

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
September 30, 2008 and 2007
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) September 30, 2008		(Unaudited) September 30, 2007		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) September 30, 2008		(Unaudited) September 30, 2007	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 1,759,372	4	666,103	1	Short-term borrowings (Note 4(10))	\$ 3,458,000	7	7,436,000	10
Financial assets measured at fair value through profit or loss-current (Notes 2, 4(2), 4(21) and 5)	20,520,524	43	31,967,309	42	Commercial paper payable (Note 4(11))	1,633,755	4	8,632,771	11
Bonds purchased under resale agreements (Notes 2 and 4(3) and 6)	1,360,804	3	3,470,911	4	Financial liabilities measured at fair value through profit or loss - current (Notes 4(12) and 4(21))	479,799	1	2,704,170	4
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	11,578,181	25	27,689,757	36	Bonds sold under repurchase agreements (Notes 4(13) and 5)	13,018,455	28	25,259,812	33
Refinancing margin	6,386		7,293		Guaranty deposited for securities lent	1,031,462	2	1,575,061	2
Receivable on refinancing collateral	42,359	-	8,574	-	Proceeds payable from securities lent	1,272,140	3	1,839,071	2
Guaranty margin for securities borrowed	616,770	1	-	-	Notes payable	24,294	-	28,803	-
Notes receivable	1,716	-	9,509	-	Accounts payable	202,893	-	440,000	1
Accounts receivable (Note 4(4) and 5)	473,838	1	687,451	1	Advance receipts	14,243	-	108,872	-
Prepayments	44,900	-	63,251	-	Receipts under custody	85,504	-	88,576	-
Other receivables	101,517	-	95,416	-	Other payables (Notes 2 and 4(14))	2,914,456	6	3,012,636	4
Pledged assets - current (Note 6)	646,700	1	892,100	1	Deferred income tax liabilities - current (Notes 2 and 4(17))	113,135	-	25,985.00	-
	<u>37,153,067</u>	<u>78</u>	<u>65,557,674</u>	<u>85</u>	Other financial liabilities - current	824,793	2	885,353	1
						<u>25,072,929</u>	<u>53</u>	<u>52,037,110</u>	<u>68</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)	183,019	-	177,375	-	Long-term borrowings (Note 4(15))	598,860	1	986,685	2
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))	249,075	1	147,599	-
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	792,124	2	792,124	1	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term investments under equity method (Notes 2 and 4(5))	2,808,672	6	3,288,434	4		<u>875,633</u>	<u>2</u>	<u>1,161,982</u>	<u>2</u>
	<u>4,206,555</u>	<u>9</u>	<u>4,707,801</u>	<u>6</u>	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	1	200,351	-
Land	2,894,458	6	2,894,458	4	Reserve for trading loss (Note 2)	-	-	4,193	-
Buildings	1,563,557	3	1,563,124	2	Guarantee deposits received	7,660	-	7,652	-
Equipment	560,665	1	538,796	1	Accrued pension liabilities - non-current (Notes 2 and 4(16))	14,446	-	14,862	-
Prepayment for equipment	5,143	-	26,099	-	Deferred income tax liabilities - non-current (Notes 2 and 4(17))	94,014	-	152,361	-
Leasehold improvements	224,124	1	220,585	-		<u>316,471</u>	<u>1</u>	<u>379,419</u>	<u>-</u>
	<u>5,247,947</u>	<u>11</u>	<u>5,243,062</u>	<u>7</u>	Total Liabilities	<u>26,265,033</u>	<u>56</u>	<u>53,578,511</u>	<u>70</u>
Less: Accumulated depreciation	(1,155,182)	(2)	(1,112,802)	(1)	Stockholders' Equity				
	<u>4,092,765</u>	<u>9</u>	<u>4,130,260</u>	<u>6</u>	Common stock, par value \$10 per share				
Intangible Assets					2,000,000,000 shares authorized,				
Operation franchise (Notes 2, 3(1) and 4(7))	400,864	1	400,864	1	1,626,787,000 shares issued and outstanding (Note 4(18))	16,267,870	34	14,741,150	19
					Capital surplus				
Other Assets					Premium from stock issuance	2,598	-	2,598	-
Guaranty deposited for business operations	89,900	-	109,700	-	Treasury stock transactions (Note 4(19))	62,040	-	62,040	-
Settlement fund	289,596	1	298,227	-	Long-term investments	1,491	-	1,491	-
Refundable deposits (Note 5)	296,241	1	294,618	-	Paid-in capital from merger (Note 1)	778,921	2	778,921	1
Deferred debits	29,060	-	26,614	-	Retained earnings				
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	732,952	1	738,815	1	Legal reserve	1,823,985	4	1,573,381	2
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	728	-	6,135	-	Special reserve (Note 2)	3,647,970	8	3,146,762	4
	<u>1,438,477</u>	<u>3</u>	<u>1,474,109</u>	<u>1</u>	Unappropriated earnings (Notes 4(17) and 4(18))	(1,624,874)	(4)	2,718,933	4
Brokerage accounts, net (Note 4(9))	15,151	-	436,635	1	Cumulative translation adjustments (Note 2)	81,845	-	103,556	-
					Total Stockholders' Equity	<u>21,041,846</u>	<u>44</u>	<u>23,128,832</u>	<u>30</u>
TOTAL ASSETS	<u>\$ 47,306,879</u>	<u>100</u>	<u>76,707,343</u>	<u>100</u>	Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 47,306,879</u>	<u>100</u>	<u>76,707,343</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, 2008 and 2007
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1~Sep. 30, 2008		Jan. 1~Sep. 30, 2007	
	Amount	%	Amount	%
Revenues				
Brokerage commissions	\$ 1,923,362	43	2,705,039	41
Underwriting commissions	70,185	2	119,104	2
Gain on sale of securities - proprietary trading	-	-	1,007,336	15
Gain on sale of securities - underwriting	-	-	61,702	1
Securities management, distribution, and management fees	54,176	1	57,487	1
Interest revenue	1,393,065	31	1,554,441	23
Dividend revenue	65,664	2	182,844	3
Gain on covering of borrowed securities and bonds with resale agreements	31,540	1	91,179	1
Gain on valuation of borrowed securities and bonds with resale agreements	30,805	1	11,534	-
Gain on stock warrants issued (Note 4(21))	195,358	4	139,137	2
Futures commission revenue (Note 5)	87,932	2	76,279	1
Gain on derivative financial instruments - OTC (Note 4(21))	277,940	6	122,956	2
Other operating revenue	88,305	2	146,150	2
Non-operating revenue (Note 5)	215,967	5	150,395	2
Investment income under the equity method (Note 4(5))	-	-	281,365	4
	<u>4,434,299</u>	<u>100</u>	<u>6,706,948</u>	<u>100</u>
Expenses				
Brokerage fees	117,113	3	166,067	2
Brokerage and clearing fees - proprietary trading	7,379	-	10,981	-
Clearing and exchange fees - refinancing	1,002	-	583	-
Clearing and exchange fees - underwriting	5,754	-	6,608	-
Loss on sale of securities - proprietary trading	307,249	7	-	-
Loss on sale of securities - underwriting	175,484	4	-	-
Loss on sale of securities - hedging	277,176	6	110,024	2
Interest expense	481,007	11	567,360	9
Loss on valuation of trading securities	2,052,232	46	148,594	2
Loss on transaction of borrowed securities	11,387	-	-	-
Stock warrant issuance expense	12,099	-	14,850	-
Clearing and settlement expenses (Note 5)	119	-	1,075	-
Loss on derivative financial instruments - futures (Note 4(21))	14,250	-	7,292	-
Operating expenses (Note 5)	2,331,781	53	2,704,516	40
Other operating expenses	18,320	1	45,479	1
Non-operating expenses	28,082	1	4,685	-
Investment loss under the equity method (Note 4(5))	90,016	2	-	-
	<u>5,930,450</u>	<u>134</u>	<u>3,788,114</u>	<u>56</u>
Continuing operations' income before tax	(1,496,151)	(34)	2,918,834	44
Less: Income tax expense (Notes 2 and 4(17))	377,345	8	586,030	9
Net income	<u>\$ (1,873,496)</u>	<u>(42)</u>	<u>2,332,804</u>	<u>35</u>
	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (Note 4(20))				
Income from continuing operations	\$ (0.92)	1.15	1.98	1.58
Net income	<u>\$ (0.92)</u>	<u>1.15</u>	<u>1.98</u>	<u>1.58</u>
Basic earnings per share-retroactively stated (Note 4(20))	<u>\$ -</u>	<u>-</u>	<u>1.79</u>	<u>1.43</u>

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

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2008 and 2007
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1-Sep. 30, 2008	(Unaudited) Jan. 1-Sep. 30, 2007
Cash flows from operating activities		
Net income (loss)	\$ (1,873,496)	2,332,804
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	123,553	121,988
Amortization	11,480	14,303
Loss (gain) on disposal of premises and property, net	953	25
Loss (gain) on evaluation of trading securities	2,052	148,594
Excess of investment income under the equity method over cash dividends received	192,849	(171,388)
Provision for securities trading loss	(2,268)	(12,846)
Changes in assets and liabilities:		
Decrease in financial assets measured at fair value through profit or loss-current	9,982,985	1,845,412
Increase in bonds purchased under resale agreements	(328,226)	(3,118,911)
Decrease (increase) in receivable for securities provided as collateral	10,865,861	(8,241,239)
Decrease (increase) in refinancing margin	(6,386)	5,375
Decrease (increase) in receivable on refinancing collateral	(39,763)	9,830
Increase in guaranty margin for securities borrowed	(616,770)	-
Decrease (increase) in notes receivable	243	(5,170)
Decrease (increase) in accounts receivable	427,163	(155,150)
Decrease (increase) in prepayments	16,003	(6,838)
Increase in other receivables	(5,838)	(7,732)
Decrease (increase) in pledged assets - current	210,600	(528,200)
Deferred income tax assets and liabilities, net	9,247	64,045
Decrease (increase) in other assets	191	(5,813)
Decrease (increase) in brokerage accounts	202,890	(557,978)
Increase (decrease) in financial liabilities measured at fair value through profit or loss	(137,962)	2,230,910
Decrease in bonds sold under repurchase agreements	(9,784,084)	(1,522,904)
Decrease in guaranty deposited for securities lent	(389,638)	(355,186)
Decrease in proceeds payable from securities lent	(355,245)	(527,402)
Decrease in notes payable	(9,218)	(3,457)
Increase (decrease) in accounts payable	(34,261)	213,037
Increase in advance receipts	8,011	74,518
Increase in receipts under custody	12,453	23,870
Increase (decrease) in other payables	(292,996)	154,873
Increase in other financial liabilities	234,202	60,019
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>8,422,609</u>	<u>(7,922,223)</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended September 30, 2008 and 2007
(New Taiwan Dollars in Thousands)

	(Unaudited) Jan. 1~Sep. 30, 2008	(Unaudited) Jan. 1~Sep. 30, 2007
Cash flows from investing activities		
Purchase of held-to-maturity financial assets - non-current	\$ -	(792,124)
Proceeds from sale of investments under the equity method	155,017	-
Purchase of long-term investments under the equity method	(3,309)	-
Proceeds from capital reduction of investments under the equity method	27,209	-
Purchase of premises and property	(58,381)	(72,122)
Proceeds from sale of premises and property	1,299	1,029
Purchase of deferred debits	(10,398)	(10,058)
Proceeds from sale of deferred debits	165	-
Decrease in guaranty deposited for business operations	27,500	749,200
Decrease (increase) in settlement fund	8,631	(10,065)
Increase in refundable deposits	(524)	(12,243)
Net cash provided (used in) investing activities	<u>147,209</u>	<u>(146,383)</u>
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,462,000)	3,766,000
Increase (decrease) in commercial paper payable	(5,650,968)	4,084,267
Increase (decrease) in long-term borrowings	(910)	159,658
Cash dividends	(294,823)	(280,193)
Employee bonuses	(22)	(60)
Remuneration to directors and supervisors	(70,169)	(41,409)
Net cash provided (used in) by financing activities	<u>(7,478,892)</u>	<u>7,688,263</u>
Decrease in cash and cash equivalents	1,090,926	(380,343)
Cash and cash equivalents, beginning of the year	668,446	1,046,446
Cash and cash equivalents, end of the year	<u>\$ 1,759,372</u>	<u>666,103</u>
Supplemental disclosures of cash flows information		
Cash paid during the year for interest	<u>\$ 491,593</u>	<u>552,887</u>
Cash paid during the year for income taxes	<u>\$ 544,986</u>	<u>504,475</u>

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