CAPITAL SECURITIES CORPORATION BALANCE SHEETS June 30, 2006 and 2005 (New Taiwan Dollars in Thousands, Except Share Data)

Current Austral Current Aust		June 30, 200)6	June 30, 200	5		June 30, 200	6	June 30, 20	05
Column C	ASSETS					LIABILITIES AND STOCKHOLDERS' EQUITY				%
Process Proc	Current Assets					Current Liabilities			•	
Contemp Cont	Cash and cash equivalents (Notes 2 and 4(1))	\$ 1,198,332		\$ 714,761	1	Short-term borrowings (Note 4(9))	\$ 2,359,000	4	\$ 1,135,000	2
Books sold under results agreements (Notes 2, 21 and 43) 60 22, 225, 28 28 28 28 28 28 28 28	Financial assets at fair value through profit or loss - current	30,839,320	50	28,695,866	54	Short-term bills payable (Note 4(10))	2,141,551	3	-	-
Receivable for securities provided as colliserial (143.694) 2 1673.439	(Notes 2, 4(2) and 5)					Financial liabilities at fair value through profit or loss (Note 4(11))	577,224	1	598,177	1
Receivable for securities provided as colliserial (143.694) 2 1673.439	Bonds purchased under resale agreements (Notes 2 and 4(3))	501,429	1	2,000	-	Bonds sold under repurchase agreements (Notes 4(12) and 5)	28,531,590	46	22,275,855	42
Persistant serium ser		16,676,342	27	12,229,426	23	Guaranty deposited for securities lent		2	1,673,439	3
Mose content proceims (Note 2, 4C) and 5 1.0	(net of allowance for doubtful accounts)					Proceeds payable from securities lent	1,769,125	3	2,433,738	3
Accounts receivable (Note 414)	Receivables on refinancing collateral	255	-	23,523	-	Notes payable	37,313	-	47,705	-
Popularis	Notes receivable	1,878	-	2,750	-	Accounts payable	135,315	-	308,561	1
Chair Friedwishes S.8.74 Chair Freewishes S.8.76 Chair Fragility Chair Friedwishes Chair Friedwish Chair	Accounts receivable (Note 4(4))	1,036,571	2	407,664	1	Advance receipts	4,042	-	37,392	-
Chair Friedwishes S.8.74 Chair Freewishes S.8.76 Chair Fragility Chair Friedwishes Chair Friedwish Chair	Prepayments	52,011	-	57,898	-	Collections for other parties	552,520	1	297,895	1
Polegra saxes - current (Note 61) 6.987 1 308.900 1 0.006 1 0.			-		-			4		5
Polegra saxes - current (Note 61) 6.987 1 308.900 1 0.006 1 0.	Other financial assets - current (Notes 2, 4(2) and 5)	· -	-	165	-	Long-term liabilities - current portion (Note 4(14))	492,616	1	150,000	-
Charter discounts assets - current (Note 4(41))		368,200	1		1			-	-	-
Cher current assets		,	-		-			2	1.068.469	2
Cong-Ferm Liabilities Long-Ferm deproximation [Notes 2 and 40.7) Cong-ferm open profit or loss -non-current 163.829 Cong-ferm capture via value through profit or loss -non-current 163.829 Cong-ferm capture via value through profit or loss -non-current 449.868 Cong-ferm capture via value through profit or loss -non-current 449.868 Cong-ferm capture via value through profit or loss -non-current 449.868 Cong-ferm capture via value through profit or loss -non-current 449.868 Cong-ferm capture via value through profit or loss -non-current 449.868 Cong-ferm capture via value via valu		_	_		_			-		2
Long-Term Investments	outer current absets	50 758 212	83		80	outer current intermites		67		62
Long-Term Investments		50,750,212		12,021,372		Long Torm Liabilities	41,021,374		33,310,017	
Reserve for land appreciation tax									401.012	1
Financial assets at fair value through profit or loss -non-current (Notes 2 and 4(2))	Long Torm Investments						27.608	-		1
Natiable forest affinincial assets -non-current		162 920		166 252		Reserve for failu appreciation tax				
Available-for-sale financial aseets-non-current 449,868 1 442,775 1 5 5 1 5 1 1 1 1		103,829	-	100,333	-		27,098		318,/11	1_
Notes 2 and 4(2)		140.000		440.772		041.199				
Content equity investments accounted for under the equity method (Note 2 and 4(5))		449,868	1	442,773	1		200.251		200 251	
Notes 2 and 4(5) Sab Sa		2.072.210	-	2 020 (10 00	-		,	-		-
Pemises and Property (Notes 2, 46) and 6)		2,973,318	5	2,829,619.00	5			-		-
Premises and Property (Notes 2, 4(6) and 6)	(Notes 2 and 4(5))	2.507.015		2 420 545			.,	-	- /	-
Perpara minima		3,587,015	6	3,438,745	6			-		-
Second	P 1 1P 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1							-	73,585	-
Prepayment for equipment			_			Other liabilities			-	
Sequipment S46,208 1 632,528 1 Stockholders' Equity Common stock, par value \$10 per share Common stock par value \$10 per share			-							
Prepayment for equipment						Total Liabilities	42,169,377	67	34,348,900	63
Leasehold improvements		,	1	,	1					
Less: Accumulated depreciation			-		-					
A			-							
Intangible Assets A A A A A A A A A	Less: Accumulated depreciation									
Intangible Assets		4,190,047	6	4,215,081	8				13,643,105	26
Premium from stock issuance Premium from stock issuance Premium from stock issuance 2,598 - 2,59							366,565	1	-	-
Operation franchise (Note 2) 447,710 1 529,730 1 Treasury stock transactions (Note 4(18)) 62,040 - 60,620 Other Assets Long-term investments 1,491 - 1,204 Guaranty deposited for business operations 925,000 2 1,086,700 2 Retained earnings Settlement fund 288,162 - 288,162 - 284,569 1 Legal reserve Negal reserve (Note 2) 2,850,984 5 2,738,198 Refundable deposits 36,049 - 44,988 - Unappropriate dearnings (Note 4(16)) 853,668 1 645,467 Leased assets (net of accumulated depreciation) (Notes 2 and 6) 741,649 - 792,506 1 Cumulative translation adjustments (Note 2) 92,158 - 59,058 Others (net of allowance for doubtful accounts) (Notes 2 and 4(7)) 191 1 125 - Treasury stocks (Note 4(18)) 20,077,022 33 19,080,075 Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 - Total Stockholders' Equity										
Other Assets 925,000 2 1,086,700 2 Retained persisted for business operations 1,491 - 1,204 Guaranty deposited for business operations 925,000 2 1,086,700 2 Retained earnings Settlement fund 288,162 - 284,569 1 Legal reserve 1,425,492 2 1,369,099 Refundable deposits 288,108 - 342,818 1 Special reserve (Note 2) 2,850,984 5 2,738,198 Deferred debits 36,049 - 44,988 - Unappropriated earnings (Note 4(16)) 853,668 1 645,467 Leased assets (net of accumulated depreciation) (Notes 2 and 6) 741,649 - 792,506 1 Cumulative translation adjustments (Note 2) 92,158 - 59,058 Others (net of allowance for doubtful accounts) (Notes 2 and 4(7)) 191 1 125 - Treasury stocks (Note 4(18)) 20,077,022 33 19,080,075 Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 - Treasury stocks (Note 4(18)) </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>-</td> <td></td> <td>-</td>								-		-
Other Assets Paid-in capital from merger (Note 1) 778,921 1 778,921 Guaranty deposited for business operations 925,000 2 1,086,700 2 Retained earnings Settlement fund 288,162 - 284,569 1 Legal reserve 1,425,492 2 1,369,099 Refundable deposits 288,108 - 342,818 1 Special reserve (Note 2) 2,850,984 5 2,738,198 Deferred debits 36,049 - 44,988 - Unappropriated earnings (Note 4(16)) 853,668 1 645,467 Leased assets (net of accumulated depreciation) (Notes 2 and 6) 741,649 - 792,506 1 Cumulative translation adjustments (Note 2) 92,158 - 59,058 Others (net of allowance for doubtful accounts) (Notes 2 and 4(7)) 191 1 125 - Treasury stocks (Note 4(18)) 20,077,022 33 19,080,075 Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 - Significant commitments and contingencies Significant commitments and contingencies <td>Operation franchise (Note 2)</td> <td>447,710</td> <td>1</td> <td>529,730</td> <td>1</td> <td></td> <td>62,040</td> <td>-</td> <td></td> <td>-</td>	Operation franchise (Note 2)	447,710	1	529,730	1		62,040	-		-
Guaranty deposited for business operations 925,000 2 1,086,700 2 Retained earnings Settlement fund 288,162 - 284,569 1 Legal reserve 1,425,492 2 1,369,099 Refundable deposits 288,108 - 342,818 1 Special reserve (Note 2) 2,850,984 5 2,738,198 Deferred debits 36,049 - 44,988 - Unappropriated earnings (Note 4(16)) 853,668 1 645,467 Leased assets (net of accumulated depreciation) (Notes 2 and 6) 741,649 - 792,506 1 Cumulative translation adjustments (Note 2) 92,158 - 59,058 Others (net of allowance for doubtful accounts) (Notes 2 and 4(7)) 191 1 125 - Treasury stocks (Note 4(18)) - 20,077,022 33 19,080,075 Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 - Significant commitments and contingencies Significant commitments and contingencies						Long-term investments	1,491	-	1,204	-
Settlement fund 288,162 - 284,569 1 Legal reserve 1,425,492 2 1,369,099 Refundable deposits 288,108 - 342,818 1 Special reserve (Note 2) 2,850,984 5 2,783,198 Deferred debits 36,049 - 44,988 - Unappropriated earnings (Note 4(16)) 853,668 1 645,467 Leased assets (net of accumulated depreciation) (Notes 2 and 6) 741,649 - 792,506 1 Cumulative translation adjustments (Note 2) 92,158 - 59,058 Others (net of allowance for doubtful accounts) (Notes 2 and 4(7)) 191 1 125 - Treasury stocks (Note 4(18)) 20,077,022 33 19,080,075 Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 - Significant commitments and contingencies Significant commitments and contingencies	Other Assets					Paid-in capital from merger (Note 1)	778,921	1	778,921	2
Refundable deposits 288,108 - 342,818 1 Special reserve (Note 2) 2,850,984 5 2,738,198 Deferred debits 36,049 - 44,988 - Unappropriated earnings (Note 4(16)) 853,668 1 645,467 Leased assets (net of accumulated depreciation) (Notes 2 and 6) 741,649 - 792,506 1 Cumulative translation adjustments (Note 2) 92,158 - 59,058 Others (net of allowance for doubtful accounts) (Notes 2 and 4(7)) 191 1 125 - Treasury stocks (Note 4(18)) - 2,077,022 33 19,080,075 Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 - Significant commitments and contingencies Significant commitments and contingencies	Guaranty deposited for business operations	925,000	2	1,086,700	2	Retained earnings				
Deferred debits 36,049 - 44,988 - Unappropriated earnings (Note 4(16)) 853,668 1 645,467	Settlement fund	288,162	-	284,569	1	Legal reserve	1,425,492	2	1,369,099	3
Deferred debits 36,049 - 44,988 - 4,08	Refundable deposits	288,108	-	342,818	1	Special reserve (Note 2)	2,850,984	5	2,738,198	5
Others (net of allowance for doubtful accounts) (Notes 2 and 4(7)) 191 1 125 - Treasury stocks (Note 4(18)) - - - (218,195) Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 - Significant commitments and contingencies Significant commitments and contingencies		36,049	-	44,988	-		853,668	1	645,467	1
Others (net of allowance for doubtful accounts) (Notes 2 and 4(7)) 191 1 125 - Treasury stocks (Note 4(18)) - - - (218,195) Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 - Significant commitments and contingencies Significant commitments and contingencies	Leased assets (net of accumulated depreciation) (Notes 2 and 6)	741,649	-	792,506	1	Cumulative translation adjustments (Note 2)	92,158	-	59,058	-
2,279,159 3 2,551,706 5 Total Stockholders' Equity 20,077,022 33 19,080,075			1		_		_	_		_
Brokerage accounts, net (Note 4(8)) 984,256 1 69,321 Significant commitments and contingencies	(/))		3		- 5		20.077.022	33		37
Significant commitments and contingencies	Brokerage accounts, net (Note 4(8))		1		-		20,077,022		12,000,073	٠,
		70-1,230		07,521		Significant commitments and contingencies				
φ	TOTAL ASSETS	\$ 62,246,399	100	\$ 53,428,975	100		\$ 62,246,399	100	\$ 53,428,975	100
		, . , . , . , . , . , . , . , . , .					· · · / · /			

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

CAPITAL SECURITIES CORPORATION STATEMENTS OF INCOME

Years Ended June 30, 2006 and 2005

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

Revenue Management (1997) % (1997) <th></th> <th>Jan. 1 ~ June</th> <th>2 30, 2006</th> <th colspan="4">Jan. 1 ~ June 30, 2005</th>		Jan. 1 ~ June	2 30, 2006	Jan. 1 ~ June 30, 2005			
Interpretating commissions \$1,56,696 44 \$8,85,000 3.8 Underwriting commissions 96,275 3 27,308 1 Scanife standing securities 87,749 1 40,220 2 Increst revenue 87,771 3 74,300 3 Divide revenue 5,587 3 74,500 3 Gain on valuation of rading securities 16,289 3 7,945 3 Gain on cavering of horrowed securities and bonds with resule agreements 12,289 9 15,159 7 Gain on exh warmat is saud 272,179 9 15,159 7 Gain on exh warmat is saud 272,179 9 15,159 2 Gain on exh warmat is saud 28,249 2 2 2 Gain on exh warmat is saud 18,229 2 2 2 Gain on exh warmat is saud 18,249 2 2 2 Gain on exh warmat is saud 18,229 2 2 2 2 2 2 2 2 <th></th> <th>Amount</th> <th>%</th> <th>Amount</th> <th>%</th>		Amount	%	Amount	%		
Incomession 96,275 3 27,30s 11 Gaia on sale of trading securities 37,49 1 40,23c 2.1 Gaia on sale of trading securities 877,721 28 61,371 3 Dividend revenue 587,721 28 61,371 3 Dividend revenue 587,721 28 61,371 3 Gain on valuation of trading securities 16,488 1 1 -2 Gain on valuation of frading securities 16,488 1 1 -2 Gain on valuation of bromoved securities and bonds with resule agreements 16,148 2 15,1597 7 Gain on derivative funacial instruments ORC (Not 4200) 50,129 1 15,1597 7 Gain on derivative funacial instruments ORC (Not 4200) 25,030 1 46,047 3 Clair on derivative funacial instruments ORC (Not 4200) 20,300 7 142,546 6 Clair on derivative funacial instruments ORC (Not 4200) 30,303 3 3 3 3 2 6 6 6	Revenues:						
Gain on sak of trading securities 3.7 1 25.500 10 Securities management distribution, and management fees 877.21 2.8 670.371 3.8 Dividend revenue 5.987 3 4,9450 3.6 Gain on valuation of finding securities 16.85 1 5.7 2.7 Gain on covering of horrowed securities and bonds with resale agreements 12.93 2 48.922 3.2 Gain on covering of horrowed securities and bonds with resale agreements 26.13 2 48.922 2.2 Gain on oderivative financial instruments (Note 4(20)) 5.69 1 6.0 2.2 Gain on derivative financial instruments (Note 4(20)) 25.02 4 60.647 3 Other operating revenues 29.03 1 60.647 3 Other operating revenues 29.03 1 60.647 3 Sectors 29.03 1 60.647 3 Sectors 29.03 1 60.647 3 Sectors 29.03 1 60.647 3<	Brokerage commissions	\$ 1,361,960	44	\$ 835,300	38		
Recentive is management, distribution, and management fees 37,49° 1 40,230° 2 Interest revenue 877,21° 28 671,37° 3 Chai on valuation of trading securities 16,658° 1 4,70° -2 Gain on covering of before week securities and bonds with resule agreements 272,17° 9 151,597° 7 Gain on obervature financial instruments (Note 4200) 5,649° 2 48,92° 42,92° Gain on derivative financial instruments (Note 4200) 25,93° 1 40,647° 3 Ober operating revenues 19,30° 2 40,647° 3 Ober operating revenues 9,30° 3 5,53° 1 Ober operating revenues 90,30° 3 5,53° 1 Stockers gene de clearing fees unbreating and centre financial instruments (Note 4200) 40 5 4 Clear gene de clearing fees unbreating and centre free proprietary trading 9,00° 6 5 6 6 6 6 6 6 6 6 6 6 6 <td< td=""><td>Underwriting commissions</td><td>96,275</td><td>3</td><td>27,308</td><td>1</td></td<>	Underwriting commissions	96,275	3	27,308	1		
Divident revenue	Gain on sale of trading securities	-	-	215,302	10		
Disside and revenue 5,987 0,945 0.1 Gain on valuation of trading securities and bonds with resale agreements 16,488 1 0.0 0.0 Gain on covering of borrowed securities and bonds with resale agreements 277,179 9 151,597 0.7 Faitures commission revenue (Notes) 6.10 0.0 48,922 0.0 Gain on derivative financial instruments (Note 4(20)) 5.69 1 0.0 0.0 Gain on derivative financial instruments (Note 4(20)) 25,929 1 0.0 0.0 Other operating revenues 92,430 7 12,266 0.0 Other operating revenues 90,330 0.0 0.0 0.0 Browneape fees 90,330 0.0 0.55,59 0.0 Clearing and exchange fees: refinancing (808) 0 0.9 0.0 Clearing and exchange fees: refinancing (808) 0 0.0 0.0 Clearing and exchange fees: refinancing (444,215) (10 0.0 0.0 Loss on valuation of trading securities 1 <	Securities management, distribution, and management fees	37,499	1	40,230	2		
Gain on valuation of trading securities 16,458 1 Common covering of borrowed securities and bonds with resale agreements 12,893 0 151,597 7 Gain on stock warrants issand 22,719 0 151,597 7 Futures commission revenues (Note 5409) 61,249 2 48,922 2 Gain on derivative financial instruments (Note 4209) 10 0 2 0 Other operating revenues 20,009 10 0 2 0 1 Non-operating revenues 20,009 10 0 2,005 1 0	Interest revenue	877,721	28	671,371	31		
Gain on covering of borrowed securities and bonds with resale agreements 12,839 □ 15.59 27.21 20 15.59 2.72 2.72 2.72 2.72 4.72 2.72	Dividend revenue	5,987	-	9,450	-		
Gain on stock warrants issued 272,179 9 151,597 7 Futures commission revenue (Note 5) 61,249 2 48,922 2 Cain on derivative funncial instruments (Note 4(20)) 5,649 1 0 - Cain on derivative funncial instruments - OTC (Note 4(20)) 25,029 1 0 - Other operating revenues 222,406 7 142,46 6 Non-operating revenues 223,006 7 142,46 6 Robertage fees (90,130) (3 (53,50) (2 Brokerage fees (90,130) (3 (53,50) (2 Brokerage fees (earling fees: proprictary trading (90,80) 3 (5,15) - Clearing and exchange fees: inderiviting (33,20) 1 (1,19) - Loss on sole of trading securities (44,215) (1) (1,10) - Loss on sole of trading securities and bonds with resale agreements 2 1 (33,00) - - - - - - - -	Gain on valuation of trading securities	16,458	1	-	-		
Futures commission revenue (Note 5) 61,249 2 48,922 2 Gain on derivative financial instruments (Note 4(20)) 5,649 1 - - Gain on derivative financial instruments (Note 4(20)) 25,929 1 6 - Other operating revenues 100,534 4 6,047 3 Non-operating revenues 224,906 7 142,546 100 Robustage 8 0,0130 3 6,535 100 Brokerage fees (90,130) 3 6,535 2 2 Brokerage and clearing fees; proprietary trading (9493) -0 (51,53) -1 -1 Clearing and exchange fees; understrage (808) -0 (1,10) -2 -2 Loss on sale of trading securities (33,26) -1 (1,10) -2	Gain on covering of borrowed securities and bonds with resale agreements	12,893	-	-	-		
Gain on derivative financial instruments OTC (Note 4/201) 5,649 1 Gain on derivative financial instruments OTC (Note 4/201) 25,029 1 6.0 <	Gain on stock warrants issued	272,179	9	151,597	7		
Gin on derivative financial instruments - OTC (Note 4(20)) 25,00 1 C Other operating revenues 109,53 4 60,647 3 Non-operating revenues 224,90% 7 142,546 6 Non-operating revenues 30,303,30 100 220,207 100 Experience 90,130 3 55,550 2 Brokange and clearing fees: proprietury trading 90,93 -1 51,515 -2 Clearing and exchange fees: refinancing 33,00 -0 11,10 -2 Clearing and exchange fees: refinancing 33,00 -0 11,10 -2 Clearing and exchange fees: refinancing 33,00 -0 11,10 -2 Clearing and exchange fees: refinancing 33,00 -0 11,10 -2 Loss on so also for induiting securities 444,215 -10 10,00 -3 -3 -3 -3 -3 -3 -3 -3 -3 -3 -3 -3 -3 -3 -3 -3 -3	Futures commission revenue (Note 5)	61,249	2	48,922	2		
Other operating revenues 109,534 4 60,647 23 Non-operating revenues 224,968 7 124,566 6 Expense 3,017,339 100 22,02,673 100 Expense 3,017,339 3 2,02,673 102 Brokerage fees 90,013 3 5,155 2 Clearing and elearing fees: profinating 0,403 3 6,155 3 2 Clearing and elearing fees: underwitting 3,000 3 1,119 3 6 1,199 4 6 6 9 3 6 1,199 4 6 7 6 7 6 7 6 7 6 7 6 7 6 7 7 7 6 7 7 7 7 7 8 7 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	Gain on derivative financial instruments (Note 4(20))	5,649	-	-	-		
Non-operating revenues 224,906 7 142,546 6 Expenses 1 3,107,330 100 2,202,673 100 Expenses 1 3,107,330 3 15,550 10 Brokerage fees 909,130 3 (5,155) 2 Clearing and elearing fees: proprietary trading 9,993 3 (5,150) 3 Clearing and elearly fees: underwriting (3,326) 1 (1,110) 3 Clearing and exchange fees: underwriting (3,326) 1 (1,110) 3 Loss on sale of trading securities (30,590) (10 (140,380) -3 Loss on valuation of trading securities (30,590) (10 (140,380) -3 Loss on overlain of borrowed securities and bonds with resale agreement (30,590) (10 (40,300) -3 Loss on covering of borrowed securities and bonds with resale agreement (91,600) -2 (30,900) -3 (40,300) -3 -3 -3 -3 -3 -3 -3 -3 -3 <th< td=""><td></td><td>25,029</td><td>1</td><td>-</td><td>-</td></th<>		25,029	1	-	-		
Non-operating revenues 224,906 7 142,516 6 Expenser 1 2,007,300 100 2,002,673 100 Expenser 1 2,000,300 3 3,053 2,02 Brokerage flees (90,130) 3 (5,155) 3 2 Clearing and elearing fees: proprietary trading (90,49) 3 (5,153) 3 3 Clearing and elearing fees: proprietary trading (30,30) 3 (1,119) 3 2 Clearing and elearing fees: proprietary trading (30,30) 3 (1,119) 3 2 Clearing and elearing fees: proprietary trading (30,30) 3 (1,119) 3 2 1 2 1		109,534	4	60,647	3		
Expenses: 3,107,339 1,00 2,202,673 1,00 Expenses: Brokerage fees (90,130) 3,03 (33,550) 2 Brokerage fees (90,430) 3,03 (51,53) - Clearing and exchange fees: inclinating (608) 3 (51,53) - Clearing and exchange fees: underwriting (303,590) (10) (1,119) - Loss on sale of trading securities (444,215) (15) - - Loss on valuation of trading securities (303,590) (10) (140,380) (7) Loss on valuation of trading securities and bonds with resale agreements (31,20) -		224,906	7	142,546	6		
Processing effection proprietary trading (90,130) (3) (53,550) (2) Brokenge and clearing fees: proprietary trading (9493) - (5,153) - Clearing and exchange fees: underwriting (3080) - (9,11) - Clearing and exchange fees: underwriting (303,590) (10) (14,10) - Loss on sale of trading securities (305,990) (10) (14,30) (7) Loss on valuation of trading securities - - (30,30) - (30,30) - Loss on valuation of borrowed securities and bonds with resale agreements - - (30,30) - - Loss on valuation of borrowed securities and bonds with resale agreements - - - (30,90) - <td></td> <td></td> <td></td> <td></td> <td></td>							
Prokeruse and clearing fees; proprietary trading	Expenses:						
Clearing and exchange fees: refinancing	Brokerage fees	(90,130)	(3)	(53,550)	(2)		
Clearing and exchange fees: underwriting	Brokerage and clearing fees: proprietary trading	(9,493)	-	(5,153)	-		
Loss on sale of trading securities (444,215) (15)	Clearing and exchange fees: refinancing	(608)	-	(959)	-		
Interest expense (305,990) (10) (14,04,380) (7) Loss on valuation of trading securities and bonds with resale agreements - - (63,065) (3) Loss on covering of borrowed securities and bonds with resale agreements - - (39) - Loss on valuation of borrowed securities and bonds with resale agreements (915) - (39) - Loss on valuation of borrowed securities and bonds with resale agreements (915) - (982) - Stock warrant issuance expenses (21,04) - (982) - Clearing and settlement expenses (Note 5) (1,364) - (2,230) - Loss on derivative financial instruments (Note 4(20)) - - (6,867) - Loss on structured notes (Note 4(20)) (9,416) - (12,011) - Other operating expenses (Note 5) (1,455,453) (47) (12,011) - Other operating expenses (Note 5) (8,20) - (40,363) - Other operating expenses (Note 5) (5,748)	Clearing and exchange fees: underwriting	(3,326)	-	(1,119)	-		
Loss on valuation of trading securities c (63,065) (3) Loss on covering of borrowed securities and bonds with resale agreements 9 c (39) c Loss on valuation of borrowed securities and bonds with resale agreements (915) c c 2 Stock warrant issuance expense (2104) c (982) c Clearing and settlement expenses (Note 5) (1,364) c (2,230) c Loss on derivative financial instruments · OTC (Note 4(20)) c (8,667) c 6,687) c Loss on structured notes (Note 4(20)) (9,416) c (12,041) (10,0401) (5) Loss on structured notes (Note 4(20)) (9,416) c (12,041) (10,000) (5) Other operating expenses (Note 5) (1,455,453) (47) (1,256,605) (5) Other operating expenses (8,620) c (40,363) (2) Other operating expenses (8,620) c (6,281) c Continuing operations income before tax 76,9957 25 512,668	Loss on sale of trading securities	(444,215)	(15)	-	-		
Loss on covering of borrowed securities and bonds with resale agreements − (39) − Loss on valuation of borrowed securities and bonds with resale agreements (915) − − Stock warrant issuance expense (2,104) − (982) − Clearing and settlement expenses (Note 5) (1,364) − (2,230) − Loss on derivative financial instruments (Note 4(20)) − − (6,867) − Loss on structured notes (Note 4(20)) − (9,416) − (12,011) − Operating expenses (Note 5) (1,455,453) − (12,010) − Other operating expenses (Note 5) (1,455,453) − (12,3660) − Other operating expenses (Note 5) (1,455,453) − (12,3660) − Other operating expenses (5,748) − (6,281) − Other operating expenses (Note 2 and 4(16)) 333,381 11 301,346 − Less: Income tax expense (Notes 2 and 4(16)) 333,252 1 41,202 − Cumulative effect of changes in accoun	Interest expense	(305,990)	(10)	(140,380)	(7)		
Loss on valuation of borrowed securities and bonds with resale agreements (915) .	Loss on valuation of trading securities	-	-	(63,065)	(3)		
Stock warrant issuance expense (2,104) - (982) - Clearing and settlement expenses (Note 5) (1,364) - (2,230) - Loss on derivative financial instruments (Note 4(20)) - - (10,040) (5) Loss on structured notes (Note 4(20)) - - (6,867) - Loss on structured notes (Note 4(20)) (9,416) - (1,250,605) (57) Operating expenses (Note 5) (1,455,453) (47) (1,256,605) (57) Other operating expenses (8,620) - (40,363) (2) Non-operating expenses (5,748) - (6,281) - Non-operating expenses (5,748) - (6,281) - Continuing operations income before tax 75 (1,506) 23 Less: Income tax expenses (Notes 2 and 4(16)) 353,861 11 301,346 24 Continuing operations' income after tax 416,096 14 211,322 9 Vet income \$449,621 15 \$199,234 9 <td>Loss on covering of borrowed securities and bonds with resale agreements</td> <td>-</td> <td>-</td> <td>(39)</td> <td>-</td>	Loss on covering of borrowed securities and bonds with resale agreements	-	-	(39)	-		
Clearing and settlement expenses (Note 5) (1,364) (2,230) - Loss on derivative financial instruments (Note 4(20)) - (100,401) (5) Loss on derivative financial instruments - OTC (Note 4(20)) - (9,416) - (12,011) (1) Loss on structured notes (Note 4(20)) (9,416) - (12,56,605) (57) Operating expenses (Note 5) (1,85,433) (4) (12,56,605) (2) Other operating expenses (8,620) - (40,363) (2) Non-operating expenses (5,748) - (6,281) - Non-operating expenses (79,957) 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Less: Income tax expense (Notes 2 and 4(16)) 33,525 1 (12,088) - Cumulative effect of changes in accounting principle 340,621 15 199,234 9 Positione 840,621 15 199,234 9 Continuing operations' income after tax 80,75 <td< td=""><td>Loss on valuation of borrowed securities and bonds with resale agreements</td><td>(915)</td><td>-</td><td>-</td><td>-</td></td<>	Loss on valuation of borrowed securities and bonds with resale agreements	(915)	-	-	-		
Loss on derivative financial instruments (Note 4(20)) - - (100,401) (5) Loss on derivative financial instruments - OTC (Note 4(20)) - - (6,867) - Loss on structured notes (Note 4(20)) (9,416) - (12,011) (1) Operating expenses (Note 5) (1,455,453) (47) (12,5605) (57 Other operating expenses (8,620) - (40,363) (2) Non-operating expenses (5,748) - (6,281) - Non-operating expenses (5,748) - (6,281) - Continuing operations income before tax 769,957 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Net income \$ 200 \$ 200 \$ 200 \$ 200 Net income \$ 200 \$ 200 \$ 200 \$ 200 Residerarings per share \$ 20,57 0.31 0.38 0.16	Stock warrant issuance expense	(2,104)	-	(982)	-		
Loss on derivative financial instruments - OTC (Note 4(20)) - (6,867) - Loss on structured notes (Note 4(20)) (9,416) - (12,011) (1) Operating expenses (Note 5) (1,455,453) (47) (1,256,605) (57) Other operating expenses (8,620) - (40,363) (2) Non-operating expenses (5,748) - (6,281) - Non-operating expenses (5,748) - (6,281) - Continuing operations income before tax 769,957 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Cumulative effect of changes in accounting principle 33,525 1 1(12,088) - Net income 849,621 15 90,21 9 Basic earnings per share 86fore Tax After Tax 86fore Tax After Tax Continuing operations' income after tax 9,03 3,37	Clearing and settlement expenses (Note 5)	(1,364)	-	(2,230)	-		
Loss on structured notes (Note 4(20)) (9,416) - (12,011) (1) Operating expenses (Note 5) (1,455,453) (47) (1,256,605) (57) Other operating expenses (8,620) - (40,363) (2) Non-operating expenses (5,748) - (6,281) - Continuing operations income before tax 769,977 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Continuing operations' income after tax 333,525 1 (12,088) - Net income 849,621 15 199,234 9 Saski earnings per share 86fore Tax After Tax 8fore Tax After Tax Cumulative effect of changes in accounting principle 9.03 0.03 0.01 (0.01) Net income 9.03 0.03 0.03 0.01 (0.01) Net income 9.03 0.3 0.3	Loss on derivative financial instruments (Note 4(20))	-	-	(100,401)	(5)		
Operating expenses (Note 5) (1,455,453) (47) (1,256,605) (57) Other operating expenses (8,620) - (40,363) (2) Non-operating expenses (5,748) - (6,281) - Continuing operations income before tax 769,957 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Cumulative effect of changes in accounting principle 33,525 1 (12,088) - Net income Before Tax After Tax Before Tax After Tax Basic earnings per share Before Tax After Tax Before Tax After Tax Continuing operations' income after tax \$ 0,57 0,31 0,38 0,16 Cumulative effect of changes in accounting principle 0,02 0,02 0,01 0,01 Net income 0,59 0,33 0,37 0,15 Proforma data: 512,668 211,322	Loss on derivative financial instruments - OTC (Note 4(20))	-	-	(6,867)	-		
Other operating expenses (8,620) - (40,363) (2) Non-operating expenses (5,748) - (6,281) - Non-operating expenses (5,748) - (6,281) - Continuing operations income before tax (23,373,82) (75) (1,690,005) (77) Continuing operations income before tax 769,957 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Cumulative effect of changes in accounting principle 33,525 1 (12,088) - Resist earnings per share Before Tax After Tax Principal After Tax After Tax After Tax Continuing operations' income after tax 9,07 0,31 0,38 0,16 Cumulative effect of changes in accounting principle 9,07 0,03 0,31 0,01 0,00 Net income 0,09 0,33 0,37 0,15 0,00	Loss on structured notes (Note 4(20))	(9,416)	-	(12,011)	(1)		
Non-operating expenses (5,748) - (6,281) - Continuing operations income before tax 769,957 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Cumulative effect of changes in accounting principle 33,525 1 (12,088) - Net income \$ 449,621 15 \$ 199,234 9 Basic earnings per share Before Tax After Tax Before Tax After Tax Continuing operations' income after tax \$ 0.57 0.31 0.38 0.16 Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Proforma data: 5 12,668 211,322 Cumulative Operations' EPS-Basic earnings per share 5 12,668 211,322 Net income 5 12,668 211,322	Operating expenses (Note 5)	(1,455,453)	(47)	(1,256,605)	(57)		
Continuing operations income before tax (2,337,382) (75) (1,690,005) (77) Continuing operations income before tax 769,957 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Cumulative effect of changes in accounting principle 33,525 1 (12,088) - Net income 200c 15 199,234 9 Basic earnings per share Before Tax After Tax Before Tax After Tax Continuing operations' income after tax \$ 0.57 0.31 0.38 0.16 Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Proforma data: 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Other operating expenses	(8,620)	-	(40,363)	(2)		
Continuing operations income before tax 769,957 25 512,668 23 Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Cumulative effect of changes in accounting principle 33,525 1 (12,088) - Net income 2006 15 \$199,234 9 Basic earnings per share Before Tax After Tax 10,208 10,208 Continuing operations' income after tax \$ 0.57 0.31 0.38 0.16 Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Proforma data: 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Non-operating expenses	(5,748)		(6,281)			
Less: Income tax expense (Notes 2 and 4(16)) 353,861 11 301,346 14 Continuing operations' income after tax 416,096 14 211,322 9 Cumulative effect of changes in accounting principle 33,525 1 (12,088) − Net income 200€ 15 199,234 9 Basic earnings per share Before Tax After Tax Before Tax After Tax Continuing operations' income after tax \$ 0.57 0.31 0.38 0.16 Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Proforma data: 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322		(2,337,382)	(75)	(1,690,005)	(77)		
Continuing operations' income after tax 416,096 14 211,322 9 Cumulative effect of changes in accounting principle 33,525 1 (12,088) - Net income 2006 2005 1 2005 9 Basic earnings per share Before Tax After Tax Before Tax After Tax Continuing operations' income after tax \$ 0.57 0.31 0.38 0.16 Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Proforma data : 1 Income from continuing operations 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Continuing operations income before tax	769,957	25	512,668	23		
Cumulative effect of changes in accounting principle 33,525 1 (12,088) - Net income \$449,621 15 \$199,234 9 Basic earnings per share Before Tax After Tax Before Tax After Tax Continuing operations' income after tax \$ 0.57 0.31 0.38 0.16 Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Pro forma data : Income from continuing operations 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Less: Income tax expense (Notes 2 and 4(16))	353,861	11	301,346	14		
Net income \$ 449,621 15 \$ 199,234 9 200* 200* 200* 200* 200* 200* After Tax 0.38 0.16 0.15 0.20 0.02 (0.01) (0.01) (0.01) 0.15 0.15 0.33 0.37 0.15 0	Continuing operations' income after tax	416,096	14	211,322	9		
Basic earnings per share Before Tax After Tax Before Tax After T	Cumulative effect of changes in accounting principle	33,525	1	(12,088)			
Basic earnings per share Before Tax After Tax Before Tax After Tax Continuing operations' income after tax \$ 0.57 0.31 0.38 0.16 Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Pro forma data : Income from continuing operations 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Net income	\$ 449,621	15	\$ 199,234	9		
Continuing operations' income after tax \$ 0.57 0.31 0.38 0.16 Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Pro forma data : Income from continuing operations 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322		2006	5	2005			
Cumulative effect of changes in accounting principle 0.02 0.02 (0.01) (0.01) Net income 0.59 0.33 0.37 0.15 Pro forma data : Income from continuing operations 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Basic earnings per share			•	After Tax		
Net income 0.59 0.33 0.37 0.15 Pro forma data : 512,668 211,322 Income from continuing operations 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Continuing operations' income after tax	\$ 0.57	0.31	0.38	0.16		
Pro forma data : 1 Income from continuing operations 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Cumulative effect of changes in accounting principle	0.02	0.02	(0.01)	(0.01)		
Income from continuing operations 512,668 211,322 Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Net income	0.59	0.33	0.37	0.15		
Cumulative Operations' EPS-Basic earnings per share 0.38 0.16 Net income 512,668 211,322	Pro forma data :						
Net income 512,668 211,322	Income from continuing operations			512,668	211,322		
	Cumulative Operations' EPS-Basic earnings per share			0.38	0.16		
Basic earnings per share 0.38 0.16	Net income			512,668	211,322		
	Basic earnings per share			0.38	0.16		

CAPITAL SECURITIES CORPORATION STATEMENTS OF CASH FLOWS

Years Ended June 30, 2006 and 2005

(New Taiwan Dollars in Thousands)

	Jan. 1~June 30, 2006		Jan. 1~June 30, 2005	
Cash flows from operating activities:				
Net income	\$	449,621	\$	199,234
Changes in assets and liabilities:				
Bad debt expense		-		246
Depreciation expense		80,748		96,626
Amortization		48,815		50,398
Loss (gain) on disposal of premises and property, net		(137)		39
Loss (gain) on valuation of trading securities		(16,458)		63,065
Excess of investment income under the equity method over cash dividends received		(52,090)		92,500
Provision for (reversal of) securities trading loss		(34,041)		(2,022)
Decrease (increase) in financial assets at fair value through profit or loss -current		6,894,104		(4,960,577)
Bonds purchased under resale agreements		2,616,080		45,000
Decrease (increase) in receivable for securities provided as collateral		(2,245,176)		2,415,607
Decrease in refinancing margin		30,983		-
Decrease (increase) in receivables on refinancing collateral		51,755		(23,398)
Decrease in notes receivable		787		755
Decrease (increase) in accounts receivable		(464,278)		486,560
Decrease (increase) in prepayment		(8,682)		63,372
Decrease in other receivables		1,366		2,419
Decrease (increase) in pledged assets - current		(19,300)		563,000
Deferred income tax assets and liabilities, net		13,697		7,693
Decrease (increase) in other financial assets		712		(165)
Decrease (increase) in other current assets		50,675		(23,846)
Increase in other assets		(66)		-
Brokerage accounts, net		(545,686)		111,467
Increase in financial liabilities at fair value through profit or loss -current		261,541		332,670
Increase (decrease) in bonds sold under repurchase agreements		(1,758,092)		4,010,225
Decrease in bills sold under repurchase agreements		(51,965)		-
Increase (decrease) in guaranty deposited for securities lent		(360,512)		290,720
Increase (decrease) in proceeds payable from securities lent		(831,988)		563,997
Increase (decrease) in notes payable		(167,955)		31,171
Increase (decrease) in accounts payable		(2,749,373)		182,003
Increase (decrease) in advance receipts		(69,598)		34,482
Increase in collections for other parties		259,914		111,694
Increase (decrease) in other payables		119,852		(212,062)
Increase in other financial liabilities		360,645		271,643
Decrease in guaranty deposits received		(120)		-
Decrease in fund for subscriptions of shares for an underwriter		(93,806)		-
Net cash provided by operating activities		1,771,972		4,804,516

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

Years Ended June 30, 2006 and 2005 (New Taiwan Dollars in Thousands)

	Jan. 1~June 30, 2006	Jan. 1~June 30, 2005
Cash flows from investing activities:		
Purchase of available-for-sale financial assets -non-current	(7,095)	(1,191)
Purchase of premises and property	(38,411)	(89,061)
Proceeds from sale of premises and property	267	4
Purchase of deferred debits and intangible assets	(1,998)	(108,928)
Decrease in guaranty deposited for business operations	324,400	63,100
Increase in settlement fund	(3,593)	(7,349)
Decrease in refundable deposits	38,208	7,144
Net cash provided by (used in) investing activities	311,778	(136,281)
Cash flows from financing activities:		
Decrease in short-term borrowings	(291,000)	(1,725,000)
Decrease in short-term bills payable	(328,017)	(2,939,160)
Increase (decrease) in long-term borrowings	(1,483,766)	144,660
Remuneration to directors and supervisors	-	(46,074)
Treasury stock transactions, net	_ _	(218,195)
Net cash used in financing activities	(2,102,783)	(4,783,769)
Decrease in cash and cash equivalents	(19,033)	(115,534)
Cash and cash equivalents, beginning of the year	1,217,365	830,295
Cash and cash equivalents, end of the year	\$ 1,198,332	\$ 714,761
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 304,590	\$ 130,459
Cash paid during the year for income taxes	\$ 104,873	\$ 339,863
Investing and financing activities with no effect on cash flows:		
Cash dividend payable	\$ 54,573	\$ 1,364,311
Employee bonuses payable	\$ 3	\$ 34,556
Remuneration to directors and supervisors payable	\$ 15,797	\$ -
Current portion of long-term liabilities	\$ 492,616	\$ 150,000

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