

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
September 30, 2007 and 2006
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) September 30, 2007		(Unaudited) September 30, 2006		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) September 30, 2007		(Unaudited) September 30, 2006	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 666,103	1	\$ 1,400,986	2	Short-term borrowings (Note 4(10))	\$ 7,436,000	10	\$ 1,225,000	2
Financial assets at fair value through profit or loss - current (Notes 2, 4(2), 4(21) and 5)	31,967,309	41	31,227,467	52	Commercial paper payable (Note 4(11))	8,632,771	11	971,856	2
Bonds purchased under resale agreements (Notes 2 and 4(3))	3,470,911	4	1,517,276	2	Financial liabilities at fair value through profit or loss - current (Notes 4(12) and 4(21))	2,704,170	4	177,805	-
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	27,689,757	36	15,390,290	26	Bonds sold under repurchase agreements (Notes 4(13) and 5)	25,259,812	33	30,173,621	49
Refinancing margin	7,293	-	3,637	-	Guaranty deposited for securities lent	1,575,061	2	1,719,319	3
Receivables on refinancing collateral	8,574	-	8,201	-	Proceeds payable from securities lent	1,839,071	2	2,256,252	4
Notes receivable	9,509	-	3,574	-	Notes payable	28,803	-	26,827	-
Accounts receivable (Note 4(4))	687,451	1	665,296	1	Accounts payable	440,000	1	110,356	-
Prepayments	63,251	-	84,425	-	Advance receipts	108,872	-	5,659	-
Other receivables	95,416	-	82,686	-	Collections for other parties	858,930	1	621,409	1
Pledged assets - current (Note 6)	892,100	1	338,300	1	Other payables (Note 4(14))	3,012,636	4	2,511,463	4
Deferred income tax assets - current (Note 4(17))	-	-	10,954	-	Long-term liabilities - current portion (Note 4(15))	-	-	494,822	1
	65,557,674	84	50,733,092	84	Deferred income tax liabilities - current (Note 4(17))	25,985	-	-	-
					Other financial liabilities - current (Note 4(21))	885,353	1	889,983	1
					Other current liabilities	-	-	54,573	-
						52,807,464	69	41,238,945	67
Long-Term Investments					Long-Term Liabilities				
Financial assets at fair value through profit or loss -non-current (Notes 2, 4(2) and 6)	177,375	-	164,031	-	Long-term borrowings (Note 4(15))	986,685	1	-	-
Available-for-sale financial assets -non-current (Notes 2 and 4(2))	449,868	1	449,868	1	Other financial liabilities - non-current (Note 4(21))	147,599	-	-	-
Long-term equity investments accounted for under the equity method (Notes 2 and 4(5))	3,288,434	4	3,031,304	5	Reserve for land appreciation tax	27,698	-	27,698	-
	3,915,677	5	3,645,203	6		1,161,982	1	27,698	-
					Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	-	200,351	-
Land	2,894,458	4	2,897,641	5	Reserve for trading loss (Note 2)	4,193	-	5,447	-
Buildings	1,563,124	2	1,541,491	2	Guaranty deposits received (Note 5)	7,652	-	7,652	-
Equipments	538,796	1	634,671	1	Accrued pension liabilities (Notes 2 and 4(16))	14,862	-	16,356	-
Prepayment for equipments	26,099	-	52,475	-	Deferred income tax liabilities - non-current (Note 4(17))	152,361	-	103,704	-
Leasehold improvements	220,585	-	222,599	-		379,419	-	333,510	-
	5,243,062	7	5,348,877	8	Total Liabilities	54,348,865	70	41,600,153	67
Less: Accumulated depreciation	(1,112,802)	(1)	(1,148,580)	(2)	Stockholders' Equity				
	4,130,260	6	4,200,297	6	Common stock, par value \$10 per share				
					2,000,000,000 shares authorized,				
					1,474,115,000 shares issued and outstanding (Note 4(18))	14,741,150	19	14,009,670	23
Intangible Assets					Capital surplus				
Operation franchise (Notes 2, 3(2) and 4(7))	400,864	1	429,804	1	Premium from stock issuance	2,598	-	2,598	-
					Treasury stock transactions (Note 4(19))	62,040	-	62,040	-
Other Assets					Long-term investments	1,491	-	1,491	-
Guaranty deposited for business operations	901,824	1	914,000	1	Paid-in capital from merger (Note 1)	778,921	1	778,921	1
Settlement fund	298,227	-	288,162	-	Retained earnings				
Refundable deposits	294,618	-	288,780	-	Legal reserve	1,573,381	2	1,425,492	2
Deferred debits	26,614	-	31,557	-	Special reserve (Note 2)	3,146,762	4	2,850,984	5
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	738,815	1	740,047	1	Unappropriated earnings (Notes 4(17) and 4(18))	2,718,933	4	1,097,141	2
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	6,135	-	290	-	Cumulative translation adjustments (Note 2)	103,556	-	122,643	-
	2,266,233	2	2,262,836	2	Total Stockholders' Equity	23,128,832	30	20,350,980	33
Brokerage accounts, net (Note 4(9))	1,206,989	2	679,901	1	Significant commitments and contingencies				
TOTAL ASSETS	\$ 77,477,697	100	\$ 61,951,133	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 77,477,697	100	\$ 61,951,133	100

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF INCOME
Years Ended September 30, 2007 and 2006
(New Taiwan Dollars in Thousands, Except Share and Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1 ~ Sep. 30, 2007		Jan. 1 ~ Sep. 30, 2006	
	Amount	%	Amount	%
Revenues:				
Brokerage commissions	\$ 2,705,039	41	\$ 1,867,826	43
Underwriting commissions	119,104	2	126,757	3
Gain on sale of trading securities	959,014	15	-	-
Securities management, distribution, and management fees	57,487	1	58,028	1
Interest revenue	1,554,441	24	1,286,345	29
Dividend revenue	182,844	3	67,075	2
Gain on valuation of trading securities	-	-	76,655	2
Gain on covering of borrowed securities and bonds with resale agreements	91,179	1	7,780	-
Gain on valuation of borrowed securities and bonds with resale agreements	11,534	-	-	-
Gain on stock warrants issued (Note 4(21))	139,137	2	357,839	8
Futures commission revenue (Note 5)	76,279	1	87,248	2
Gain on derivative financial instruments (Note 4(21))	-	-	-	-
Gain on derivative financial instruments - OTC (Note 4(21))	122,956	2	-	-
Other operating revenues	146,150	2	134,138	3
Non-operating revenues (Note 5)	150,395	2	143,166	3
Investment income under the equity method (Note 4(5))	281,365	4	161,839	4
	<u>6,596,924</u>	<u>100</u>	<u>4,374,696</u>	<u>100</u>
Expenses:				
Brokerage fees	166,067	3	124,251	3
Brokerage and clearing fees: proprietary trading	10,981	-	11,445	-
Clearing and exchange fees: refinancing	583	-	785	-
Clearing and exchange fees: underwriting	6,608	-	4,381	-
Loss on sale of trading securities	-	-	426,966	10
Interest expense (Note 5)	567,360	9	435,944	10
Loss on valuation of trading securities	148,594	2	-	-
Stock warrant issuance expense	14,850	-	3,395	-
Clearing and settlement expenses (Note 5)	1,075	-	1,447	-
Loss on derivative financial instruments (Note 4(21))	7,292	-	11,523	-
Loss on derivative financial instruments - OTC (Note 4(21))	-	-	65,438	1
Operating expenses (Note 5)	2,704,516	41	2,199,894	52
Other operating expenses	45,479	1	11,624	-
Non-operating expenses	4,685	-	6,588	-
	<u>3,678,090</u>	<u>56</u>	<u>3,303,681</u>	<u>76</u>
Continuing operations income before tax	2,918,834	44	1,071,015	24
Less: Income tax expense (Notes 2 and 4(17))	586,030	9	411,447	9
Continuing operations' income after tax	2,332,804	35	659,568	15
Cumulative effect of changes in accounting principle	-	-	33,525	1
Net income	<u><u>\$ 2,332,804</u></u>	<u><u>35</u></u>	<u><u>\$ 693,093</u></u>	<u><u>16</u></u>
	2007		2006	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Basic earnings per share (Note 4(20))				
Continuing operations' income after tax	\$ 1.98	1.58	\$ 0.77	0.47
Cumulative effect of changes in accounting principle	-	-	0.02	0.02
Net income	<u><u>1.98</u></u>	<u><u>1.58</u></u>	<u><u>0.79</u></u>	<u><u>0.49</u></u>
Basic earnings per share-retroactively stated (Note 4(20))			<u><u>0.75</u></u>	<u><u>0.47</u></u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2007 and 2006
(New Taiwan Dollars in Thousands)

	<u>Jan. 1~Sep. 30, 2007</u>	<u>Jan. 1~Sep. 30, 2006</u>
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income	\$ 2,332,804	\$ 693,093
Changes in assets and liabilities:		
Depreciation expense	121,988	122,292
Amortization	14,303	72,346
Loss (gain) on disposal of premises and property, net	25	(356)
Loss (gain) on valuation of trading securities	148,594	(76,655)
Excess of investment income under the equity method over cash dividends received	(171,388)	(69,428)
Provision for (reversal of) securities trading loss	(12,846)	(28,748)
Decrease (increase) in financial assets at fair value through profit or loss -current	1,845,412	6,565,953
Decrease (increase) in bonds purchased under resale agreements	(3,118,911)	1,600,233
Increase in receivable for securities provided as collateral	(8,241,239)	(959,124)
Decrease in refinancing margin	5,375	27,346
Decrease in receivables on refinancing collateral	9,830	43,809
Decrease in notes receivable	(5,170)	(909)
Increase in accounts receivable	(155,150)	(93,003)
Increase in prepayment	(6,838)	(41,096)
Decrease (increase) in other receivables	(7,732)	2,554
Increase in pledged assets - current	(528,200)	10,600
Deferred income tax assets and liabilities, net	64,045	(6,064)
Decrease in other financial assets	-	
Decrease in other current assets	-	50,675
Increase in other assets	(5,813)	(165)
Brokerage accounts, net	(804,447)	(241,331)
Increase in financial liabilities at fair value through profit or loss -current	2,230,910	(137,878)
Increase (decrease) in bonds sold under repurchase agreements	(1,522,904)	(116,061)
Decrease in bills sold under repurchase agreements	-	(51,965)
Decrease in guaranty deposited for securities lent	(355,186)	(73,797)
Decrease in proceeds payable from securities lent	(527,402)	(344,861)
Increase (decrease) in notes payable	(3,457)	(178,441)
Decrease in accounts payable	213,037	(2,774,332)
Decrease in advance receipts	74,518	(67,981)
Increase in collections for other parties	270,339	328,803
Increase in other payables	154,873	272,992
Increase in other financial liabilities	60,019	(101,474)
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>(7,922,223)</u>	<u>4,332,690</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended September 30, 2007 and 2006
(New Taiwan Dollars in Thousands)

	Jan. 1~Sep. 30, 2007	Jan. 1~Sep. 30, 2006
	(Unaudited)	(Unaudited)
Cash flows from investing activities:		
Purchase of available-for-sale financial assets -non-current	-	(7,095)
Purchase of premises and property	(72,122)	(90,325)
Proceeds from sale of premises and property	1,029	2,208
Purchase of deferred debits and intangible assets	(10,058)	(3,131)
Decrease (increase) in guaranty deposited for business operations	(42,924)	335,400
Increase in settlement fund	(10,065)	(3,593)
Decrease (increase) in refundable deposits	(12,243)	37,536
Net cash provided by (used in) investing activities	(146,383)	271,000
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	3,766,000	(1,425,000)
Increase (decrease) in commercial paper payable	4,084,267	(1,497,712)
Increase (decrease) in long-term borrowings	159,658	(1,481,560)
Cash dividend	(280,193)	-
Employee bonuses	(60)	-
Remuneration to directors and supervisors	(41,409)	(15,797)
Net cash provided by (used in) financing activities	7,688,263	(4,420,069)
Decrease in cash and cash equivalents	(380,343)	183,621
Cash and cash equivalents, beginning of the year	1,046,446	1,217,365
Cash and cash equivalents, ended June 30, 2007 and 2006	\$ 666,103	\$ 1,400,986
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 552,887	\$ 432,130
Cash paid during the year for income taxes	\$ 504,475	\$ 58,941
Investing and financing activities with no effect on cash flows:		
Cash dividend payable	\$ -	\$ 54,573
Employee bonuses payable	\$ -	\$ 3
Current portion of long-term liabilities	\$ -	\$ 494,822

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