

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
March 31, 2008 and 2007
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) March 31, 2008		(Unaudited) March 31, 2007		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 2008		(Unaudited) March 31, 2007	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 561,261	1	565,214	1	Short-term borrowings (Note 4(10))	\$ 3,105,000	4	3,176,000	5
Financial assets measured at fair value through profit or loss-current (Notes 2, 4(2), 4(21) and 5)	33,482,140	48	33,786,798	49	Commercial paper payable (Note 4(11))	6,214,818	9	5,666,311	8
Bonds purchased under resale agreements (Notes 2 and 4(3) and 6)	1,711,066	3	1,546,073	2	Financial liabilities measured at fair value through profit or loss - current (Notes 4(12) and 4(21))	1,177,961	2	502,709	1
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	21,576,040	31	20,549,652	30	Bonds sold under repurchase agreements (Notes 4(13) and 5)	24,224,578	35	28,440,837	42
Receivable on refinancing collateral	535	-	3,099	-	Guaranty deposited for securities lent	1,001,818	1	1,325,935	2
Notes receivable	2,194	-	2,209	-	Proceeds payable from securities lent	1,179,650	2	1,538,572	2
Accounts receivable (Note 4(4) and 5)	889,661	1	609,900	1	Notes payable	33,835	-	34,847	-
Prepayments	58,755	-	56,353	-	Accounts payable	3,352,774	5	170,064	-
Other receivables	140,087	-	81,219	-	Advance receipts	4,253	-	61,021	-
Pledged assets - current (Note 6)	647,300	1	266,900	-	Receipts under custody	62,391	-	63,070	-
Deferred income tax assets - current (Notes 2 and 4(17))	-	-	6,610	-	Other payables (Notes 2 and 4(14))	3,196,913	5	2,939,974	4
	<u>59,069,039</u>	<u>85</u>	<u>57,474,027</u>	<u>83</u>	Long-term liabilities - current portion (Note 4(15))	-	-	499,185	1
					Deferred income tax liabilities - current (Notes 2 and 4(17))	7,387	-	-	-
					Other financial liabilities - current (Note 4(21))	849,516	1	1,357,070	2
						<u>44,410,894</u>	<u>64</u>	<u>45,775,595</u>	<u>67</u>
Funds and Long-Term Investments					Long-Term Liabilities				
Financial assets measured at fair value through profit or loss-non-current (Notes 2, 4(2), 4(21) and 6)	191,999	-	185,554	-	Long-term borrowings (Note 4(15))	598,410	1	-	-
Available-for-sale financial assets - non-current (Notes 2 and 4(2))	422,740	1	449,868	1	Other financial liabilities - non-current (Note 4(21))	99,179	-	-	-
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	792,124	1	-	-	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term investments under equity method (Notes 2 and 4(5))	3,098,757	4	3,207,582	5		<u>725,287</u>	<u>1</u>	<u>27,698</u>	<u>-</u>
	<u>4,505,620</u>	<u>6</u>	<u>3,843,004</u>	<u>6</u>	Other Liabilities				
					Reserve for default loss (Note 2)	200,351	-	200,351	-
					Reserve for trading loss (Note 2)	26,347	-	41,249	-
					Guarantee deposits received	7,660	-	7,652	-
					Accrued pension liabilities - non-current (Notes 2 and 4(16))	14,446	-	14,862	-
					Deferred income tax liabilities - non-current (Notes 2 and 4(17))	112,018	-	130,768	-
						<u>360,822</u>	<u>-</u>	<u>394,882</u>	<u>-</u>
					Brokerage accounts, net (Note 4(9))	506,364	1	462,149	1
					Total Liabilities	<u>46,003,367</u>	<u>66</u>	<u>46,660,324</u>	<u>68</u>
					Stockholders' Equity				
					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	21	14,009,670	21
					Capital surplus				
					Premium from stock issuance	2,598	-	2,598	-
					Treasury stock transactions (Note 4(19))	62,040	-	62,040	-
					Long-term investments	1,491	-	1,491	-
					Paid-in capital from merger (Note 1)	778,921	1	778,921	1
					Retained earnings				
					Legal reserve	1,573,381	2	1,425,492	2
					Special reserve (Note 2)	3,146,762	5	2,850,984	4
					Unappropriated earnings (Notes 4(17) and 4(18))	3,318,255	5	2,243,434	4
					Cumulative translation adjustments (Note 2)	(8,206)	-	121,014	-
						<u>23,616,392</u>	<u>34</u>	<u>21,495,644</u>	<u>32</u>
					Total Stockholders' Equity				
					Significant commitments and contingencies				
TOTAL ASSETS	<u>\$ 69,619,759</u>	<u>100</u>	<u>68,155,968</u>	<u>100</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 69,619,759</u>	<u>100</u>	<u>68,155,968</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF INCOME
Years Ended March 31, 2008 and 2007
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1~Mar. 31, 2008		Jan. 1~Mar. 31, 2007	
	Amount	%	Amount	%
Revenues				
Brokerage commissions	\$ 682,887	34	699,322	40
Underwriting commissions	19,645	1	23,839	1
Gain on sale of trading securities	55,365	3	111,526	6
Securities management, distribution, and management fees	17,839	1	17,027	1
Interest revenue	466,289	23	472,686	27
Dividend revenue	90	-	1,017	-
Gain on valuation of trading securities	583,940	29	-	-
Gain on covering of borrowed securities and bonds with resale agreements	3,544	-	-	-
Gain on valuation of borrowed securities and bonds with resale agreements	6,110	-	1,345	-
Gain on stock warrants issued (Note 4(21))	31,223	2	261,263	15
Futures commission revenue (Note 5)	28,610	1	19,295	1
Other operating revenue	33,715	2	40,597	2
Non-operating revenue (Note 5)	41,490	2	56,216	3
Investment income under the equity method (Note 4(5))	35,079	2	67,257	4
	<u>2,005,826</u>	<u>100</u>	<u>1,771,390</u>	<u>100</u>
Expenses				
Brokerage fees	41,722	2	43,138	3
Brokerage and clearing fees - proprietary trading	2,863	-	2,929	-
Clearing and exchange fees - refinancing	322	-	461	-
Clearing and exchange fees - underwriting	1,834	-	991	-
Interest expense (Note 5)	181,277	9	158,213	9
Loss on valuation of trading securities	-	-	96,035	6
Loss on covering of borrowed securities and bonds with resale agreements	-	-	2,780	-
Stock warrant issuance expense	2,930	-	4,167	-
Clearing and settlement expenses (Note 5)	116	-	315	-
Loss on derivative financial instruments - futures (Note 4(21))	10,968	1	5,813	-
Loss on derivative financial instruments - OTC (Note 4(21))	297,943	15	55,435	3
Operating expenses (Note 5)	902,324	45	775,433	44
Other operating expenses	6,412	-	11,518	1
Non-operating expenses	60,411	3	1,636	-
	<u>1,509,122</u>	<u>75</u>	<u>1,158,864</u>	<u>66</u>
Continuing operations' income before tax	496,704	25	612,526	34
Less: Income tax expense (Notes 2 and 4(17))	70,617	4	252,030	14
Net income	<u>\$ 426,087</u>	<u>21</u>	<u>360,496</u>	<u>20</u>
	<u>2008</u>		<u>2007</u>	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Basic earnings per share (Note 4(20))				
Income from continuing operations	\$ 0.34	0.29	0.44	0.26
Net income	<u>\$ 0.34</u>	<u>0.29</u>	<u>0.44</u>	<u>0.26</u>
Basic earnings per share-retroactively stated (Note 4(20))	<u>\$ -</u>	<u>-</u>	<u>0.42</u>	<u>0.24</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2008 and 2007
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1~Mar. 31, 2008	(Unaudited) Jan. 1~Mar. 31, 2007
Cash flows from operating activities		
Net income	\$ 426,087	360,496
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	42,814	41,596
Amortization	3,825	4,983
Interest expense in discounts of commercial paper payable	-	2,158
Loss (gain) on disposal of premises and property, net	974	25
Loss (gain) on evaluation of trading securities	(583,940)	96,035
Excess of investment income under the equity method over cash dividends received	(35,079)	(67,257)
Provision for securities trading loss	24,079	24,210
Changes in assets and liabilities:		
Decrease (increase) in financial assets measured at fair value through profit or loss-current	(2,401,619)	74,766
Increase in bonds purchased under resale agreements	(678,488)	(1,194,073)
Decrease (increase) in receivable for securities provided as collateral	868,002	(1,101,134)
Decrease in refinancing margin	-	12,668
Decrease in receivable on refinancing collateral	2,061	15,305
Decrease (increase) in notes receivable	(235)	2,130
Decrease (increase) in accounts receivable	11,340	(77,599)
Decrease in prepayments	2,148	60
Decrease (increase) in other receivables	(44,408)	6,465
Decrease in pledged assets - current	210,000	97,000
Deferred income tax assets and liabilities, net	(48,479)	4,036
Decrease (increase) in other assets	215	(74)
Decrease (increase) in brokerage accounts	724,405	(67,877)
Increase in financial liabilities measured at fair value through profit or loss	560,200	24,986
Increase in bonds sold under repurchase agreements	1,422,039	1,658,121
Decrease in guaranty deposited for securities lent	(419,282)	(604,312)
Decrease in proceeds payable from securities lent	(447,735)	(827,901)
Increase in notes payable	323	2,587
Increase (decrease) in accounts payable	3,115,620	(56,899)
Increase (decrease) in advance receipts	(1,979)	26,667
Increase (decrease) in receipts under custody	(10,660)	407,047
Increase (decrease) in other payables	(10,539)	82,211
Increase in other financial liabilities	109,029	384,137
Increase in guaranty deposits received	8	-
Decrease in accrued pension liabilities - non-current	(1,984)	(1,612)
Net cash provided by (used in) operating activities	<u>2,838,742</u>	<u>(671,049)</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended March 31, 2008 and 2007
(New Taiwan Dollars in Thousands)

	(Unaudited)	(Unaudited)
	Jan. 1~Mar. 31, 2008	Jan. 1~Mar. 31, 2007
Cash flows from investing activities		
Purchase of long-term investments under the equity method	\$ (3,309)	-
Purchase of premises and property	(31,258)	(17,871)
Proceeds from sale of premises and property	650	-
Purchase of deferred debits and intangible assets	(278)	(710)
Increase in guaranty deposited for business operations	(29,600)	(66,200)
Decrease (increase) in settlement fund	5,511	(7,211)
Increase in refundable deposits	(1,378)	(11,998)
Net cash used in investing activities	<u>(59,662)</u>	<u>(103,990)</u>
Cash flows from financing activities		
Decrease in short-term borrowings	(1,815,000)	(494,000)
Increase (decrease) in commercial paper payable	(1,069,905)	1,117,807
Increase in long-term borrowings	-	669,000
Decrease in long-term borrowings	(1,360)	(999,000)
Net cash provided (used in) by financing activities	<u>(2,886,265)</u>	<u>293,807</u>
Decrease in cash and cash equivalents	(107,185)	(481,232)
Cash and cash equivalents, beginning of the year	668,446	1,046,446
Cash and cash equivalents, end of the year	<u>\$ 561,261</u>	<u>565,214</u>
Supplemental disclosures of cash flows information		
Cash paid during the year for interest	<u>\$ 178,246</u>	<u>155,267</u>
Cash paid during the year for income taxes	<u>\$ 4,154</u>	<u>9,256</u>
Investing and financing activities with no effect on cash flows		
Current portion of long-term liabilities	<u>\$ -</u>	<u>499,185</u>

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