

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

ASSETS	June 30, 2007		June 30, 2006		LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2007		June 30, 2006	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 915,505	1	\$ 1,198,332	2	Short-term borrowings (Note 4(10))	\$ 4,513,300	6	\$ 2,359,000	4
Financial assets at fair value through profit or loss - current (Notes 2, 4(2), 4(21) and 5)	33,981,889	48	30,839,320	50	Commercial paper payable (Note 4(11))	4,821,582	7	2,141,551	3
Bonds purchased under resale agreements (Notes 2 and 4(3))	2,503,302	3	501,429	1	Financial liabilities at fair value through profit or loss - current (Notes 4(12) and 4(21))	2,259,778	3	577,224	1
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	22,747,882	31	16,676,342	27	Bonds sold under repurchase agreements (Notes 4(13) and 5)	27,858,801	39	28,531,590	46
Refinancing margin	1,188	-	-	-	Guaranty deposited for securities lent	1,453,366	2	1,432,604	2
Receivables on refinancing collateral	1,099	-	255	-	Proceeds payable from securities lent	1,699,084	2	1,769,125	3
Notes receivable	2,616	-	1,878	-	Notes payable	45,101	-	37,313	-
Accounts receivable (Note 4(4))	711,229	1	1,036,571	2	Accounts payable	182,894	-	135,315	-
Prepayments	66,454	-	52,011	-	Advance receipts	24,005	-	4,042	-
Other receivables	93,187	-	83,874	-	Collections for other parties	793,726	1	552,520	1
Pledged assets - current (Note 6)	805,200	1	368,200	1	Other payables (Note 4(14))	3,150,548	4	2,374,120	4
	<u>61,829,551</u>	<u>85</u>	<u>50,758,212</u>	<u>83</u>	Long-term liabilities - current portion (Note 4(15))	-	-	492,616	1
					Deferred income tax liabilities - current (Note 4(17))	11,081	-	6,987	-
					Other financial liabilities - current (Note 4(21))	919,083	1	1,352,814	2
					Other current liabilities	280,193	-	54,573	-
						<u>48,012,542</u>	<u>65</u>	<u>41,821,394</u>	<u>67</u>
Long-Term Investments					Long-Term Liabilities				
Financial assets at fair value through profit or loss -non-current (Notes 2, 4(2) and 6)	169,206	-	163,829	-	Long-term borrowings (Note 4(15))	1,867,671	3	-	-
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))	448,644	1	-	-
Long-term equity investments accounted for under the equity method (Notes 2 and 4(5))	3,207,904	4	2,973,318	5	Reserve for land appreciation tax	27,698	-	27,698	-
	<u>3,826,978</u>	<u>5</u>	<u>3,587,015</u>	<u>6</u>		<u>2,344,013</u>	<u>4</u>	<u>27,698</u>	<u>-</u>
					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)	100,295	-	154	-
Buildings	1,563,124	2	1,541,291	2	Guaranty deposits received (Note 5)	7,652	-	7,652	-
Equipments	520,669	1	546,208	1	Accrued pension liabilities (Notes 2 and 4(16))	14,862	-	16,356	-
Prepayment for equipments	13,329	-	92,079	-	Deferred income tax liabilities - non-current (Note 4(17))	142,607	-	95,361	-
Leasehold improvements	219,893	-	222,406	-	Other liabilities	-	-	411	-
	5,211,473	7	5,299,625	8		<u>465,767</u>	<u>-</u>	<u>320,285</u>	<u>-</u>
Less: Accumulated depreciation	(1,078,417)	(1)	(1,109,578)	(2)	Total Liabilities	<u>50,822,322</u>	<u>69</u>	<u>42,169,377</u>	<u>67</u>
	<u>4,133,056</u>	<u>6</u>	<u>4,190,047</u>	<u>6</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	447,710	1	1,400,967,000 shares issued and outstanding (Note 4(18))	14,009,670	20	13,643,105	23
					Stock dividends to be distributed	731,480	1	366,565	1
Other Assets					Capital surplus				
Guaranty deposited for business operations	929,900	1	925,000	1	Premium from stock issuance	2,598	-	2,598	-
Settlement fund	298,227	-	288,162	-	Treasury stock transactions (Note 4(19))	62,040	-	62,040	-
Refundable deposits	294,472	-	288,108	-	Long-term investments	1,491	-	1,491	-
Deferred debits	25,588	-	36,049	-	Paid-in capital from merger (Note 1)	778,921	1	778,921	1
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	740,280	1	741,649	-	Retained earnings				
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	1,331	-	191	1	Legal reserve	1,573,381	2	1,425,492	2
	<u>2,289,798</u>	<u>2</u>	<u>2,279,159</u>	<u>2</u>	Special reserve (Note 2)	3,146,762	5	2,850,984	5
Brokerage accounts, net (Note 4(9))	430,356	1	984,256	2	Unappropriated earnings (Notes 4(17) and 4(18))	1,663,429	2	853,668	1
					Cumulative translation adjustments (Note 2)	118,509	-	92,158	-
					Total Stockholders' Equity	<u>22,088,281</u>	<u>31</u>	<u>20,077,022</u>	<u>33</u>
TOTAL ASSETS	<u>\$ 72,910,603</u>	<u>100</u>	<u>\$ 62,246,399</u>	<u>100</u>	Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 72,910,603</u>	<u>100</u>	<u>\$ 62,246,399</u>	<u>100</u>

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

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

	Jan. 1 ~ June 30, 2007		Jan. 1 ~ June 30, 2006	
	Amount	%	Amount	%
Revenues:				
Brokerage commissions	\$ 1,487,281	37	\$ 1,361,960	44
Underwriting commissions	39,785	1	96,275	3
Gain on sale of trading securities	828,165	21	-	-
Securities management, distribution, and management fees	35,046	1	37,499	1
Interest revenue	973,815	24	877,721	28
Dividend revenue	11,225	-	5,987	-
Gain on valuation of trading securities	50,018	1	16,458	1
Gain on covering of borrowed securities and bonds with resale agreements	47,464	1	12,893	-
Gain on valuation of borrowed securities and bonds with resale agreements	11,256	-	-	-
Gain on stock warrants issued (Note 4(21))	148,219	4	272,179	9
Futures commission revenue (Note 5)	40,602	1	61,249	2
Gain on derivative financial instruments (Note 4(21))	-	-	5,649	-
Gain on derivative financial instruments - OTC (Note 4(21))	23,143	1	15,613	1
Other operating revenues	87,384	2	109,534	4
Non-operating revenues (Note 5)	94,669	2	95,595	3
Investment income under the equity method (Note 4(5))	158,397	4	129,311	4
	4,036,469	100	3,097,923	100
Expenses:				
Brokerage fees	91,486	2	90,130	3
Brokerage and clearing fees: proprietary trading	7,165	-	9,493	-
Clearing and exchange fees: refinancing	531	-	608	-
Clearing and exchange fees: underwriting	2,361	-	3,326	-
Loss on sale of trading securities	-	-	444,215	15
Interest expense (Note 5)	344,231	9	305,990	10
Loss on valuation of borrowed securities and bonds with resale agreements	-	-	915	-
Stock warrant issuance expense	9,383	-	2,104	-
Clearing and settlement expenses (Note 5)	983	-	1,364	-
Loss on derivative financial instruments (Note 4(21))	6,739	-	-	-
Operating expenses (Note 5)	1,699,644	42	1,455,453	47
Other operating expenses	25,528	1	8,620	-
Non-operating expenses	8,088	-	5,748	-
	2,196,139	54	2,327,966	75
Continuing operations income before tax	1,840,330	46	769,957	25
Less: Income tax expense (Notes 2 and 4(17))	563,030	14	353,861	11
Continuing operations' income after tax	1,277,300	32	416,096	14
Cumulative effect of changes in accounting principle	-	-	33,525	1
Net income	\$ 1,277,300	32	\$ 449,621	15
	2007		2006	
Basic earnings per share (Note 4(20))	Before Tax	After Tax	Before Tax	After Tax
Continuing operations' income after tax	\$ 1.31	0.91	\$ 0.57	0.31
Cumulative effect of changes in accounting principle	-	-	0.02	0.02
Net income	1.31	0.91	0.59	0.33
Basic earnings per share-retroactively stated (Note 4(20))			0.57	0.32

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

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

	<u>Jan. 1~June 30, 2007</u>	<u>Jan. 1~June 30, 2006</u>
Cash flows from operating activities:		
Net income	\$ 1,277,300	\$ 449,621
Changes in assets and liabilities:		
Depreciation expense	82,708	80,748
Amortization	9,735	48,815
Loss (gain) on disposal of premises and property, net	11	(137)
Loss (gain) on valuation of trading securities	50,018	(16,458)
Excess of investment income under the equity method over cash dividends received	(70,920)	(52,090)
Provision for (reversal of) securities trading loss	83,256	(34,041)
Decrease (increase) in financial assets at fair value through profit or loss -current	(62,423)	6,894,104
Decrease (increase) in bonds purchased under resale agreements	(2,151,302)	2,616,080
Increase in receivable for securities provided as collateral	(3,299,364)	(2,245,176)
Decrease in refinancing margin	11,480	30,983
Decrease in receivables on refinancing collateral	17,305	51,755
Decrease in notes receivable	1,723	787
Increase in accounts receivable	(178,928)	(464,278)
Increase in prepayment	(10,041)	(8,682)
Decrease (increase) in other receivables	(5,503)	1,366
Increase in pledged assets - current	(441,300)	(19,300)
Deferred income tax assets and liabilities, net	34,402	13,697
Decrease in other financial assets	-	712
Decrease in other current assets	-	50,675
Increase in other assets	(1,009)	(66)
Brokerage accounts, net	(27,814)	(545,686)
Increase in financial liabilities at fair value through profit or loss -current	1,786,518	261,541
Increase (decrease) in bonds sold under repurchase agreements	1,076,085	(1,758,092)
Decrease in bills sold under repurchase agreements	-	(51,965)
Decrease in guaranty deposited for securities lent	(476,881)	(360,512)
Decrease in proceeds payable from securities lent	(667,389)	(831,988)
Increase (decrease) in notes payable	12,841	(167,955)
Decrease in accounts payable	(44,069)	(2,749,373)
Decrease in advance receipts	(10,349)	(69,598)
Increase in collections for other parties	205,135	259,914
Increase in other payables	292,725	119,852
Increase in other financial liabilities	394,794	360,645
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	-	(93,806)
Net cash provided by (used in) operating activities	<u>(2,112,868)</u>	<u>1,771,972</u>

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

	Jan. 1~June 30, 2007	Jan. 1~June 30, 2006
Cash flows from investing activities:		
Purchase of available-for-sale financial assets -non-current	-	(7,095)
Purchase of premises and property	(36,138)	(38,411)
Proceeds from sale of premises and property	78	267
Purchase of deferred debits and intangible assets	(4,464)	(1,998)
Decrease (increase) in guaranty deposited for business operations	(71,000)	324,400
Increase in settlement fund	(10,065)	(3,593)
Decrease (increase) in refundable deposits	(12,097)	38,208
Net cash provided by (used in) investing activities	(133,686)	311,778
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	843,300	(291,000)
Increase (decrease) in commercial paper payable	273,078	(328,017)
Increase (decrease) in long-term borrowings	1,040,644	(1,483,766)
Remuneration to directors and supervisors	(41,409)	-
Net cash provided by (used in) financing activities	2,115,613	(2,102,783)
Decrease in cash and cash equivalents	(130,941)	(19,033)
Cash and cash equivalents, beginning of the year	1,046,446	1,217,365
Cash and cash equivalents, ended June 30, 2007 and 2006	\$ 915,505	\$ 1,198,332
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 335,431	\$ 304,590
Cash paid during the year for income taxes	\$ 211,601	\$ 104,873
Investing and financing activities with no effect on cash flows:		
Cash dividend payable	\$ 280,193	\$ 54,573
Employee bonuses payable	\$ 60	\$ 3
Remuneration to directors and supervisors payable	\$ -	\$ 15,797
Current portion of long-term liabilities	\$ -	\$ 492,616

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