reversal of) securities trading loss	24,210	(30,278)
Decrease (increase) in financial assets at fair value through profit or loss -current	73,630	2,067,890
Decrease (increase) in bonds purchased under resale agreements	(1,194,073)	(612,467)
Increase in receivable for securities provided as collateral	(1,101,134)	(1,202,861)
Decrease in refinancing margin	12,668	30,568
Decrease in receivables on refinancing collateral	15,305	48,852
Decrease in notes receivable	2,130	(828)
Increase in accounts receivable	(77,599)	(176,555)
Increase in prepayment	60	(1,701)
Decrease (increase) in other receivables	6,465	4,389
Increase in pledged assets - current	97,000	(282,000)
Deferred income tax assets and liabilities, net	4,036	18,600
Decrease in other financial assets	-	712
Decrease in other current assets	-	50,675
Increase in other assets	(74)	(330)
Brokerage accounts, net	(67,877)	232,697
Increase in financial liabilities at fair value through profit or loss -current	26,122	711,321
Increase (decrease) in bonds sold under repurchase agreements	1,658,121	2,355,363
Decrease in bills sold under repurchase agreements	-	(31,977)
Decrease in guaranty deposited for securities lent	(604,312)	(923,956)
Decrease in proceeds payable from securities lent	(827,901)	(1,578,000)
Increase (decrease) in notes payable	2,587	(174,198)
Decrease in accounts payable	(56,899)	(2,212,775)
Decrease in advance receipts	26,667	(56,485)
Increase in collections for other parties	407,047	46,895
Increase in other payables	82,211	(35,077)
Increase in other financial liabilities	384,137	110,745
Decrease in guaranty deposits received	-	(120)
Decrease in accrued pension liabilities - non-current	(1,612)	-
Decrease in fund for subscriptions of shares for an underwriter	-	(94,217)
Net cash provided by (used in) operating activities	<u>(671,049)</u>	<u>(1,480,801)</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended March 31, 2007 and 2006
(New Taiwan Dollars in Thousands)

	Jan. 1~Mar. 31, 2007	Jan. 1~Mar. 31, 2006
Cash flows from investing activities:		
Purchase of available-for-sale financial assets -non-current	-	-
Purchase of premises and property	(17,871)	(17,321)
Proceeds from sale of premises and property	-	190
Purchase of deferred debits and intangible assets	(710)	(500)
Decrease (increase) in guaranty deposited for business operations	(66,200)	207,000
Increase in settlement fund	(7,211)	-
Decrease (increase) in refundable deposits	(11,998)	149
Net cash provided by (used in) investing activities	(103,990)	189,518
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(494,000)	(310,000)
Increase (decrease) in commercial paper payable	1,117,807	2,617,860
Increase (decrease) in long-term borrowings	669,000	2,254,000
Decrease in long-term borrowings	(999,000)	(3,734,000)
Net cash provided by (used in) financing activities	293,807	827,860
Decrease in cash and cash equivalents	(481,232)	(463,423)
Cash and cash equivalents, beginning of the year	1,046,446	1,217,365
Cash and cash equivalents, ended June 30, 2007 and 2006	\$ 565,214	\$ 753,942
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 155,267	\$ 149,095
Cash paid during the year for income taxes	\$ 13,321	\$ 62,083
Investing and financing activities with no effect on cash flows:		
Current portion of long-term liabilities	\$ 499,185	-

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