

CAPITAL SECURITIES CORPORATION
BALANCE SHEETS
March 31, 2006 and 2005
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) March 31, 2006		(Unaudited) March 31, 2005		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 2006		(Unaudited) March 31, 2005	
	Amount	%	Amount	%		Amount	%	Amount	%
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	\$ 900,000	2
Financial assets at fair value through profit or loss - current (Notes 2, 4(2) and 5)	35,721,733	53	19,562,948	43	Short-term bills payable (Note 4(9))	5,087,428	7	2,819,278	6
Bonds purchased under resale agreements (Notes 2 and 4(3))	3,729,976	5	107,014	-	Financial liabilities at fair value through profit or loss (Note 4(10))	1,027,004	2	162,183	-
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	15,634,027	24	13,767,567	30	Bonds sold under repurchase agreements (Notes 4(11) and 5)	32,645,045	49	15,317,648	33
Refinancing margin	415	-	-	-	Bills sold under repurchase agreements (Notes 4(11))	19,988	-	-	-
Receivables on refinancing collateral	3,158	-	32,283	-	Guaranty deposited for securities lent	869,160	1	856,331	2
Notes receivable	3,493	-	2,240	-	Proceeds payable from securities lent	1,023,113	1	1,077,574	2
Accounts receivable (Note 4(4))	748,848	1	443,207	1	Notes payable	31,070	-	49,576	-
Prepayments	45,030	-	62,115	-	Accounts payable	671,913	1	633,716	1
Other receivables	80,851	-	86,676	-	Advance receipts	17,155	-	4,755	-
Pledged assets - current (Note 6)	630,900	1	363,900	1	Collections for other parties	339,501	-	239,919	1
Deferred income tax assets - current (Note 4(16))	-	-	32,934	-	Other payables	325,460	-	413,789	1
Other current assets	-	-	49,022	-	Deferred income tax liabilities - current (Note 4(14))	10,653	-	-	-
	<u>57,352,373</u>	<u>85</u>	<u>35,461,972</u>	<u>77</u>	Other financial liabilities - current (Note 4(18))	1,102,914	2	969,577	3
					Other current liabilities	1,877,931	3	1,801,105	4
						<u>47,388,335</u>	<u>69</u>	<u>25,245,451</u>	<u>55</u>
Long-Term Investments					Long-Term Liabilities				
Financial assets at fair value through profit or loss -non-current (Notes 2 and 4(2))	-	-	-	-	Long-term borrowings (Note 4(14))	499,008	1	498,979	1
Available-for-sale financial assets -non-current (Notes 2 and 4(2))	442,773	1	454,671	1	Reserve for land appreciation tax	27,698	-	27,698	-
Long-term equity investments accounted for under the equity method (Notes 2 and 4(5))	3,022,266	4	2,932,063	6		<u>526,706</u>	<u>1</u>	<u>526,677</u>	<u>1</u>
	<u>3,465,039</u>	<u>5</u>	<u>3,386,734</u>	<u>7</u>	Other Liabilities				
Premises and Property (Notes 2, 4(6) and 6)					Reserve for default loss (Note 2)	200,351	-	200,351	-
Land	2,894,000	4	2,869,525	6	Reserve for trading loss (Note 2)	3,917	-	4,535	-
Buildings	1,538,604	2	1,519,268	3	Guaranty deposits received (Note 5)	7,652	-	8,382	-
Equipment	523,893	1	610,701	1	Accrued pension liabilities (Notes 2 and 4(15))	16,356	-	16,758	-
Prepayment for equipment	94,939	-	26,780	-	Deferred income tax liabilities - non-current (Note 4(16))	98,212	-	75,733	-
Leasehold improvements	227,773	-	216,346	-		<u>326,488</u>	<u>-</u>	<u>305,759</u>	<u>-</u>
Less: Accumulated depreciation	(1,077,119)	(2)	(1,034,686)	(2)	Total Liabilities	<u>48,241,529</u>	<u>70</u>	<u>26,077,887</u>	<u>56</u>
	<u>4,202,090</u>	<u>5</u>	<u>4,207,934</u>	<u>8</u>	Stockholders' Equity				
Intangible Assets					Common stock, par value \$10 per share				
Operation franchise (Note 2)	465,647	1	548,120	1	2,000,000,000 shares authorized,				
					1,400,967,000 shares issued and outstanding (Note 4(17))	13,643,105	20	13,643,105	29
Other Assets					Capital surplus				
Guaranty deposited for business operations	1,042,400	3	1,157,900	2	Premium from stock issuance	2,598	-	2,598	-
Settlement fund	284,569	-	284,569	1	Treasury stock transactions (Note 4(18))	62,040	-	60,620	-
Refundable deposits	326,167	-	350,102	1	Long-term investments	1,491	-	1,204	-
Deferred debits	40,262	-	47,856	-	Paid-in capital from merger (Note 1)	778,921	2	778,921	2
Pledged assets-non current (Notes 6)	165,146	-	113,292	-	Retained earnings				
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	748,369	1	794,217	2	Legal reserve	1,369,099	2	1,219,691	3
Others (net of allowance for doubtful accounts) (Notes 2 and 4(7))	455	-	125	-	Special reserve (Note 2)	2,738,198	4	2,439,383	5
	<u>2,607,368</u>	<u>4</u>	<u>2,748,061</u>	<u>6</u>	Unappropriated earnings (Notes 4(16) and 4(17))	1,364,409	2	2,413,757	5
Brokerage accounts, net (Note 4(8))	<u>205,873</u>	<u>-</u>	<u>339,724</u>	<u>1</u>	Cumulative translation adjustments (Note 2)	97,000	-	55,379	-
					Total Stockholders' Equity	<u>20,056,861</u>	<u>30</u>	<u>20,614,658</u>	<u>44</u>
TOTAL ASSETS	<u>\$ 68,298,390</u>	<u>100</u>	<u>\$ 46,692,545</u>	<u>100</u>	Significant commitments and contingencies				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 68,298,390</u>	<u>100</u>	<u>\$ 46,692,545</u>	<u>100</u>

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)

	<u>Jan. 1~Mar. 31, 2006</u>	<u>Jan. 1~Mar. 31, 2005</u>
	(Unaudited)	(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	<u>(1,483,427)</u>	<u>2,386,351</u>

CAPITAL SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended March 31, 2006 and 2005
(New Taiwan Dollars in Thousands)

	<u>Jan. 1~Mar. 31, 2006</u>	<u>Jan. 1~Mar. 31, 2005</u>
	(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	<u>189,518</u>	<u>(187,324)</u>
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	<u>830,486</u>	<u>(2,077,256)</u>
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	<u>\$ 753,942</u>	<u>\$ 952,066</u>
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	<u>\$ 149,095</u>	<u>\$ 64,809</u>
Cash paid during the year for income taxes	<u>\$ 62,083</u>	<u>\$ 18,956</u>
Investing and financing activities with no effect on cash flows:		
Cash dividend payable	<u>-</u>	<u>\$ -</u>
Employee bonuses payable	<u>-</u>	<u>\$ -</u>
Current portion of long-term liabilities	<u>\$ (1,480,000)</u>	<u>\$ -</u>

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