CAPITAL SECURITIES CORPORATION BALANCE SHEETS March 31, 2006 and 2005

(New Taiwan Dollars in Thousands, Except Share Data)

	(Unaudited) March 31, 2006			(Unaudited) March 31, 20			(Unaudited) March 31, 2006				(Unaudited) March 31, 2005	
ASSETS	Amount	%		Amount	%	LIABILITIES AND STOCKHOLDERS' EQUITY	Amoun		%	Amour		%
Current Assets						Current Liabilities						
Cash and cash equivalents (Notes 2 and 4(1))	\$ 753,942	1	\$	952,066	2	Short-term borrowings (Note 4(8))	\$ 2,340	,000	3	\$ 90	0,000	2
Financial assets at fair value through profit or loss - current	35,721,733	53		19,562,948	43	Short-term bills payable (Note 4(9))	5,087	,428	7	2,81	9,278	6
(Notes 2, 4(2) and 5)						Financial liabilities at fair value through profit or loss (Note 4(10))	1,027	,004	2	16	2,183	-
Bonds purchased under resale agreements (Notes 2 and 4(3))	3,729,976	5		107,014	-	Bonds sold under repurchase agreements (Notes 4(11) and 5)	32,645	,045	49	15,31	7,648	33
Receivable for securities provided as collateral	15,634,027	24		13,767,567	30	Bills sold under repurchase agreements (Notes 4(11))	19	,988	-		-	-
(net of allowance for doubtful accounts)						Guaranty deposited for securities lent	869	,160	1	85	5,331	2
Refinancing margin	415	-		-	-	Proceeds payable from securities lent	1,023	3,113	1	1,07	7,574	2
Receivables on refinancing collateral	3,158	-		32,283	-	Notes payable	31	,070	-	4	9,576	-
Notes receivable	3,493	-		2,240	-	Accounts payable	671	,913	1	63	3,716	1
Accounts receivable (Note 4(4))	748,848	1		443,207	1	Advance receipts		,155	-		1,755	-
Prepayments	45,030	-		62,115	-	Collections for other parties	339	,501	-	23	9,919	1
Other receivables	80,851	-		86,676	-	Other payables	325	,460	-	41	3,789	1
Pledged assets - current (Note 6)	630,900	1		363,900	1	Deferred income tax liabilities - current (Note 4(14))	10	,653	-		-	-
Deferred income tax assets - current (Note 4(16))	-	-		32,934	-	Other financial liabilities - current (Note 4(18))	1,102	,914	2	96	9,577	3
Other current assets	-	-		49,022	-	Other current liabilities	1,877	,931	3	1,80	1,105	4
	57,352,373	85		35,461,972	77	•	47,388	3,335	69	25,24	5,451	55
Long-Term Investments						Long-Term Liabilities						
Financial assets at fair value through profit or loss -non-current	_	_		_	_	Long-term borrowings (Note 4(14))	490	800.0	1	49	3,979	1
(Notes 2 and 4(2))						Reserve for land appreciation tax		,698	-		7,698	-
Available-for-sale financial assets -non-current	442,773	1		454,671	1			,706	1		5,677	1
(Notes 2 and 4(2))												
Long-term equity investments accounted for under the equity method	3,022,266	4		2,932,063	6	Other Liabilities						
(Notes 2 and 4(5))						Reserve for default loss (Note 2)	200	,351	-	20),351	-
	3,465,039	5		3,386,734	7	Reserve for trading loss (Note 2)		,917	-		1,535	-
						Guaranty deposits received (Note 5)		,652	-		3,382	-
Premises and Property (Notes 2, 4(6) and 6)						Accrued pension liabilities (Notes 2 and 4(15))	16	,356	-	1	5,758	-
Land	2,894,000	4		2,869,525	6	Deferred income tax liabilities - non-current (Note 4(16))	98	3,212		7.	5,733	
Buildings	1,538,604	2		1,519,268	3			,488	-		5,759	-
Equipment	523,893	1		610,701	1	Total Liabilities	48,24	,529	70	26,07	7,887	56
Prepayment for equipment	94,939	-		26,780	-							
Leasehold improvements	227,773	-		216,346	-							
Less: Accumulated depreciation	(1,077,119)	(2)		(1,034,686)	(2)	Stockholders' Equity						
	4,202,090	5		4,207,934	8	Common stock, par value \$10 per share						
	·					2,000,000,000 shares authorized,						
Intangible Assets						1,400,967,000 shares issued and outstanding (Note 4(17))	13,643	3,105	20	13,64	3,105	29
Operation franchise (Note 2)	465,647	1		548,120	1	Capital surplus						
						Premium from stock issuance		2,598	-		2,598	-
Other Assets						Treasury stock transactions (Note 4(18))	62	2,040	-	6	0,620	-
Guaranty deposited for business operations	1,042,400	3		1,157,900	2	Long-term investments	1	,491	-		1,204	-
Settlement fund	284,569	-		284,569	1	Paid-in capital from merger (Note 1)	778	3,921	2	77	3,921	2
Refundable deposits	326,167	-		350,102	1	Retained earnings						
Deferred debits	40,262	-		47,856	-	Legal reserve	1,369	,099	2	1,21	9,691	3
Pledged assets-non current (Notes 6)	165,146			113,292	-	Special reserve (Note 2)	2,738	3,198	4	2,43	9,383	5
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	748,369	1		794,217	2	Unappropriated earnings (Notes 4(16) and 4(17))	1,364	,409	2	2,41	3,757	5
Others (net of allowance for doubtful accounts) (Notes 2 and 4(7))	455	-		125	-	Cumulative translation adjustments (Note 2)	97	,000	-	5:	5,379	-
	2,607,368	4		2,748,061	6	Total Stockholders' Equity	20,056	,861	30	20,61	1,658	44
Brokerage accounts, net (Note 4(8))	205,873	-		339,724	1	Simificant commitments and contingencies						
TOTAL ASSETS	\$ 68,298,390	100	\$	46,692,545	100	Significant commitments and contingencies TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 68,298	3,390	100	\$ 46,69	2,545	100

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

CAPITAL SECURITIES CORPORATION

STATEMENTS OF INCOME

Years Ended March 31, 2006 and 2005

 $(New\ Taiwan\ Dollars\ in\ Thousands, Except\ Share\ and\ Per\ Share\ Data)$

	(Unaud	lited)	(Unaudit	ted)		
	Jan. 1 ~ Mar. 31, 2006		Jan. 1 ~ Mar. 30, 2005			
	Amount	%	Amount	%		
Revenues:						
Brokerage commissions	\$ 632,037	43	\$ 409,326	34		
Underwriting commissions	16,337	1	15,074	1		
Gain on sale of trading securities	-	-	108,878	9		
Securities management, distribution, and management fees	18,796	1	18,690	2		
Interest revenue	433,306	29	341,145	29		
Dividend revenue	5	-	-	-		
Gain on valuation of trading securities	73,974	5	-	-		
Gain on covering of borrowed securities and bonds with resale agreements	-	-	-	-		
Gain on stock warrants issued	61,335	4	139,326	12		
Futures commission revenue (Note 5)	28,949	2	23,005	2		
Gain on derivative financial instruments (Note 4(20))	8,999	1	-	-		
Gain on derivative financial instruments - OTC (Note 4(20))	5,360	-	21,949	1		
Other operating revenues	58,923	4	33,373	3		
Non-operating revenues	144,329	10	81,970	7		
	1,482,350	100	1,192,736	100		
Expenses:						
Brokerage fees	(41,258)	(3)	(26,059)	(2)		
Brokerage and clearing fees: proprietary trading	(4,675)	-	(2,668)	-		
Clearing and exchange fees: refinancing	(325)	-	(610)	-		
Clearing and exchange fees: underwriting	(1,346)	-	(784)	-		
Loss on sale of trading securities	(47,392)	(3)	-	-		
Interest expense	(150,501)	(10)	(67,393)	(6)		
Loss on valuation of trading securities	-	-	(151,110)	(13)		
Loss on covering of borrowed securities and bonds with resale agreements	(5,499)	-	-	-		
Loss on valuation of borrowed securities and bonds with resale agreements	(497)	-	-	-		
Stock warrant issuance expense	(883)	-	(367)	-		
Clearing and settlement expenses (Note 5)	(492)	-	(1,189)	-		
Loss on derivative financial instruments (Note 4(20))	-	-	(98,701)	(8)		
Loss on derivative financial instruments - OTC (Note 4(20))	-	-	-	-		
Loss on structured notes (Note 4(20))	(2,356)	-	(8,840)	(1)		
Operating expenses (Note 5)	(709,637)	(48)	(599,904)	(51)		
Other operating expenses	(5,568)	-	(2,622)	_		
Non-operating expenses	(4,201)	_	(3,045)	_		
	(974,630)	(64)	(963,292)	(81)		
Continuing operations income before tax	507,720	36	229,444	19		
Less: Income tax expense (Notes 2 and 4(16))	187,000	13	142,996	12		
Continuing operations' income after tax	320,720	23	86,448	7		
Cumulative effect of changes in accounting principle	33,525	2	(12,088)	(1)		
Net income	\$ 354,245	25	\$ 74,360	6		
Pacie comings now chore	Potovo Tov		2005 Pofore Toy	A fton Tow		
Basic earnings per share	Before Tax \$ 0.37	After Tax	Before Tax	After Tax		
Continuing operations' income after tax		0.24	0.17	0.16		
Cumulative effect of changes in accounting principle	0.02	0.02	(0.01)	(0.01)		
Net income Pro forma data:	0.39	0.26	0.16	0.15		
Income from continuing operations			229,444	86,448		
Cumulative Operations' EPS-Basic earnings per share			0.17	0.06		
Net income			229,444	86,448		
Basic earnings per share			0.17	0.06		
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The accompanying notes are an integral part of the financial statements.

CAPITAL SECURITIES CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2006 and 2005

(New Taiwan Dollars in Thousands)

	Jan. 1~Mar. 31, 2006 (Unaudited)		Jan. 1~Mar. 31, 2005 (Unaudited)		
Cash flows from operating activities:					
Net income	\$	354,245	\$	74,360	
Changes in assets and liabilities:					
Bad debt expense		-		246	
Depreciation expense		41,511		49,404	
Amortization		24,567		25,153	
Loss (gain) on disposal of premises and property, net		(76)		36	
Loss (gain) on valuation of trading securities		(73,974)		151,110	
Excess of investment income under the equity method over cash dividends received		(94,582)		(14,850)	
Provision for (reversal of) securities trading loss		(30,278)		(9,781)	
Decrease (increase) in financial assets at fair value through profit or loss -current		2,066,683		4,135,544	
Bonds purchased under resale agreements		(612,467)		(60,014)	
Decrease (increase) in receivable for securities provided as collateral		(1,202,861)		877,466	
Decrease in refinancing margin		30,568	-		
Decrease (increase) in receivables on refinancing collateral		48,852		(32,158)	
Decrease in notes receivable		(828)		1,265	
Decrease (increase) in accounts receivable		(176,555)		451,017	
Decrease (increase) in prepayment		(1,701)		59,155	
Decrease in other receivables		4,389		5,139	
Decrease in pledged assets - current		(282,000)		508,000	
Decrease in pledged assets - non current		1,207		1,813	
Deferred income tax assets and liabilities, net		-		30,418	
Decrease (increase) in other financial assets		712	-		
Decrease (increase) in other current assets		50,675		(24,476)	
Increase in other assets		(330)		17,310	
Brokerage accounts, net		232,697		(158,936)	
Increase in financial liabilities at fair value through profit or loss -current		711,321		(103,324)	
Increase (decrease) in bonds sold under repurchase agreements		2,355,363		(2,947,982)	
Decrease in bills sold under repurchase agreements		(31,977)		-	
Increase (decrease) in guaranty deposited for securities lent		(923,956)		(526,388)	
Increase (decrease) in proceeds payable from securities lent		(1,578,000)		(792,167)	
Increase (decrease) in notes payable		(174,198)		33,042	
Increase (decrease) in accounts payable		(2,212,775)		507,158	
Increase (decrease) in advance receipts		(56,485)		1,845	
Increase in collections for other parties		46,895		53,718	
Increase (decrease) in other payables		(159,994)		(189,116)	
Increase (decrease) in income tax liabilities- current		4,336	-		
Increase (decrease) in other financial liabilities		110,745		172,751	
Increase (decrease) in other liabilities- current		124,917		98,227	
Decrease in guaranty deposits received		(120)	-		
Increase (Decrease) in income tax liabilities- non current		14,264		(8,634)	
Decrease in other liabilities		(94,217)		-	
Net cash provided by operating activities		(1,483,427)		2,386,351	

CAPITAL SECURITIES CORPORATION STATEMENTS OF CASH FLOWS (CONT'D)

Years Ended March 31, 2006 and 2005

(New Taiwan Dollars in Thousands)

	Jan. 1~Mar. 31, 2006	Jan. 1~Mar. 31, 2005
	(Unaudited)	(Unaudited)
Cash flows from investing activities:		
Purchase of available-for-sale financial assets -non-current	-	(13,088)
Purchase of premises and property	(17,321)	(52,447)
Proceeds from sale of premises and property	190	4
Purchase of deferred debits and intangible assets	(500)	(106,204)
Decrease (increase) in guaranty deposited for business operations	207,000	(8,100)
Increase in settlement fund	-	(7,349)
Decrease in refundable deposits	149	(140)
Net cash provided by (used in) investing activities	189,518	(187,324)
Cash flows from financing activities:		
Decrease in short-term borrowings	(310,000)	(1,960,000)
Decrease in short-term bills payable	2,617,860	(119,882)
Decrease in long-term borrowings	(1,477,374)	2,626
Cash dividend	-	-
Employee bonuses	-	-
Remuneration to directors and supervisors	-	-
Treasury stock transactions, net	-	-
Net cash used in financing activities	830,486	(2,077,256)
Decrease in cash and cash equivalents	(463,423)	121,771
Cash and cash equivalents, beginning of the year	1,217,365	830,295
Cash and cash equivalents, end of the year	\$ 753,942	\$ 952,066
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 149,095	\$ 64,809
Cash paid during the year for income taxes	\$ 62,083	\$ 18,956
Investing and financing activities with no effect on cash flows:		
Cash dividend payable		\$ -
Employee bonuses payable	-	\$ -
Current portion of long-term liabilities	\$ (1,480,000)	\$ -