

E.SUN FINANCIAL HOLDING COMPANY, LTD.

ANNUAL REPORT 2005E



ANNUAL REPORT 2005

E.SUN FHC 2884

 玉山金控 E.SUN FHC

14F, No. 117 & 1F, No. 115, Sec. 3, Minsheng E. Rd., Taipei, Taiwan

TEL: (02) 2175-1313

<http://www.esunfhc.com.tw>

 玉山金控 E.SUN FHC

<http://www.esunfhc.com.tw>

<http://newmops.tse.com.tw>

Date Printed : 2006.4.27



E.SUN of Taiwan, as E.SUN of the World.

Service Network of E.SUN FHC

E.SUN BANK	phone	phone	phone
Head Office Business Division	(02)2715-1313	Fu-Hei Branch	(02)8923-1313
Customer Service Division	(02)2175-1313	Jhonghe Branch	(02)2222-1313
International Banking Division/OBU	(02)2175-1313	Liancheng Branch	(02)8228-1313
Trust Division	(02)2175-1313	Banchiao Branch	(02)2963-1313
Credit Card Division	(02)2388-1313	Banhsin Branch	(02)8952-1313
Nanching East Road Branch	(02)2760-1313	Haishan Branch	(02)2256-1313
Chengjhong Branch	(02)2389-1313	Guangfu Branch	(02)2962-9913
Chengtung Branch	(02)2504-1313	Sanchung Branch	(02)2280-1313
Hsinayi Branch	(02)2378-1313	Chunghsin Branch	(02)2984-1313
Tienmu Branch	(02)2835-1313	Er-Chong Branch	(02)2278-1313
Minsheng Branch	(02)2509-1313	East Sanchong Branch	(02)2971-1313
Songjiang Branch	(02)2562-1313	Tucheng Branch	(02)2274-1313
Fuhsing Branch	(02)2771-1313	Shulin Branch	(02)8675-1313
Tunnan Branch	(02)2754-1313	Hueilong Branch	(02)2689-1313
Changchun Branch	(02)2546-1313	Wugu Branch	(02)2290-1313
Chungshan Branch	(02)2537-1313	Sanxia Branch	(02)2673-6613
Neihu Branch	(02)2659-1313	Sindian Branch	(02)2916-1313
North Tienmu Branch	(02)2877-1313	Beisin Branch	(02)8911-1313
Songshan Branch	(02)3765-1313	Taoyuan Branch	(03)332-1313
Heping Branch	(02)2362-1313	Linkou Branch	(03)396-1313
Mincyuan Branch	(02)2568-1313	Nankan Branch	(03)352-1313
Jhonglun Branch	(02)2577-1313	Bade Branch	(03)367-1313
Daan Branch	(02)2755-1313	Jhongli Branch	(03)427-1313
Guting Branch	(02)2364-1313	Lisin Branch	(03)492-1313
Beitou Branch	(02)2895-1313	Yangmei Branch	(03)488-1313
Dong-Hu Branch	(02)2632-1313	Hsinchu Branch	(03)523-1313
Sinhu Branch	(02)8791-6613	Guanghua Branch	(03)533-1313
Shinlin Branch	(02)2834-1313	Jhanan Branch	(03)746-1313
Mujha Branch	(02)2936-1313	Fongyuan Branch	(04)2512-1313
Shuangyuan Branch	(02)2301-1313	Caotun Branch	(04)238-1313
Hsinchuang Branch	(02)2202-1313	Taichung Branch	(04)2291-1313
North Hsinchuang Branch	(02)2997-1313	Dadun Branch	(04)2320-1313
Shwangho Branch	(02)2923-1313	Dali Branch	(04)2485-1313
Yunggho Branch	(02)2949-1313	Daya Branch	(04)2568-1313
		Changhua Branch	(04)728-1313
		Nantun Branch	(04)2380-1313
		Douliou Branch	(05)532-1313
		Chiayi Branch	(05)223-1313
		East Chiayi Branch	(05)216-1313
		Chiali Branch	(06)721-1313
		Tainan Branch	(06)241-1313
		East Tainan Branch	(06)289-1313
		Yungkuang Branch	(06)201-1313
		Kaohsiung Branch	(07)336-1313
		Cianjhen Branch	(07)761-1313
		Chihhsien Branch	(07)235-1313
		North Kaohsiung Branch	(07)350-1313
		Dashun Branch	(07)727-1313
		Zuoying Branch	(07)587-1313
		Nanzih Branch	(07)364-1313
		Lingyat Branch	(07)716-1313
		Sanmin Branch	(07)315-1313
		Dachang Branch	(07)341-1313
		Chengcing Branch	(07)386-1313
		Siaogang Branch	(07)807-1313
		Jhendong Branch	(07)715-0943
		Fongshan Branch	(07)743-1313
		Gangshan Branch	(07)621-1313
		Linyuan Branch	(07)643-1313
		Houjhuang Branch	(07)703-9413
		Pingtung Branch	(08)733-1313
		Chaozhou Branch	(08)786-1313
		Donggang Branch	(08)835-1313
		Neipu Branch	(08)778-1313
		Keelung Branch	(02)2427-1313
		Luodong Branch	(03)957-1313
		Penghu Branch	(06)927-1313
		Los Angeles Branch	1-626-810-2400
		Hong Kong Branch	852-3405-6168

E.SUN Spokesman

Name: Wu-Lin Duh
 Position: Deputy President
 Telephone: (02)2175-1313
 email: wulin@email.esunbank.com.tw

Deputy Spokesman

Name: Joseph N. C. Huang
 Position: S.E.V.P.
 Telephone: (02)2175-1313
 email: joseph@email.esunbank.com.tw

E.SUN Financial Holding Company, Ltd and subsidiaries

Name	Address	Telephone	Website
E.SUN Financial Holding Company, Ltd.	14F, No.117 & 1F, No.115, Sec.3, Minsheng E. Rd., Taipei, Taiwan	02 2175-1313	www.esunfhc.com.tw
E.SUN Commercial Bank, Ltd.	No.117, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	02 2175-1313	www.esunbank.com.tw
E.SUN Bills Finance Corp.	3F, No.117 & 5F, No.115, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	02 2719-8813	www.esunbills.com.tw
E.SUN Securities Co., Ltd.	3-5F, No.77, Section 1, Wuchang St., Taipei, Taiwan	02 2382-1313	www.esunsec.com.tw
E.SUN Securities Investment Trust Co., Ltd.	2F, No.77, Section 1, Wuchang St., Taipei, Taiwan	02 2388-6613	www.esunfund.com.tw
E.SUN Insurance Brokers Co., Ltd.	12F, No.115, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	02 2545-6613	www.esunins.com.tw
E.SUN Venture Capital Co., Ltd.	4F, No.117, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	02 2175-1313	

Stock Transfer and Service Contact

Name Stock Service Department, General Affairs Division, E.SUN FHC
 Address No.115, Sec. 3, Minsheng E. Rd., Taipei, Taiwan, R.O.C.
 Website www.esunfhc.com.tw
 Telephone 02 2719-1313

Rating Agency

Name Moody's Investors Service Inc.
 Address 99 Church Street, New York, NY 10007, U.S.A.
 Telephone 1-212-553-1653

Auditing Certified Public Accountant

Certified Public Accountant Ray Chang, Way Yung Do
 Accounting Firm Deloitte Taiwan
 Address 12th Fl., No. 156, Sec. 3, MinSheng East Road, Taipei, Taiwan, R.O. C.
 Website www.deloitte.com.tw
 Telephone (02)2545-9988

Information of Overseas Depository Receipt

Global Depository Receipt
 Place of Trading: Luxembourg Stock Exchange
 Website http://www.bourse.lu

E.SUN Securities Co., Ltd.

Headquarters	(02)2382-1313
Brokerage HQ	(02)2713-1313
Downtown Branch	(02)2382-1313
Renai Branch	(02)3393-1313
Taida Branch	(02)8369-1313
Sungjiang Branch	(02)2562-1313
Shinlin Branch	(02)2833-1313
Chungho/Yunggho	(02)8923-1313
Hsinchuang Branch	(02)2998-1313
Tucheng Branch	(02)2265-1313
Taichung Branch	(02)2385-1313
Chiayi Branch	(05)216-9913
Tanan Branch	(06)269-9913
Kaohsiung Branch	(07)346-1313

E.SUN Bills Finance Corp.

Headquarters	(02)2719-8813
Panchiao Branch	(02)2272-7313
Taoyuan Branch	(03)357-1313
Taichung Branch	(04)2329-1313
Kaohsiung Branch	(07)385-6613

E.SUN Securities Investment Trust Co., Ltd.

Headquarters (02)2388-6613

E.SUN Insurance Brokers Co., Ltd.

Headquarters (02)2545-6613

E.SUN Venture Capital Co., Ltd.

Headquarters (02)2175-1313



心清如玉，義重如山。

Pure as Jade, Stern as Mountain.

The coming three years will be critical in determining E.SUN's future three decades.

E.SUN remains committed to creating the greatest value for its customers,
which it looks upon as its partners.

E.SUN continues to strive to be the best performing and most respected enterprise.

E.SUN FHC 4th



Welcoming new trends in financial services;
setting a new model in customer service

Renoir & Guino
Femme au bouquet
42 x 21 x 50 cm
Copper 1992
E.SUN Commercial Bank Collection

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I. LETTER TO THE SHAREHOLDERS

Respected Shareholders:

Taiwan's economy slowed in 2005, impacted by changes in the international economic environment and the continued outflow of factories to lower cost areas overseas. On the banking front, the government set in policies to help raise the competitiveness of the local banking sector. Amid heated competition, E.SUN FHC showed impressive growth. In addition to expanding its sales network, E.SUN enjoyed synergy from its acquisition of Kaohsiung Business Bank. Meanwhile, E.SUN posted a third consecutive year of 40%-plus growth in its mortgage loan operations, ranking the first in Taiwan in the net increase of outstanding mortgage loans. It also put in a stellar performance in loans to small- and medium-sized enterprises (SMEs). Integration of the FHC's resources continues to underpin the group's performance.

E.SUN FHC registered pre-tax profits of NT\$5.703 billion in 2005. On a consolidated basis, group operating income stood at NT\$23.855 billion and operating expense at NT\$18.049 billion. After-tax profits reached NT\$4.661 billion, equivalent to earnings per share of NT\$1.54. Return on assets and return on equity stood at 0.82% and 10.80%, respectively. E.SUN Commercial Bank, which is the FHC's core subsidiary, tallied after-tax profits of NT\$3.830 billion, translating to earnings per share of NT\$1.72. ROA and ROE for the Bank were 0.77% and 11.58%, respectively.

Moody's Investor Service assigned E.SUN FHC a rating of Baa3 in December 2005. E.SUN Commercial Bank was assigned long- and short-term ratings by Moody's of Baa2/p-3, while Taiwan Ratings Corp. has assigned the Bank ratings of twA+/twA-1, with a stable outlook. Taiwan Ratings assigned E.SUN Bills Finance Corp. ratings of twA/twA-2. In the future,



E.SUN strives to be the best performing and most highly respected enterprise.

E.SUN will continue to bolster its scale and further strengthen risk management. It will also take advantage of its outstanding brand name image. Resources of the bank, securities, securities investment trust, venture capital and insurance broking subsidiaries will be further integrated to enhance operational performance and value.

E.SUN FHC in 2005 worked to complete consumer banking and corporate banking risk models to be in step with the implementation of the Basel II accord, enabling the FHC to employ the most advanced risk quantification technology and to assist each business unit in undertaking dynamic management of risk. Despite the impact of the credit and cash card debt crisis in Taiwan's banking market, E.SUN Commercial Bank maintained an NPL ratio at the end of 2005 of only 0.79%. The Bank's asset quality continued to be the best level of all domestic commercial banks. In 2006, E.SUN FHC will remain committed to the principle that risk awareness takes precedence in every area of business. The FHC will continue to hone its risk management in an effort to reduce business risk and lay the foundation for steady long-term development.

In integrating the FHC's resources, E.SUN has laid out three main pillars for business development and growth. The first is consumer banking, which is comprised primarily of mortgage loan business. The second is corporate banking, which focuses on business with SMEs, and the third is wealth management services. E.SUN's commitment to outstanding service, honesty and abiding by its promises enables it to win the trust of customers. E.SUN will make the best use of cross selling among its subsidiaries to provide top notch service and products to customers, providing them with a comprehensive range of financial services.

In the pursuit of offering a broader array of services and creating value, E.SUN FHC on March 14, 2006 forged a strategic alliance with Asia Financial Holdings, which is a unit of Singapore's Temasek Holdings, marking an important step in E.SUN's long-term development. This follows E.SUN's strategic partnership with Britain's Prudential Plc. that was initiated in 2004. E.SUN will continue to hone corporate governance, risk management and international experience.

E.SUN FHC continued to be lauded by society and various institutions in 2005. In addition to being cited as "Bank of the Year" in Taiwan by the internationally renowned The Banker magazine, Taiwan's Global View Monthly awarded E.SUN first prize in its outstanding service award. Meanwhile, a survey carried out by the Institute for Information Industry showed E.SUN in first place in the areas of Most Commonly Used Internet Bank and Internet Bank Satisfaction. While E.SUN feels deeply honored, it also realizes its responsibility to continue to provide even better service.

E.SUN realizes it has a corporate social responsibility and has spared no effort to ensure that it ranks among the best in paying back society. In 2005, E.SUN FHC, E.SUN Commercial Bank

and E.SUN Volunteer Foundation worked together in donating funds to provide nutritional school lunches to underprivileged children in seven counties and cities in southern Taiwan. The effort provided lunches to about 2,000 students. E.SUN Volunteer and Social Welfare Foundation has established E.SUN Scholarship to help cultivate outstanding management talents. It also has cooperated with National Taiwan University's College of Management in establishing E.SUN Knowledge Management Lecture Course. E.SUN has also expressed its commitment to the environment by participating in a number of environmental protection and clean-up activities on Taiwan. E.SUN also took part in the "Smile on Taiwan Villages" activity, promoting tourism throughout the island. Furthermore, it has held many blood drives to help those in need. E.SUN won Corporate Social Responsibility Award of Global View Monthly for its efforts in making Taiwan and the world a better place.

Looking ahead, E.SUN will face many challenges amid changes in the banking environment. It will continue to focus on growth in three key areas of business and will achieve this growth both through organic growth and via strategic alliances with outstanding partners. E.SUN also will keep an eye open to merger and acquisition opportunities. All of this will enable the FHC to continue to move forward in a steady manner and help E.SUN reach the goal of being the best performing and most highly respected enterprise.

Once again, thank you for your support and we wish you all the best.

Chairman

Yung-Jen Huang

President

J. Hsu

II. CORPORATE PROFILE



Perpetual and Vivid Development

1. Company Introduction



E.SUN Financial Holding Company Ltd. was born on January 28, 2002 with E.SUN Commercial Bank as its core and E.SUN Bills Finance and E.SUN Securities as other subsidiaries. E.SUN FHC has developed into a comprehensive financial services conglomerate, encompassing banking, bills finance, securities, venture capital, insurance brokerage and investment trust. In December 2005, Moody's rated E.SUN FHC Baa3 with a stable outlook. Amid Taiwan's competitive banking environment, E.SUN has successfully engaged in reorganization in recent years, providing the Company with the foundation needed to move forward.

Over the years, E.SUN has focused on building sound systems, cultivating outstanding human resources and developing excellent information capability, providing the basis from which to chalk up steady growth. E.SUN continues to refine its service quality and regularly introduces new and innovative financial products to meet the needs of its customers. E.SUN also pays the utmost attention to internal control. It stresses strict adherence to laws and regulations and has worked to create a corporate culture that focuses on risk management. These initiatives not only pave the way for E.SUN to expand, but also to become the best performing and most highly respected enterprise.

E.SUN Commercial Bank, which boasts the best asset

quality of local banks, is the core company of E.SUN FHC. The Bank's solid operations and outstanding brand name image has won it respect both at home and abroad. It is also a leader in adopting the latest technology. In June 2005, the FHC's headquarters were relocated to the E.SUN Financial Building, marking a new milestone for E.SUN. Over the past year, E.SUN and National Taiwan University cooperated on establishing the E.SUN Knowledge Management Lecture Course. This is expected to provide an opportunity to introduce the latest management concepts. In addition to being cited as "Bank of the Year" in Taiwan by the internationally renowned *The Banker* magazine, Taiwan's *Global View* Monthly awarded E.SUN first prize in its outstanding service award. Meanwhile, a survey carried out by the Institute for Information Industry showed E.SUN in first place in the areas of Most Commonly Used Internet Bank and Internet Bank Satisfaction. On March 14, 2006, E.SUN forged a strategic alliance with Asia Financial Holdings, a unit of Singapore's Temasek Holdings, which is another milestone in E.SUN's long-term development.

Subsidiary E.SUN Bills Finance Corp. was established in 1995. This company carries on E.SUN's outstanding corporate culture and is becoming a model in the bills finance industry. In 2005, the Company posted the highest earnings per share of any firm in the bills finance industry on Taiwan. In addition to creating value

for shareholders, the Company features outstanding asset quality, highlighted by its NPL ratio of zero. In addition to its Taipei headquarters, E.SUN Bills Finance has branches in Kaohsiung, Taichung, Taoyuan and Panchiao. It has secured a significant market position in the bills and bond markets in recent years and continues to participate in a variety of new operations. In December 2005, the Company received regulatory approval to engage in equity product investment business, which is expected to further boost the firm's bottom line. The Company's outstanding asset quality, risk control measures and performance helped garner it long-term and short-term ratings of twA and twA-2 from Taiwan Ratings in July 2005. This was the four consecutive year that Taiwan Ratings raised the Company's ratings.

Subsidiary E.SUN Securities Co., Ltd. offers both Internet and telephone platforms under which customers can trade equities. The Company also intends to work to further increase its market share in e-trading. E.SUN Securities presently has 12 branches and it will add new branches in the future in line with plans to boost business in various regions throughout Taiwan. The Company has also set up cross selling counters at E.SUN Commercial Bank branches to broaden its relationship with existing customers and cultivate new clients. In addition to seeking fixed returns in its bond operations, the Company is striving to boost bond liquidity and participate in the development of new products to bolster income. E.SUN Securities plays a leading role in as a futures trading introducing broker and plans to continue to expand its operations in the spot futures market. The Company's highly experienced underwriting team works to combine the resources of FHC units and assist its corporate customers in comprehensive financial planning. It also carefully screens underwriting jobs according to the new underwriting regulatory framework. In addition to the issuance of warrants, the Company will introduce the latest technology, train employees and plan new products. E.SUN's dealing operations seek to generate stable profits with the aid of prudent analysis and expertise of its research team. Meanwhile, E.SUN has established a highly regarded team of individuals that comprise its R&D team. Risk management is always in the forefront when developing new operations, ensuring stable long-term operations.



NTU and E.SUN establish a new model in cooperation between the education and banking industries.



E.SUN was named "Bank of the Year" in 2005 by The Banker magazine.



E.SUN was awarded first prize by Global View Monthly in Outstanding Service Award.

Subsidiary E.SUN Securities Investment Trust Co. Ltd. presently operates seven funds under its banner. The funds are sold through E.SUN FHC subsidiary companies throughout Taiwan, providing investors with comprehensive services and meeting the varied needs of each investor. The Company, which benefits from an outstanding research team that helps provide it a competitive advantage, will continue to strive to boost its performance and market share.

Subsidiary E.SUN Venture Capital Co. Ltd. is developing in the direction of an investment bank. The Firm combines the resources of FHC in providing comprehensive banking services to corporates, including investment in new enterprises, assistance in operations management and capital planning, and assistance in underwriting, strategic alliances and mergers. The Company will further strengthen its understanding of future trends in order to emerge as an important player in arranging capital, expertise and manpower.

Subsidiary E.SUN Insurance Brokers Co., Ltd. has a goal of being the number one brand name in the bancassurance industry on Taiwan. It offers a comprehensive line of products and is developing insurance products specifically with E.SUN customers in mind. The Company has developed a system in which premiums can be paid online and is constantly working to expand its sales network. The Firm employs financial planning agents to provide customers with personalized insurance services. E.SUN Insurance Brokers has

integrated its product marketing and sales, achieving synergy through the FHC. It also seeks to raise the professional expertise of its employees. In addition, it is streamlining its operational procedures and boosting risk management, all of which result in better service to customers.

Over the past 14 years, E.SUN has continued to move forward, establishing sound systems, cultivating outstanding human resources and developing excellent information and applications. Combined, these provide customers with swift, convenient and refined banking services. With this strong foundation along with the Company's highly efficient operations, E.SUN is poised to reach the pinnacle in the banking industry.

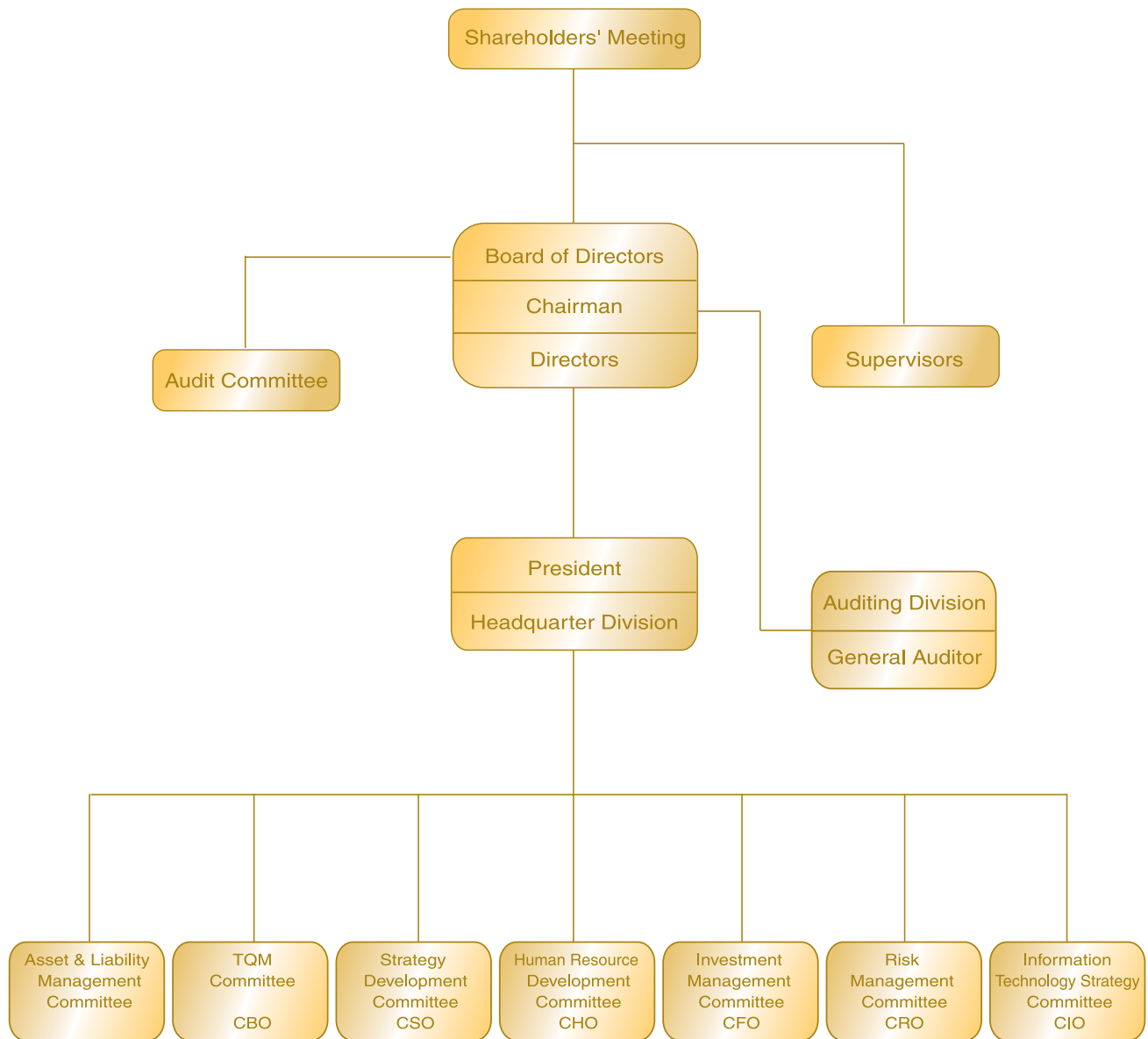


The E.SUN Choir raises its voice, always wishing you the best.



Celebration to relocation of E.SUN's Headquarter.

2. Organization Chart



3. Directors and Supervisors



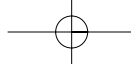
Advancing corporate governance and strengthening professional system

2006.3.31 Unit:1,000 shares, %

Position	Representative	Date of Election	Term	Date of First Elected	Shareholding when elected		Current Shareholdings 2006.12.31		Shareholdings of the spouse and minors 2006.12.31		shareholdings under others' name		Education (Experience)	Current position with other company	Devision chiefs, directors or supervisors are spouse or within the 2nd degree of consanguinity of each other		
					Shares	Shareholdings	Shares	Shareholdings	Shares	Shareholdings	Shares	Shareholdings			Position	Name	Relation
Chairman	Yung-Jen Huang	2005.6.10	3 years	2001.12.10	7,473	0.255	7,497	0.248	1,763	0.058	-	-	Department of Cooperative Economics at National ChungHsing University	Chairman of ESUN Bank	SEVP	Joe Huang	Brothers
Director	Representative of ESUN Foundation Yung-Hsiung Hou	2005.6.10	3 years	2001.12.10	6,475	0.221	6,669	0.220	911	0.030	-	-	Department of Business Administration at National Taiwan University, 42 years in Financial Industry	President of ESUN FHC & ESUN Bank	None	None	None
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	2005.6.10	3 years	2001.12.10	27,044	0.923	28,505	0.942	117	0.004	-	-	Kai-Nan Commercial&Technical High School	Chairman of Hsin Tung Yang Co., Ltd.	None	None	None
Director	Representative of Fullead Investment Co., Ltd. Tai-Chi Lee	2005.6.10	3 years	2001.12.10	7,592	0.259	7,372	0.240	0	0	-	-	Department of Business Administration at Fu Jen Catholic University	Chairman of Tidehold development Co., Ltd.	None	None	None
Director	Representative of Allcan Investment Co., Ltd. Chuan-Hsiung Huang	2005.6.10	3 years	2001.12.10	46,802	1.590	49,292	1.628	1,687	0.056	-	-	Department of Accounting at FENG CHIA University	CPA	None	None	None
Independent Director	Chen-En Ko	2005.6.10	3 years	2004.6.11	0	0	0	0	0	0	-	-	PhD of Department of Accounting at University of Minnesota	President of Chung Hua Institution for Economic Research	None	None	None
Director	Representative of Ron - Yuan Investment Co., Ltd. Ron - Chu Chen	2005.6.10	3 years	2004.6.11	89,500	3.054	94,135	3.110	0	0	-	-	Chunan Junior High School	NienChairman of Nien Hsing Textile Co., Ltd.	None	None	None
Director	Representative of Shang Li Car Co., Ltd. Jian-Li Wu	2005.6.10	3 years	2005.6.10	14,000	0.478	14,420	0.476	0	0	-	-	Chung Jung High School	Chairman of Shang Li Car Co., Ltd.	None	None	None
Director	Fai-Long Tsai	2005.6.10	3 years	2005.6.10	993	0.034	1,031	0.034	649	0.021	-	-	Department of Political Science of Soochow University	None	None	None	None
Director	Cheng - Pin Lee	2005.6.10	3 years	2004.6.11	8,744	0.298	9,006	0.300	0	0	-	-	Master Degree at San Francisco State University	Chairman of Chia - Tun Co., Ltd. and Hsin - Nan Co., Ltd.	None	None	None
Director	Representative of ESUN Volunteer & Social Welfare Foundation. Jaw-Hwang Shy	2005.6.10	3 years	2005.6.10	5,642	0.193	6,131	0.203	510	0.017	-	-	Department of Business Administration at National Chung Hsing University, 33 years in Financial Industry	Chairman of ESUN SITC	None	None	None
Director	Representative of Shan Meng Investment Co., Ltd. Wu - Lin Duh	2005.6.10	3 years	2001.12.10	7,759	0.265	8,090	0.267	411	0.014	-	-	EMBA of National Cheng Kung University, 34 years in Financial Industry	Deputy President of ESUN Bank	None	None	None
Director	Representative of ESUN Volunteer & Social Welfare Foundation. Chin - Yi Lin	2005.6.10	3 years	2005.6.10	5,642	0.193	6,131	0.203	25	0.001	-	-	Department of Business Administration at Tunghai University	Chairman of ESUN Bank Workers Union	None	None	None
Supervisor	Representative of Hsin Kao Shan Investment Co., Ltd. Chuan-Hsiung Huang	2005.6.10	3 years	2001.12.10	9,016	0.308	12,721	0.420	0	0	-	-	Master of Department of Economics at National Chengchi University	Associate Professor in the Department of Finance and Banking of Aethes University	None	None	None
Supervisor	Representative of Sunlit Transportation Co., Ltd. S. C. Shue	2005.6.10	3 years	2005.6.10	7,000	0.239	7,210	0.238	105	0.003	-	-	Department of Accounting and Statistics at National Chung-Hsing University	None	None	None	None
Supervisor	Representative of Shi Yang Construction Co., Ltd. Yu-Chen Yang	2005.6.10	3 years	2001.12.10	2,720	0.093	2,802	0.090	185	0.006	-	-	Department of Accountancy at National CHENG KUNG University	CPA	None	None	None

Table 1: Major shareholders of the Institutional Shareholders

Institutional Shareholders	Major shareholders of the Institutional Shareholders
Hsin Tung Yang Co., Ltd.	Jackson Mai, Shih- Lai Mai
Fullead Investment Co., Ltd.	Tai-Chi Lee, Tai-Sian Lee, Tai-Hsiung Lee
Allcan Investment Co., Ltd.	Virgin Islands (U.K.) All Can International Investment Ltd., Virgin Island (U.K.) Comewell Asset Management Company
Shan Meng Investment Co., Ltd.	Shu-Huei Fu
Ron - Yuan Investment Co., Ltd.	Chia Tien Sha Investment Co., Ltd.
Shang Li Car Co., Ltd.	Sunny Investment Co., Ltd
Hsin Kao Shan Investment Co., Ltd.	Hong-Mei Ye, Jian-Yi Fu, Kun-Ming Sie
Shi Yang Construction Co., Ltd.	Hsin Tung Yang Housing Broker Co., Ltd.
Sunlit Transportation Co., Ltd.	Sunny Investment Co., Ltd



4. Executive Officer

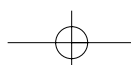


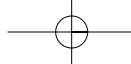
Achieving new heights together

2006.3.31 Unit:1,000shares ; %

Position	Name	Date of Taking Office	Shareholdings as of December 31, 2005						Education (Experience)	Current position Held at other company	Managers who are spouses or within the second degree of consanguinity		
			shares Held		shares Held by Spouse and Children Under 18		shares Held Using Names of Others				Previous Position	Position	Name
			Shares	Ratio	Shares	Ratio	Shares	Ratio					
President	Yung-Hsung Hou	2002.1.28	1,250	0.041	911	0.030	-	-	Department of Business Administration at National Taiwan University 42 years in Financial Industry	President of E.SUN Bank	None	None	None
Deputy President	Jiaw-Hwang Shy	2002.1.28	412	0.014	510	0.017	-	-	Department of Business Administration at National Chung Hsing University 33 years in Financial Industry	Chairman of E.SUN Securities Co., Ltd. & E.SUN SIFC	None	None	None
Deputy President Chief Brand Officer	Wu-Lin Duh	2002.1.28	2,358	0.078	411	0.014	-	-	EMBA of National Cheng Kung University 34 years in Financial Industry	Deputy President of E.SUN Bank	None	None	None
Senior Executive Vice President, Chief Information Officer	Heng-Hwa Yang	2002.1.28	1,714	0.057	288	0.010	-	-	EMBA of Department of Information Management at National Taiwan University 30 years in Financial Industry	SEVP, Information Technology Division of E.SUN Bank	None	None	None
Senior Executive Vice President	Tung- Long Kuo	2004.2.13	543	0.018	35	0.001	-	-	Department of Public Administration at National Chung Hsing University 35years in Financial Industry	SEVP, Corporate Banking Division of E.SUN Bank	None	None	None
Senior Executive Vice President	Joe Huang	2004.2.13	1,998	0.066	1,783	0.059	-	-	Department of English at Tamkang University 18 years in Financial Industry	SEVP, Consumer Banking Division of E.SUN Bank	None	None	None
Senior Executive Vice President	C.S. Huang	2004.2.13	558	0.018	0	0.000	-	-	MBA of at National ChengChi University 21 years in Financial Industry	SEVP, Wealth Management Division of E.SUN Bank	None	None	None
Senior Executive Vice President, Chief Financial Officer	Magi Chen	2004.2.13	217	0.007	0	0.000	-	-	MBA of University of Tennessee 27 years in Financial Industry	SEVP, Treasury Division of E.SUN Bank	None	None	None
General Auditor (Note)	Cheng-Hsiung Chen	2002.1.28	334	0.010	0	0.000	-	-	National Taiwan Academy of Arts 45 years in Financial Industry	General Auditors, E.SUN Bills Finance Corp.	None	None	None
General Auditor (Note)	Wei-Chin Chien	2006.2.16	472	0.016	6	0.000	-	-	Department of Business Administration at Newport International University 27 years in Financial Industry	General Auditors, E.SUN Bank	None	None	None
Chief Strategy Officer	Joseph N.C. Huang	2004.2.13	1,014	0.034	128	0.004	-	-	MBA of the City University of New York 13 years in Financial Industry	President of E.SUN Venture Capital Co., Ltd.	None	None	None
Chief Human Resource Officer	J. C. Wang	2002.1.28	717	0.024	391	0.013	-	-	Master of Agricultural Management at National ChungHsing University 17 years in Financial Industry	EVP, Human Resource Division of E.SUN Bank	None	None	None
Chief Accounting Officer	Kuan-Her Wu	2002.1.28	600	0.020	0	0.000	-	-	Department of Accountancy at National Chung Hsing University 30 years in Financial Industry	EVP, Accounting Division of E.SUN Bank	None	None	None
Executive Vice President	Suka Chen	2002.1.28	795	0.026	39	0.001	-	-	Master of Department of Agricultural Economics at National Taiwan University, 17 years in Financial Industry	President of E.SUN Securities Co., Ltd.	None	None	None
Executive Vice President	Scott Chou	2002.1.28	848	0.028	175	0.006	-	-	Department of Civil Engineering at National Taipei Institute of Technology 25 years in Financial Industry	EVP, General Affairs Division of E.SUN Bank	None	None	None
Executive Vice President	Mao-Cin Chen	2005.7.1	448	0.015	4	0.000	-	-	Master of Department of Economics at National Taiwan University 14 years in Financial Industry	EVP, Corporate Banking Division of E.SUN Bank	None	None	None
Executive Vice President	Shuei-Ping Wan	2005.7.1	202	0.007	201	0.007	-	-	MBA at National Taiwan University 14 years in Financial Industry	EVP, Consumer Banking Division of E.SUN Bank	None	None	None
Executive Vice President	Jih-Hsiung Tseng	2005.7.1	1,787	0.059	1,171	0.039	-	-	Department of Soil and Water Conservation at National Chung-Hsing University 23 years in Financial Industry	EVP, Information Technology Division of E.SUN Bank	None	None	None
Senior Vice President	Joseph Syu	2005.7.1	213	0.007	0	0.000	-	-	MBA at National Sun Yat-Sen University 14 years in Financial Industry	SVP, Treasury Division of E.SUN Bank	None	None	None

Note: General auditor Cheng-hsiung Chen retired on February 16, 2006.





5. Shares and Dividend

(1) Impact on business performance and earnings per share of stock dividend payment proposed at the most recent shareholders' meeting

Item		Year	2006F	2005A	2004A
Capital collected-beginning of the period (NT\$1,000)			30,270,000	29,306,096	25,063,669
Stock dividend and cash dividend of the year	Cash dividend per share (NT\$)		1.00	1.10	1.0856
	Capitalized retained earnings - stock dividend (share)		0.20	0.30	0.03257
	Capitalized additional paid-in capital - stock dividend (share)		0	0	0
Change of Business Performance	Operating revenue (loss) (NT\$1,000)		4,635,625	4,549,660	4,732,822
	Operating revenue (loss) increase(decrease) from last year (%)		1.89%	(3.87%)	4.41%
	Net Income (Loss) (NT\$1,000)		4,757,466	4,656,349	4,836,437
	Net income(loss) increase (decrease) from last year (%)		2.17%	(3.72%)	6.79%
	Earnings (Loss) per share(NT\$)		1.50	1.54	1.94
	Earning (Loss) per share increase (decrease)from last year (%)		(2.60%)	(20.62%)	(8.92%)
	Annualized return on Investment (the reverse of Annualized Price /Earning ratio)		6.32%	6.49%	8.88%
Projected Earnings per Share and Price/Earnings ratio	Retained earnings are capitalized with cash dividend distributed	Projected Earnings per share	1.53	1.58	2.02
		Projected annualized return on Investment	6.45%	6.68%	9.25%
	Additional paid-in capital is not capitalized	Projected Earning per share	1.50	1.54	1.94
		Projected annualized return on Investment	6.32%	6.49%	8.88%
	Additional paid-in capital is not capitalized and Capitalized retained earnings-cash dividend distributed	Projected Earning per share	1.53	1.58	2.02
		Projected annualized return on Investment	6.45%	6.68%	9.25%

(A)The Company should explain the hypothesis made for each forecast or projected data
 (B)The projected Earnings per Share for the retained earnings capitalized and with cash dividend distributed = [Net Income - interest accrual from cash dividend* x (1- tax rate)] / [total stock shares issued at the year end - stock dividend distributed for the capitalized retained earnings**]
 Interest accrual from cash dividend* = Capitalized retained earnings x annual loan interest rate
 Stock dividend distributed for the capitalized retained earnings**: The stock shares increased from the stock dividend distributed the year before for the capitalized retained earnings
 (C)Price/Earning Ratio = Average Market Closing Share Price / Earnings per Share of Current Fiscal Year

(D)The year of Stock dividend and cash dividend is the distributing year

Information applied in the table above:

(A)The auditing financial statements of 2005 and 2004
 (B)The tax rate that is used to calculate the projected data is 25%. The annual loan interest rate of 2004, 2005 and 2006 is based on the average loan interest rate 3.69%, 3.31% and 3.40% of E. SUN Bank, respectively.

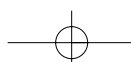
(2) Employee Bonuses and Director and Supervisor Compensation

Allocation of Profits Statement 2005

Unit: NT\$

Category of Profit	Amount	Category of Allocation	Amount
2005 Pre-tax Profit	4,524,283,974	Provision for Legal Surplus	465,634,845
Business Tax Benefit	132,064,480	Shareholders' dividend (cash : NT\$1.0 per share)	3,230,381,518
		Shareholders' dividend (stock : NT\$ 0.2 per share)	646,076,300
Reversal of Special Surplus	24,582,175		
		Director and Supervisor Compensation	40,379,769
Undistributed Profits	235,146,042		
		Employee Bonus (cash)	38,030,787
		Employee Bonus (stock)	83,108,520
		Undistributed Profits	412,464,932
Total	4,916,076,671	Total	4,916,076,671

Note 1: Cash dividends of NT\$38,030,787 were paid to employees, stock bonuses of NT\$83,108,520 were paid to employees and compensation of NT\$40,379,769 was paid to directors.
 Note 2: A total of 8,310,852 shares were issued to employees as bonuses, comprising 0.26% of outstanding stock.
 Note 3: If employee bonuses and director compensation were booked as expenses, the Company's after-tax earnings per share fell to NT\$1.50 from NT\$1.54.
 Note 4: E. SUN's post-increase capitalization stood at NT\$33.033 billion



III. BUSINESS OPERATION



The dawn of a new era

1. Business Scope



E.SUN FHC has focused on investment and management, with operations consisted of the following areas: banking, bills finance, credit cards, trust, insurance, securities, futures, venture capital, investment in foreign financial institutions approved by supervisory authorities, other business operations approved by the Authority, as well as the management of the aforementioned businesses and other areas of business approved by the Authority.

1 Operation Principles

Since establishment, E.SUN FHC's brand name image has come to represent innovation, expertise, and stable and honest operations. The FHC has always maintained a goal of becoming the best performing and most highly respected enterprise. E.SUN strives for balanced business development and works to instill its outstanding corporate culture and devotion to constantly refining operations throughout all of its units. The company spares no effort in working to provide efficient operations, comprehensive product lines, services to the public, operational automation and internationalized operations. E.SUN's operational development policies are as follows:

A. Safety: The Company ensures the interests of shareholders and customers, raises the service quality of subsidiaries and implements internal control measures. It also seeks to diversify investment and operational risks in order to establish a foundation for sustained operations.

B. Liquidity: Since the short-term funding sources of subsidiaries have a fairly high rate of change, the

Company seeks to implement active utilization of funds. It has a high degree of sensitivity to operational and environmental changes, enabling it to utilize funds in the most appropriate manner.

C. Profitability: The Company seeks to strengthen the core competitiveness of its subsidiaries and utilize an array of information and resources to develop business and control costs, creating profits. However, the ideal of long-term stability is never compromised.

D. Growth: The Company seeks balanced growth in operations, boosting market share and creating a loyal clientele. Regional operations take into consideration the service network and the ability to judge the potential of various operations.

E. Public Welfare: The Company's operations are also expected to aid in the nation's economic development. The Company takes part in a variety of public service activities to fulfill its corporate responsibility to society in boosting education, culture and the quality of life.



There is not best, just better

2. Operational Goals

(1) Pursuing Organic Growth and Strategic Alliances

Since establishment, E.SUN FHC has sought to provide customers with the highest quality banking services and to offer shareholders outstanding operational performance. With its origins in banking, E.SUN has gradually expanded into all areas of banking and financial services. Presently, six companies are under the E.SUN FHC umbrella, namely E.SUN Commercial Bank, E.SUN Bills Finance, E.SUN Securities, E.SUN Securities Investment Trust, E.SUN Venture Capital and E.SUN Insurance Brokers. E.SUN continues to refine its services and expand its financial blueprint. In 2005, E.SUN entered into a strategic alliance with Prudential Plc to bolster development in the area of bancassurance. In 2006, the company cemented a strategic alliance with Asia Financial Holdings, which is a subsidiary of Singapore's Temasek Holdings, opening a new page in multinational banking cooperation. It is expected that this alliance will offer E.SUN new areas for business development and provide customers a greater range of financial service products.



E.SUN writes a new page in international strategic alliances

(2) Mergers & Acquisition and Organizational Adjustment

E.SUN Bank acquired the assets, liabilities and operations (excluding trust business) of Kaohsiung Business Bank in 2004 via the Resolution Trust Company mechanism. The acquisition has enabled E.SUN Commercial Bank raise its number of local and overseas branches to 117, offering customers with an even more convenient financial services network. The

FHC intends to continue to evaluate opportunities for other acquisitions in the future in order to further expand its size. In addition, in light of the rapid changes in Taiwan's banking environment, the company continues to pursue the most appropriate organizational framework that best integrates FHC resources and achieves synergy.

(3) Integrating Sales and Marketing to Boost Efficiency

Integration of the FHC's information technology systems and logistics network has helped streamline operational procedures. Putting in place an appropriate organizational framework is expected to help the company achieve new heights in operational efficiency and quality. A higher degree of cooperation in sales and marketing, as well as logistical support, will help boost the FHC's competitiveness.

(4) Creating Customer Value

E.SUN FHC brings together the financial services offered by its six subsidiaries, offering a comprehensive range of products in corporate banking, consumer banking, wealth management, treasury and credit cards. The company focuses on the niche markets of each product in order to provide appropriate services and products to its international- and large-sized corporate customers, helping to raise the asset value of customers.

3. Important Operational Strategies

(1) Development of Distribution Network

E.SUN has carried out an assessment of the branch network, assets and personnel that it has acquired in the wake of acquisitions. In an effort to make the most of its branch network, E.SUN will apply to adjust the location of various branches as appropriate, providing the widest possible scope in which to provide services to customers. In addition to its physical network, E.SUN is also aggressively building a virtual network, utilizing the Internet, telephone services and automation equipment. These two networks will be complementary to each other, help to reduce service costs and boost service quality.

(2) Implementation of Cross-Selling

E.SUN integrates its resources and product services to provide one-stop shopping services to its customers. By maintaining close contact with customers, E.SUN will better understand their needs. E.SUN will utilize its professional advantages to resolve any problems customers might face.

(3) Promoting Product Research and Innovation

In addition to the array of products already offered, E.SUN will research and introduce new products based on market trends and customer needs. It will also provide customized products and services to meet the financial service needs of customers.

(4) Remaining Aware of Risk and Seeking Stable Growth

E.SUN utilizes its outstanding risk management culture to minimize risk, but maintain steady operational growth. Each of its subsidiaries makes every effort to maintain a high level of asset quality and all employ measures to reduce credit and operations risk. Information technology systems also play a key role in risk management. To conform to the Basel II accord, E.SUN seeks to adopt the same risk management measures as that of international banking heavyweights. E.SUN is planning and instituting risk models that will put it in the forefront of this effort in the local banking industry.

E.SUN FHC combines the resources of its banking, bills finance, investment trust, securities, venture capital and insurance brokerage to extend its top quality services over a variety of fields. Its brand name operations help create customer value. In addition, E.SUN's development strategies are enabling it to find its market position and segment customers groups. Its R&D efforts create new products that offer brand name value. E.SUN differentiates itself from its counterparts in this manner, which it believes will be the critical factor behind its continued success. In addition, E.SUN has traditionally devoted considerable resources to innovation and R&D of products that meet market needs. The business scope and operational plans of each subsidiary are detailed below:

(1) E.SUN Commercial Bank

A. Primary Operations

(A) Commercial Bank Operations: Accepts check deposits, demand deposits, fixed deposits, and carries out short-, medium- and long-term loans; discounting of bills/checks, domestic remittances, commercial acceptances, domestic guarantees, credit cards, custodian services, warehousing, rental of safe deposit boxes, issuance of domestic letters of creditor, and factoring.

(B) Foreign Exchange Operations: Import and

export negotiation, general inward and outward remittance, foreign currency deposits, foreign currency loans, and foreign currency guarantees.

(C) Investment and Treasury Operations: Investment in bonds, short-term bills, corporate bonds and debentures, short-term bills broking and dealing, and trading of financial derivatives.

(D) Agency Operations and Other: Serves as agent for collection and payment of various bills, agent for government bonds, treasury bills, corporate bonds and stocks; agency sales of gold ingots and coins, silver coins, and issuance of debentures; agent for services approved by central authorities as well as for the National Treasury.

B. Composition of Operations

Unit: NT\$1,000

Item	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Interest Income	17,497,948	83.55	14,048,775	69.28
Fee Income	2,413,091	11.52	2,080,184	10.26
Gain from Securities Trading and Others	1,033,131	4.93	4,150,537	20.46
Total	20,944,170	100.00	20,279,496	100.00

(2) E.SUN Bills Finance Corp.

A. Primary Operations

Since its establishment, E.SUN Bills Finance has committed itself to providing outstanding direct financing services. It continues to cultivate a staff that possesses a high level of expertise, providing customers with the best service. The Company is working to expand its range of financial services. Presently, it is involved in the following areas of business:

- Verification and underwriting of short-term bills
- Broking and dealing of short-term bills
- Guaranteeing and endorsing short-term bills
- Serving as an interbank lending agent for financial institutions
- Providing corporate finance information and advisory services
- Broking and dealing of government bonds
- Verification and underwriting of financial debentures
- Broking and dealing of financial debentures



- i.Trading of corporate bonds
- j.Business related to derivative products approved by authorities
- k.Other approved business



Developing new products, raising market efficiency

(2) Composition of Operations

A. Primary Market Issuances and Initial Purchases

Unit: NT\$m

Item \ Year	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Commercial Paper II	176,362	71.44	183,450	73.42
Bank Acceptances	85	0.03	197	0.08
Negotiable Certificates of Deposit	66,341	26.87	61,210	24.50
T-bills	4,093	1.66	5,022	2.00
Total	246,881	100.00	249,879	100.00

B. Commercial Paper Underwriting

(1) Categories of Guarantor

Unit: NT\$m

Item \ Year	2005		2004	
	Amount	Proportion %	Amount	Proportion %
ESUN Bills Guaranteed	127,219	72.14	120,470	65.67
Others Guaranteed	15,864	8.99	28,732	15.66
Non-guaranteed	33,279	18.87	34,248	18.67
Total	176,362	100.00	183,450	100.00

(2) Categories of Maturity

Unit: NT\$m

Item \ Year	2005		2004	
	Amount	Proportion %	Amount	Proportion %
1-30 days	79,277	44.95	64,051	34.92
31-90 days	78,607	44.57	88,814	48.41
91-180 days	17,607	9.98	28,385	15.47
Over 181 days	871	0.50	2,200	1.20
Total	176,362	100.00	183,450	100.00

C. Secondary Market Trading

(1) Categories of Products

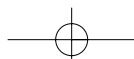
Unit: NT\$m

Item \ Year	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Commercial Paper II	1,150,832	35.26	1,043,322	35.64
Bank Acceptances	1,039	0.03	1,616	0.05
Negotiable Certificates of Deposit	280,008	8.58	319,432	10.91
T-bills	154,996	4.75	72,413	2.47
Bonds	1,676,745	51.38	1,490,988	50.93
Total	3,263,620	100.00	2,927,771	100.00

(2) Trading Counterparts

Unit: NT\$m

Item \ Year	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Financial Institutions	725,188	22.22	817,364	27.92
Bills Finance Companies	392,570	12.03	318,191	10.87
Investment Trusts and Institutions	2,057,452	63.04	1,663,688	56.82
Retail Investors	88,410	2.71	128,528	4.39
Total	3,263,620	100.00	2,927,771	100.00



D. Guarantee Operations

(1) Secured and Non-secured Credit

Unit: NT\$m

Year \ Item	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Collateralized Credit	7,836	42.74	6,714	38.22
Non-collateralized Credit	10,499	57.26	10,853	61.78
Total	18,335	100.00	17,567	100.00

(2) Industry

Unit: NT\$m

Year \ Item	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Banking and Insurance	7,499	40.90	6,667	37.95
Manufacturing	6,219	33.92	6,606	37.60
Wholesale, Retail and Food & Beverage	982	5.36	1,439	8.19
Real Estate and Leasing	2,594	14.15	1,416	8.06
Services	265	1.45	770	4.38
Transportation, Warehousing and Communications	370	2.02	445	2.53
Others	406	2.20	224	1.29
Total	18,335	100.00	17,567	100.00

E. Operation Performance

Unit: NT\$1,000

Year \ Item	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Revenues				
Interest Income	997,198	52.02	1,047,258	74.31
Fee Income	66,304	3.46	108,553	7.70
Gain from Securities Trading	853,044	44.5	194,884	13.83
Recovery	-	-	55,824	3.96
Others	241	0.02	2,849	0.20
	1,916,787	100.00	1,409,368	100.00
Expenses and Losses				
Interest expense	627,429	32.73	486,972	34.55
Fee expense	13,134	0.69	16,725	1.19
Provisions	44,488	2.32	-	-
General & Administrative Expenses	150,632	7.86	139,740	9.92
Others	25,820	1.35	2,484	0.17
Subtotal	861,503	44.95	645,921	45.83
PreTax Profit	1,055,284	55.05	763,447	54.17

3.E.SUN Securities Co., Ltd.

(1) Brokerage:

Acts as a broker for customers in the trading of securities, futures, options, and carried out settlement. Also provides margin financing and stock loan services, and provides an electronic trading platform, meeting the investment and trading needs of customers.

(2) Proprietary trading:

E.SUN trades securities under its own account.

(3) Underwriting:

Assists companies in public issuances of stock to raise capital and underwrites cash capital increases and convertible bonds for public companies and firms listed on the Taiwan Stock Exchange and the over-the-counter market. It also offers comprehensive corporate financial planning services.

(4) Bonds:

E.SUN engages in outright bond trading and repo

trading. The Company serves as a government bond dealer and provides customers with bond-related investment information and advisory services.

(5) New Financial Products:

Issues call and put warrants and structured products and develop new financial products upon the liberalization of banking laws.



Differentiating itself from others, raising its ability to serve customers

4. E.SUN Securities Investment Trust Co., Ltd.

E.SUN Securities Investment Trust presently operates seven funds that are sold throughout Taiwan via the FHC's cross selling network. This provides investors with comprehensive service and satisfies the different needs of investors. The Company takes advantage of the outstanding brand name of E.SUN Commercial Bank. In addition, its top notch fund managers work to provide investment management services, with an eye both to local and global markets. In addition to its outstanding research, the company also integrates its resources with the research teams of other FHC subsidiaries to create the greatest competitive advantage. E.SUN Securities Investment carries out its investment operations in the safest manner possible, helping investors achieve stable long-term returns. The Company also employs strict risk management measures to ensure the safety of investor assets.

(1) Primary Operations

A. Issues beneficiary certificates upon the raising of funds in the creation of investment trust funds.

B. Utilizes investment trust funds to invest in securities and related products.

C. Engages in discretionary investment business.

D. Engages in other areas of business approved by Securities and Futures Bureau.

(2) Composition of Operations

Unit: NT\$1,000

Item \ Year	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Fee Income	260	0.21	285	0.13
Management Fee Income	120,122	96.49	192,216	91.07
Non-operating Income	4,112	3.30	18,559	8.79
Total	124,494	100.00	211,060	100.00

5. E.SUN Insurance Brokers Co., Ltd.

E.SUN Insurance Brokers focuses on life and non-life insurance. Its life insurance business mainly consists of products of its strategic partner Prudential

Plc, including life insurance, medical insurance, savings insurance, and investment-oriented insurance. These products meet the wide range of needs of customers for savings, tax purposes, investment, protection and personal finance. In the area of non-life insurance, E.SUN presently cooperates with Tokyo Marine Nawa Insurance Co., Ltd., offering a range of outstanding products, including compulsory automobile and motorcycle insurance, residential fire insurance, typhoon insurance, earthquake insurance, and malpractice insurance. E.SUN's product line has consistently provided the coverage that its customers need.

Unit: NT\$1,000

Item \ Year	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Life and Health Insurance	18,185	16.19	27,463	22.46
Investment-linked Insurance	85,889	76.45	93,299	76.31
Accident Insurance and Other	8,278	7.36	1,494	1.23
Total	112,352	100.00	122,256	100.00

6. E.SUN Venture Capital Co., Ltd.

(1) Engages in capital investment in enterprises with vast potential on Taiwan and overseas

(2) Provides corporate operations, management and consulting services.

Unit: NT\$1,000

Item \ Year	2005		2004	
	Amount	Proportion %	Amount	Proportion %
Investment Income	24,245	76.20	14,095	78.37
Financial Consulting Income	680	2.14	1,321	7.35
Interest and Other Non-operating Income	6,893	21.66	2,569	14.28
Total	31,818	100	17,985	100

2. Business Plan

1. E.SUN Bank

Corporate Banking: The Bank will act in line with government policies to bolster development of SMEs. It will continue to strengthen lending operations to SMEs and will also utilize credit guarantee funds, tranche credit guarantees as well as self-liquidating financing to reduce credit risk. The merger of the International Banking Department into the Corporate Banking Division, coupled with the development of cross-strait business by its Hong Kong branch, enables E.SUN to provide Taiwan companies with comprehensive banking services. The Bank also regularly develops new banking products to provide its corporate customers with outstanding service.

Consumer Banking: E.SUN continues to introduce innovative products and streamlined services to meet the various needs of each customer group. At all times it stresses risk controls, enabling the Bank to grow both in business quantity and quality. The Bank has carried out surveys to determine the needs of consumers and is effectively utilizing its resources and branch network to provide the services required. E.SUN differentiates itself on the basis of products and service, enabling it to emerge from the cut-throat pricing of industry counterparts. This creates a win-win situation of profits for the Bank and customer value.

Wealth Management: E.SUN continues to strengthen its infrastructure in order to offer a comprehensive line of products. It develops new products, keeping risk considerations in mind, and it also has introduced financial engineering to assist customers in the allocation of assets. The Bank also makes the best use of the FHC's cross selling channels and utilizes databanks in an effort to expand its clientele, provide satisfactory service to customers and create value.

Treasury: The Bank is maximizing the use of its expanded branch network and displaying synergy through organizational integration. The TMU and corporate banking units are jointly developing corporate customers and providing them a full line of financial products. In addition, the Bank is also further developing its VIP wealth operations, satisfying the short- and long-term investment needs of the Bank's best clients. Meanwhile, as the derivatives products market is becoming increasingly complex, the Bank is undertaking hedging activities to manage market risk.

Credit Cards: The Bank has developed risk control systems and places more emphasis on quality rather than quantity, effectively reducing the number of marginal, high risk or idle accounts. This reduces operational costs and the risk of overdue credit. It also helps to raise the amount of consumption, provide value-added services and boost customer loyalty.

2. E.SUN Bills Finance Corp.

Given the trend of keener competition among local and foreign financial institutions, operational risk is an increasing concern in the financial industry. In addition, companies are faced with the constant pressure of expanding operations. In order to raise its market competitiveness, E.SUN Bills Finance continues to focus on professional expertise, service and responsibility in carrying out operations. Quantity and quality are equally important to the Company, which exemplifies E.SUN's outstanding corporate culture. In addition to pursuing stable growth, the Company has every intention of maintaining outstanding asset quality. Its operational focus includes:

(1) Integrating E.SUN resources, maximizing the value of the E.SUN name

E.SUN Bills Finance carries on the tradition of E.SUN's outstanding corporate culture. Focusing on business goals and top quality service, the Company embodies the meaning of E.SUN. It integrates resources and strengthens cross selling under the FHC platform, providing customers with one-stop shopping services.

(2) Stressing risk management, raising asset quality

A stable operating structure is the foundation of a financial institution. E.SUN operates under the principles of safety and liquidity first, followed by returns, then growth, with public interest always in mind. The Company will continue to strengthen management of assets and liabilities under this principle. In addition, the Company will diversify risk and strengthen its controls on and management of liquidity, interest rate and credit risk.

(3) Cultivating a highly trained staff, stressing innovation and R&D

Highly training manpower and innovative products are the critical factors determining the success of a company in the rapidly internationalizing banking industry. E.SUN Bills Finance spares no effort in

providing training for its employees. In addition, it is strengthening research and development of innovative financial products to bolster the Company's long-term development potential. The Company also works to hone marketing expertise among its employees and is expanding its sales channels.

3. E.SUN Securities Co., Ltd.

(1) E.SUN Securities' core strategy is to maintain a high quality, high performance R&D team that drives its broking and dealing operations, as well as to raise its reputation and have an influential role in the securities sector.

(2) The Company is establishing a variety of platforms under which customers can place orders and is striving to be a leader in electronic trading.

(3) E.SUN balances the profit potential for its various product lines and business, ensuring stable profits.

(4) The Company is developing an even more aggressive risk control system to strengthen its ability to manage assets.

(5) E.SUN is developing regional networks and maintains a presence in branches of other FHC subsidiaries, maximizing synergy.

(6) E.SUN continues to develop cross selling mechanisms with other FHC subsidiaries, eyeing potential business opportunities in the areas of wealth management and corporate finance.

4. E.SUN Securities Investment Trust Co., Ltd.

E.SUN Securities Investment Trust operates one securities fund, three balanced funds, one bond fund, one composite fund and one capital protection fund. The Company will continue to work to differentiate its products to further hone its product line and provide customers with a wider range of options. E.SUN is developing overseas products, making it even easier for customers to diversify their portfolios. The Company pursues stable operations, and it combines E.SUN Commercial Bank's brand name awareness with its own outstanding fund management team with

an eye to furthering its position as a leader in asset management. The Company takes advantage of the FHC's island-wide cross selling network, offering investors with comprehensive asset management services. In addition to its own R&D team, the Company enjoys support from R&D teams throughout the FHC, enabling the Company to boost its competitive advantage. E.SUN Securities Investment employs strict risk controls and measures to ensure safety in its transactions, assisting investors in enjoying long-term returns and ensuring the safety of the assets entrusted to the Company. It will continue to pursue outstanding service quality and performance and seek to raise its market share.

5. E.SUN Insurance Brokers Co., Ltd.

E.SUN Insurance Brokers is dedicated to providing a high level of professional services. It continually seeks to improve its products, marketing, services and operational procedures. The Company works closely with insurance companies in developing new products to provide customers a wider selection of options from which to choose. The Company also works together with E.SUN Commercial Bank in planning sales and marketing plans, seeking to maximize synergy. E.SUN Insurance Brokers makes a promise to its customers to provide the best service and range of products possible, helping to satisfy their personal finance needs in an age that features new concepts in investment.

6. E.SUN Venture Capital Co., Ltd.

E.SUN Venture Capital is developing investment banking business and is integrating the resources of the FHC in line with strategies to provide companies with comprehensive financial services and arrange capital, technology and manpower. The Company will utilize the strengths of the FHC to provide corporate clients with a full line of services and will increase its long-term competitiveness and development potential by participating in various projects and engaging in the exchange of knowledge and information.

3. Human Resource



Engineering a foundation for the future.

The cultivation of human resources provides the foundation for E.SUN's sustained operations. E.SUN continues to reinvent its organization and boost business performance based on the spirit of integrating resources and effective management. As of the end of 2005, E.SUN FHC and its subsidiaries employed a total workforce of 3,597 persons. The average age of staff is 30.6 years old. Within its employee pool, 14.9% have master's degrees, 61.5% bachelor's degrees and the remaining 23.6% are graduates of technical colleges or vocational high schools. Its employees have 4,986 professional licenses in the field of banking, 1,809 licenses in insurance, 2,047 licenses in securities and 123 licenses in other areas. Employees have worked at E.SUN for an average of 3.75 years.

1.E.SUN Bank

Item	Year			
	2006.3.31	2005	2004	
No. of Employees	3,261	3,139	2,438	
Average Age	30.2	30.3	29.7	
Average Years of Service	3.9	3.7	3.6	
Educational Background (%)	Master's	15.12	14.6	13.5
	Bachelor's	62.48	62.4	56.3
	College	20.72	21.3	27.7
	High School (Vocational)	1.68	1.7	2.5
Name of Professional License Held by Employees	Bank	Insurance	Securities	Other
Number of Professional License (2005)	4,660	1,716	1,358	81

With employees being the Company's most important asset, E.SUN is dedicated to providing them training, enabling E.SUN to be a learning-oriented institution. In 2005, a total of 12,184 employees participated in 185 training courses held by E.SUN FHC and its subsidiaries and 349 external workshops. On average, employees participated in 4.09 workshops during the year. These educational opportunities nurture outstanding human resources, help create consensus and common goals among staff and enable employees to think out of the box, creating an edge for E.SUN in the highly competitive banking environment.

The following are profiles of employees at each subsidiary:

2. E.SUN Bills Finance Corp.

Item	Year			
	2006.3.31	2005	2004	
No. of Employees	76	80	83	
Average Age	33.1	33.6	32.7	
Average Years of Service	6.7	6.5	6.4	
Educational Background (%)	Master's	15.8	16.3	12.5
	Bachelor's	68.4	66.3	63.9
	College	14.5	16.2	22.2
	High School (Vocational)	1.3	1.2	1.4
Name of Professional License Held by Employees	Bank	Insurance	Securities	Other
Number of Professional License (2005)	111	11	154	10

3. E.SUN Securities Co., Ltd.

Item \ Year		2006.3.31	2005	2004	
No. of Employees		270	280	261	
Average Age		31.2	31.5	30.9	
Average Years of Service		2.7	2.5	2.1	
Educational Background (%)	Master's	7.9	7.9	8.5	
	Bachelor's	60.3	58.2	56.7	
	College	28.5	30.7	31.0	
	High School (Vocational)	3.3	3.2	3.8	
Name of Professional License Held by Employees		Bank	Insurance	Securities	Other
Number of Professional License (2005)		132	64	467	9

4. E.SUN Venture Capital Co., Ltd.

Item \ Year		2006.3.31	2005	2004	
No. of Employees		8	9	9	
Average Age		35.8	35.3	34.3	
Average Years of Service		3.4	3.1	2.1	
Educational Background (%)	Master's	62.5	66.7	66.7	
	Bachelor's	37.5	33.3	33.3	
Name of Professional License Held by Employees		Bank	Insurance	Securities	Other
Number of Professional License (2005)		6	2	9	2

5. E.SUN Insurance Brokers Co., Ltd.

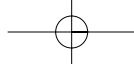
Item \ Year		2006.3.31	2005	2004	
No. of Employees		30	3	18	
Average Age		26.5	41.3	29.4	
Average Years of Service		1	3.99	0.7	
Educational Background (%)	Master's	3.3	100	5.6	
	Bachelor's	80	0	94.4	
	College	16.7	-	-	
Name of Professional License Held by Employees		Bank	Insurance	Securities	Other
Number of Professional License (2005)		3	2	0	3

6. E.SUN Securities Investment Trust Co., Ltd.

Item \ Year		2006.3.31	2005	2004	
No. of Employees		26	26	24	
Average Age		30.7	31	31.5	
Average Years of Service		2.4	2.9	3.9	
Educational Background (%)	Master's	38.5	42.3	41.7	
	Bachelor's	53.9	46.2	41.7	
	College	7.6	11.5	16.6	
Name of Professional License Held by Employees		Bank	Insurance	Securities	Other
Number of Professional License (2005)		16	5	31	0



Goal-, structured- and systematic learning creates a dynamo staff.



4. Corporate Responsibility and Ethical Behavior

E.SUN FHC makes every effort possible to be a world-class corporate citizen. It devotes considerable resources in social welfare, environmental protection, international rescue, academic betterment activities, and also promotes tourism on Taiwan. It also continues to enhance its product content and services to bolster customer value and exhibit its social responsibility. In 2005, E.SUN FHC, E.SUN Commercial Bank and E.SUN Volunteers Foundation cooperated in donating NT\$10 million of funds to provide nutritional school lunches to about 2,000 students in seven southern Taiwan counties and cities. E.SUN has also provided assistance to orphanages throughout Taiwan to take orphans to visit the Taipei Kid's Museum, music concerts and professional baseball games. E.SUN has donated guitars, ping pong tables and other athletic equipment to orphanages, hoping to create happy memories for children as they grow up.

On the academic front, the E.SUN Volunteers and social welfare Foundation has established the E.SUN Scholarship in an effort to hone outstanding management talents. E.SUN has also cooperated with National Taiwan University's College of Management in establishing the E.SUN Knowledge Management Lecture Course. This three-year program will focus on research in "strategic management and international enterprises, "

"Financial investment and financial engineering," and "Marketing and information management," enabling society to understand the latest concepts in management and be in step with international trends.

E.SUN is also involved in environmental protection work. In 2005, it held an activity to clean up 16 trails throughout Taiwan, demonstrating its social responsibility to the island. It also participated in the global "Clean Up the World" activity, helping to make Taiwan a cleaner place. E.SUN also participated in the "Smile on 319 Taiwan Villages" activity, promoting tourism throughout the island.

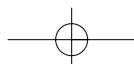
E.SUN pooled donations from its employees to provide international relief assistance in the wake of the South Asian tsunami, exhibiting its responsibility as a global citizen. It has also held many blood drives to help those in need. While the FHC of course stresses business development, self-discipline and adherence to laws, it hopes to take concrete steps to pay back its customers, shareholders and society. E.SUN deeply believes these initiatives will have an impact on society, enabling the company to move a step closer to its goal of being the best performing and most highly respected enterprise.



E.SUN FHC was awarded "Corporate Social Responsibility" award by Global View Monthly.



E.SUN's initiatives help to spark even more compassion throughout society.



IV. RISK MANAGEMENT



A Solid Foundation for the Success

The main concerns in the FHC's risk management efforts are to ensure assets safety, to provide customers with service and to create shareholder value. All operations are carried out with risk considerations in the forefront. Operations are to stress safety and liquidity first, then profitability, and then growth, with public interest always in mind.

1. Financial Holding Company's Risk Management Framework

The Company has established an independent Risk Management Committee. This unit is charged with setting out, implementing and monitoring internationally accepted risk management strategies. This reduces credit, market risk, operations risk and other risks to a minimum. All subsidiaries also set up individual "Credit Review Committee", "Assets and Liabilities Management Committee", and risk management and auditing units responsible for daily position evaluation, risk exposure calculation and feedback of extraordinary events. The organizational framework is as follows:

2. Risk management strategy and procedures—applicable for all subsidiaries

A. Credit Risk Management

(A) The risk management target is in accordance with the regulations of authorities, internal credit and trading risk control system and we will adjust the internal regulations at the right moment depending on domestic and overseas economic and financial situation.

(B) Restricting the single financial institution risk position according to the regulations of authorities, credit rating and business performance.

(C) Following the regulations of authorities to set up the internal regulations of guarantee on short-term bills of the same enterprise and affiliates.

(D) To set up internal industrial credit limit percentage by following the regulations of authorities.

B. Market Risk Management

(A) Appropriately managing the efficiency of funds and keeping it liquid by the asset and liability management.

(B) To avoid the concentrating of funds using and source of funds on one or a few financial tools or counterparties to prevent from risk concentration.

(C) To control the risk of price volatility by daily funds committee deciding daily trading strategy.

(D) Evaluating the Company's risk exposure periodically to be reference for trading strategy

C. Operational Risk Management

The Company firmly believe that the fundamental way to avoid the internal operational risk is to build fine operation system, to train up employees' risk awareness, to drive law-abiding corporate culture and excellent internal control and audit system. It devoted to the training of all subsidiaries' employees, auditing and improving the operation processes. To the external event, E.SUN always keeps sensitivity on market environment, customer behavior, technology innovation and regulation amendment to grasp the opportunity in advance.

3. The range and characteristics of risk report and measure system—applicable for all subsidiaries

A. Credit Risk : the credit line of the same enterprise and same group ; credit line control of risk weighted assets ; the exposure of the same enterprise ; each liability limits of counterparty ; trading limits of interest derivatives

B. Market risk : Measurement for market value and trading profit/loss of operating asset and derivatives

C. Operational risk : To inspect if business operation meets the operation regulations, and tracing the improvement of defect due to auditor opinion

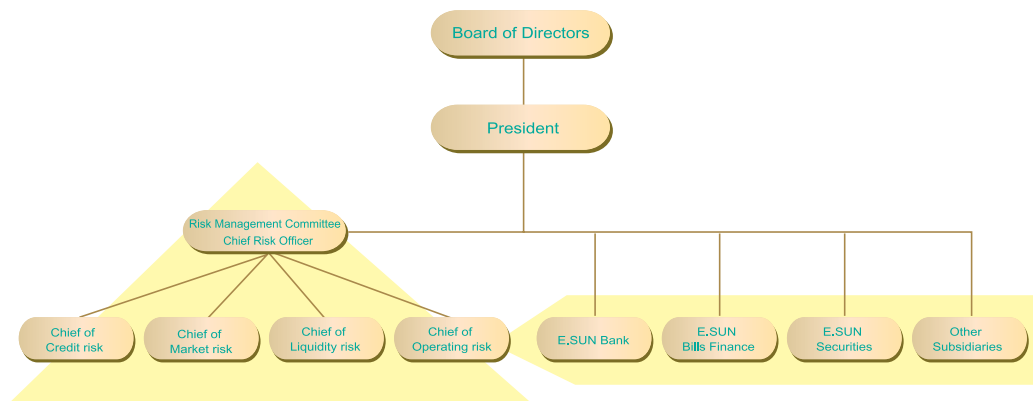
4. Strategy and procedures of hedge policy and the continuity and effectiveness of monitoring hedge—applicable for all subsidiaries

A. In accordance with relative regulations, setting up limits of credit, trading and investment entity classified by different business risk degrees.

B. Reviewing and tracing the credit of the borrowers regularly.

C. Adjusting the distribution of asset and liability periodically to reduce the extent of systematical risk exposure.

D. Adjusting the development strategy of all business timely according to the situation of market and future trend.



E.SUN Risk Management Framework

V. CORPORATE GOVERNANCE



Implementing corporate governance,
strengthening risk control mechanisms

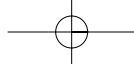
Item	State of Operation	Reason for Any Discrepancies with Corporate Governance Best-Practice Principles for Financial Holding Companies
1, FHC Shareholding Structure and Shareholders' Equity (1)Methods FHC handles shareholder suggestions or grievances (2)State of understanding controlling shareholders of the FHC (3)Methods to establish risk control mechanisms and firewalls between FHC and subsidiaries	(1) Shareholders can express opinions via the appropriate office, after which actions will be taken. (2) Any shareholder with at least a 10% stake in the Company must file a declaration with the Company according to the law. (3) Risk control mechanisms and firewalls are routinely implemented.	None
2, Duties of Board of Directors (1)State of FHC designation of independent directors (2)State of regularly evaluating independence of verifying accountant	(1) One independent director was elected at the 2005 shareholders' meeting. We anticipate another two in 2007. (2) Carried out regularly	None
3, Duties of Supervisors (1)State of the FHC designating independent supervisors (2)State of communications between supervisor, employees of FHC and shareholders	(1) Anticipating the appointment of one independent supervisor or monitored by Auditing committee according to Securities and Exchange Law (2) Carried out regularly.	None
4, Establishing Avenues of Communication for Interested Parties ¹⁴	Shareholders and customers can express opinions through shareholder service unit and Customer Service Division. Employee grievances can be filed with Human Resource Division	None
5, Disclosure of Information (1)Financial Holding CompanyState of website, release of financial information and corporate governance information (2)The FHC uses various avenues to release information (i.e. English website, a designated agency to collect and release information, a spokesman, and institutional investors conference listed on the Company's website)	(1) The Company already has an English website and has an individual responsible for collection and disclosing Company information. (2) A spokesman is designated who understands all areas of operation. The agenda of the institutional investors' conference is listed in full on the Company's website.	None
6, State of the auditing committee set up by FHC	The auditing committee was set up in 2004, convened by the independent director. The committee operates under the Board of Director and monitors the following: 1. The Company's financial statements; 2. The selection(or dismissal) of verifying accountants, and their independence and performance; 3.The implementation of internal controls; 4. The adherence to laws and regulations	None

Item	State of Operation	Reason for Any Discrepancies with Corporate Governance Best-Practice Principles for Financial Holding Companies
7.	Description of any discrepancies between the state of the FHC's corporate governance and rules governing corporate governance:ESFHC's corporate governance presently is deemed satisfactory and there are no discrepancies with promulgated rules.	
8.	<p>E.SUN has undertaken any number of initiatives (such as employee rights, environmental protection, community participation, supplier relationships, supervision and measures to prevent conflicts of interest) to fulfill its responsibility to society:</p> <p>E.SUN is striving to have each employee be a first class global citizen and E.SUN Commercial Bank be a first rate corporate citizen in an effort to reach its goal of being the best performing and most highly respected enterprise. E.SUN spares no effort in social relief, environmental protection, and volunteer services to fulfill its pledge of social responsibility. It will continue to make efforts to pay back Taiwan society and spark momentum among Taiwan's corporate sector in social welfare and charitable activities.</p> <p>E.SUN Bank, E.SUN FHC, and the E.SUN Volunteers and social welfare Foundation worked together in donating funds to provide nutritional school lunches to underprivileged children. The organizations donated a total of NT\$10 million, helping to provide lunches to about 2,000 students. E.SUN has also provided assistance to orphanages throughout Taiwan to take orphans to visit the Taipei Kid's Museum, music concerts and professional baseball games. E.SUN has donated guitars, ping pong tables and other athletic equipment to orphanages, hoping to create happy memories for children as they grow up.</p> <p>E.SUN pooled donations from its employees to provide international relief assistance in the wake of the South Asian tsunami, exhibiting its responsibility as a global citizen. It has also held many blood drives to help those in need.</p> <p>E.SUN has made a commitment to support the arts and culture. It sponsors a music concert on Mother's Day to help express its thanks to Taiwan and mothers throughout the island.</p> <p>E.SUN is involved in environmental protection work. In 2005, it held an activity in which it helped clean up 16 trails throughout Taiwan, demonstrating its social responsibility to the island. It also participated in the global "Clean Up the world" activity, helping to make Taiwan a cleaner place.</p> <p>E.SUN FHC continually strives to raise customer value and refine its services. It will continue to engage in activities to pay back shareholders, employees, society, and Taiwan.</p>	
9.	<p>Other important information that assists in understanding the state of corporate governance of the FHC (including continued study by directors and supervisors, state of attendance at board meetings by directors and supervisors, risk management policies, risk measurement standards and the state of implementation, state of implementation of consumer protection measures, measures to prevent conflicts of interest liability, insurance taken out by the FHC for directors and supervisors and social responsibility):</p> <p>(1)Guidelines on Board Meetings have been implemented according to Article 26 of the FHC articles of incorporation and in order to bolster supervision and management of board meetings. Meetings are held according to these guidelines.</p> <p>(2)Continued study and training is arranged for directors and supervisors, such as seminars and workshops organized by the Taiwan Corporate Governance Association and the Securities & Futures Institute. Topics include corporate governance at financial institutions, legal responsibilities of directors and supervisors in corporate mergers and acquisitions, and risk management.</p> <p>(3)Attendance by directors at board meetings has historically been normal. Supervisors have also attended board meetings as required.</p> <p>(4)Directors avoid involvement in discussion of issues in which there could be a conflict of interest.</p> <p>(5)E.SUN has established a risk management committee to carry out risk control policies, draft risk reports and monitor risk measurement systems.</p> <p>A.Credit Risk: Subsidiaries have set limits on the amount of credit that can be extended to a single company, a single conglomerate or a single industry. Limits have also been set on the trading of credit derivative products. Limits are set in accordance with the Basel II accord in order to maintain outstanding asset quality.</p> <p>B.Market Risk: Trading of derivatives products by subsidiaries must be carried out in accordance to guidelines on derivatives trading as well as result on transactions, investment and capital usage. Specifications vary depending on the type of derivative.</p> <p>C.Operational Risk: Operational risk is controlled on the basis of the Basel II Capital Accord. Examinations are carried out regularly to determine whether operational practices conform to standards. In addition improvement and follow-up is made whenever opinions are furnished by the internal auditor.</p> <p>(6)E.SUN has always focused on customer service quality. It provides avenues for consumers to file grievances in an effort to protect consumer interests.</p>	

VI. SPECIAL NOTES



E.SUN is the evergreen amid the blue sky and white clouds.



1. Representation of Consolidated Financial Statements of Affiliated Enterprises:

Please refer to audited consolidated financial statements of the Company and affiliated enterprises for the most recent fiscal year in VII.

Representation of Consolidated Financial Statements of Affiliated Enterprises

The Company and its affiliated enterprises defined by "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" in 2005 are the same with those defined by Article 7 of Statement Fincial Accounting Standard. A consolidated financial statement of the parent company and affiliated enterprises has already been released and therefore there is no need to separately produce a consolidated financial statement for affiliated enterprises.

Company Name: E.SUN Financial Holding Company, Ltd.

Chairman

Yung-Jen Huang



February 8, 2006

{ 2 } Affiliation Report: None

2. (1) Representation on Internal control

E.SUN FINANCIAL HOLDING COMPANY, LTD. Representation on Internal Control

February 16, 2006

On behalf of E.SUN Financial Holding Company, Ltd., we hereby certify that the company indeed complies with the "Enforcement Regulations for Financial Holding Company Internal Audit Control System" and the company's internal control system and risk management mechanism for the fiscal yare of 2005 have been implemented and audited by the independent internal auditors, and the internal audit reports are periodically presented to the company's board of directors and supervisors.

Under due assessment, the internal controls and legal compliance of each department during 2005 are effectively in place. This representation will be a major part of our annual report and prospectus, and will also be released to the public. The existence of discrepancies or omissions in the content of this representation would constitute violations of Articles 20, 32, 171 and 174 of the Securities and Futures Exchange Act and entail relevant legal responsibility.

Sincerely yours,

Financial Supervisory Commission, Executive Yuan

Chairman

Yung-Jen Huang

President

[Signature]

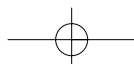
General Auditor

[Signature]

Compliance Officer

[Signature]

{ 2 } Disclosure of any commissioned internal control review reports carried out by certified public accountants: None.



VII. FINANCIAL STATEMENTS



Looking ahead to the horizons.

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Condensed Financial Statements 2005, 2004, 2003 and 2002

(一) Condensed Balance Sheet

Unit: NT\$1,000

Item		Financial data 2005, 2004, 2003 and 2002 (Note 2)				
		2006.3.31	2005	2004	2003	2002
Current assets		15,475,897	4,651,616	1,024,775	6,204,539	14,173
Long-term equity investments		48,525,040	44,669,600	43,423,341	27,935,022	23,587,445
Fixed assets		877	891	-	-	-
Other assets		18,563	3,711	1,729	57,929	-
Current liabilities	Before distribution	516,656	391,213	1,689,566	6,504,403	461,705
	After distribution	Note 3	Note 3	4,999,467	9,388,032	461,705
Corporate bonds payable		5,000,000	5,000,000	-	-	-
Long-term debts		0	200,000	400,000	888,000	1,019,000
Financial liabilities and fair value adjustment		8,578,947	-	-	-	-
Accrued pension liabilities		403	4,337	1,041	-	-
Capital Stock		32,303,815	30,270,000	29,306,096	25,063,669	24,700,000
Capital Surplus		9,859,777	7,607,644	7,607,644	1,769,432	4,839,667
Retained earnings	Before distribution	6,796,795	5,931,050	5,548,506	4,529,029	(3,091,451)
	After distribution	Note 3	Note 3	2,238,605	1,645,400	-
Treasury stock		-	-	-	(4,503,276)	(4,247,603)
Cumulative translation adjustments		(5,690)	(2,888)	(13,152)	2,624	2,906
Unrealized loss on long-term equity investments		-	(73,877)	(89,856)	(56,391)	(82,606)
Net loss not recognized as pension cost		-	(1,661)	-	-	-
Total assets		64,020,377	49,325,818	44,449,845	34,197,490	23,601,618
Total liabilities	Before distribution	14,096,144	5,595,550	2,090,607	7,392,403	1,480,705
	After distribution	Note 3	Note 3	5,400,508	10,276,032	1,480,705
Total stockholders' equity	Before distribution	49,924,233	43,730,268	42,359,238	26,805,087	22,120,913
	After distribution	Note 3	Note 3	39,049,337	23,921,458	22,120,913

Note 1: E.SUN Financial Holding Company, Ltd. was established on January 28, 2002.

Note 2: All financial data here are audited by CPA except those ended by Mar. 31, 2006 is only reviewed.

Note 3: Earnings distribution of the year (ended December 31) 2005 shall be resolved in the shareholders' meeting.

(二) Condensed Income Statement

Unit: NTS1,000 Except Earnings (Losses) Per Share

Item	Year	Financial data 2005,2004,2003 and 2002 (Note 2)				
		2006.3.31	2005	2004	2003	2002
Operating revenues		947,397	4,617,236	4,836,862	4,548,952	554,641
Operating costs		92,568	18,145	54,317	-	3,609,010
Gross profit (loss)		854,829	4,599,091	4,782,545	4,548,952	(3,054,369)
Operating expenses		8,739	49,431	49,663	15,832	23,848
Operating income (loss)		846,090	4,549,660	4,732,882	4,533,120	(3,078,217)
Interest income		25,246	1,832	102,973	58,679	118
Interest expenses		27,920	27,152	19,858	24,485	13,352
Income (loss) before income tax		826,927	4,524,284	4,723,164	4,528,811	(3,091,451)
Net income (loss)		865,746	4,656,349	4,836,437	4,529,029	(3,091,451)
Basic earnings (losses) per share		0.29	1.54	1.88	2.13	(1.46)
Diluted earnings (losses) per share		0.29	1.54	1.73	1.94	(1.46)

Note 1: E.SUN Financial Holding Company, Ltd. was established on January 28, 2002.

Note 2: All financial data here are audited by CPA except those ended by Mar. 31, 2006 is only reviewed.

(三) CPAS' Auditing Opinion from 2002 to 2005

Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2002, 2003, 2004, each ended on December 31, and issued modified unqualified opinion reports; Chang Ryh Yan, CPA, and Way Yung Do, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2005, ended on December 31, and issued modified unqualified opinion report.

二、Financial analysis from 2002 and 2005

Item		Year				
		Financial data 2005,2004,2003 and 2002 (Note 2)				
		2006.3.31	2005	2004	2003	2002
Financial structure (%)	Ratio of debt to assets	22.02	11.34	4.70	21.62	6.27
	Ratio of debt to net worth	28.24	12.80	4.94	27.58	6.69
	Double Leverage Ratio	97.20	102.06	102.42	104.07	106.63
	According to Article 41 of Financial Holding Company Law	none	none	none	none	None
Solvency (%)	Liquidity ratio	2,995.40	1,189.02	60.65	95.39	3.07
Operating ratio	Total assets turnover (Times)	0.07	0.10	0.12	0.16	Note 3
Profitability ratio	Ratio of return on total assets (%)	6.11	9.97	12.34	15.74	(11.66)
	Ratio of return on stockholders' equity (%)	7.40	10.82	13.99	18.51	(12.05)
	Profit margin ratio (%)	87.55	100.85	99.99	99.56	Note 3
	Basic earnings (losses) per share	0.29	1.54	1.88	2.13	(1.46)
	Diluted earnings (losses) per share	0.29	1.54	1.73	1.94	(1.46)
Cash flows	Cash flow ratio (%)	-	842.39	173.62	5.34	332.24
	Cash flow adequacy ratio (%)	133.63	53.53	40.37	60.53	51.13
	Cash re-investments ratio (%)	-	0.16	0.26	1.24	6.50
Leverage ratio	Operating leverage ratio	108.38	101.17	101.95	100.15	Note 4
	Financial leverage ratio	103.49	100.60	100.42	100.54	Note 4
Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	E.SUN Commercial Bank	10.00	10.00	11.51	9.97	10.38
	E.SUN Bills Finance Corp.	15.78	15.78	15.39	14.90	17.21
	E.SUN Securities Co., Ltd.	514.57	514.57	835.20	607.39	1,097.98
	E.SUN Venture Capital Co., Ltd.	99.64	99.64	99.69	99.87	99.94
	E.SUN Insurance Brokers Co., Ltd.	92.26	92.26	86.44	76.01	Note 5
	E.SUN Securities Investment Trust Co., Ltd.	94.44	94.44	88.35	91.37	Note 5
Qualified capital of subsidiaries (NT\$thousand)	E.SUN Commercial Bank	40,430,852	40,430,852	35,800,391	23,227,083	19,852,431
	E.SUN Bills Finance Corp.	5,474,696	5,474,696	5,320,988	5,390,995	5,855,861
	E.SUN Securities Co., Ltd.	2,381,921	2,381,921	2,376,116	2,270,249	2,722,718
	E.SUN Venture Capital Co., Ltd.	1,026,130	1,026,130	1,021,077	1,010,214	1,002,206
	E.SUN Insurance Brokers Co., Ltd.	139,703	139,703	143,222	68,733	Note 5
	E.SUN Securities Investment Trust Co., Ltd.	329,517	329,517	417,562	397,730	Note 5
Net Group qualified capital (NT\$thousand)		42,328,200	42,328,200	36,142,247	25,724,766	22,467,243
Legal requirement of subsidiaries' capital (NT\$thousand)	E.SUN Commercial Bank	32,344,744	32,344,744	24,875,991	18,645,523	15,303,786
	E.SUN Bills Finance Corp.	2,775,775	2,775,775	2,766,558	2,893,566	2,722,207
	E.SUN Securities Co., Ltd.	694,337	694,337	426,743	560,654	371,958
	E.SUN Venture Capital Co., Ltd.	514,922	514,922	512,125	505,741	501,423
	E.SUN Insurance Brokers Co., Ltd.	75,714	75,714	82,841	45,211	Note 5
	E.SUN Securities Investment Trust Co., Ltd.	174,456	174,456	236,306	217,652	Note 5
Legal requirement of group capital (NT\$thousand)		81,257,323	81,257,323	73,291,556	50,565,729	20,787,503
Group Capital Adequacy Ratio (%) (note 6)		115.69	115.69	120.84	113.47	108.08
Disclosure of the sum up which loans, endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law (NT\$thousand)	The same individual	Note 7	2,800,000	6,989,436	9,704,518	82,564,424
	The same related enterprise	Note 7	24,088,514	22,368,888	28,341,561	94,452,460

Note 1: E.SUN Financial Holding Company, Ltd. was established on January 28, 2002.

Note 2: All financial data here are audited by CPA except those ended by Mar. 31, 2006 is only reviewed.

Note 3: No analysis for zero operating income this year.

Note 4: Due to that the losses of Operating Income or Operating Income is subtracted from Interest expenses, the Leverage ratio is not calculated.

Note 5: The company had not yet been the subsidiaries of E.SUN Financial Holding Company in that year.

Note 6: Group Capital Adequacy Ratio=Net Group qualified capital÷Legal requirement of group capital.Capital adequacy ratio is one of the KPIs of E. SUN Bank.

Note 7: Disclosed every six months.

三、Other important information regarding financial status, operational result and the condition or the tendency of change on cash flow :None.

四、Supervisors' Report

To the 2005 Annual Shareholders' Meeting

E.SUN Financial Holding Co., Ltd.

The board of directors have compiled and submitted the Company's 2005 business report, statement of earnings appropriation and financial statements which are audited by Deloitte & Touche.

We have completed our examinations and found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in accordance with Article 219 of the Company Law and submitted for your approval.

Supervisor *Shay Shuan Hsing*

Supervisor *Hsu Sau Chung*

Supervisor *Yu-Chen Yang*

April 14, 2006

五、Independent Auditors' Report

Deloitte.
勤業眾信

勤業眾信會計師事務所
105台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung-Tai Plaza
156 Min Sheng East Road, Sec. 3
Taipei 105, Taiwan, ROC
Tel: +886 (2) 2545-9988
Fax: +886 (2) 2545-9966
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
E.Sun Financial Holding Co., Ltd.

We have audited the accompanying balance sheets of E.Sun Financial Holding Co., Ltd. as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2005 and 2004 of two equity-method investees, E.Sun Securities Corp. and E.Sun Securities Investment Trust Corp. The balances of the long-term equity investments in these investees were NT\$3,535,550 thousand and \$3,602,896 thousand as of December 31, 2005 and 2004, which were 7.17% and 8.11%, respectively, of the Company's total assets. The Company's equities in the investees' net income were 0.87% (NT\$39,274 thousand) and 1.00% (NT\$47,115 thousand) of the Company's income before income tax in 2005 and 2004, respectively. We did not audit also the financial statements of the Los Angeles Branch for 2005 and 2004 and the Hoong Kong Branch for 2004 of E.Sun Commercial Bank, Ltd. ("E.Sun Bank"), the Company's subsidiary. The total assets of these branches were 1.44% (NT\$8,093,825 thousand) and 4.99% (NT\$21,610,277 thousand) of E.Sun Bank's total assets as of December 31, 2005 and 2004, respectively. The net incomes of these branches were 1.69% (NT\$64,677 thousand) and 1.86% (NT\$135,379 thousand) of E.Sun Bank's net income in 2005 and 2004, respectively. The financial statements of the foregoing investees and branches were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees and branches, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of E.Sun Financial Holding Co., Ltd. as of December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies and accounting principles generally accepted in the Republic of China.

Audit, Tax, Consulting, Financial Advisory.
審計、稅務、企業管理諮詢、財務諮詢。

Member of
Deloitte Touche Tohmatsu

We have also audited the consolidated financial statements of E.Sun Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2005 and 2004 and have issued a modified unqualified opinion thereon in our report dated February 8, 2006.

Deloitte & Touche

February 8, 2006

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

六、Financial Statements 2005

(一) BALANCE SHEETS

E. SUN FINANCIAL HOLDING CO., LTD.

DECEMBER 31, 2005 AND 2004

In Thousands of New Taiwan Dollars, Except Par Value)

	2005		2004	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 16)	\$ 4,003,158	8	\$ 56,436	-
Receivables (Notes 2, 5 and 16)	647,499	1	967,648	2
Deferred income tax assets - current (Notes 2 and 13)	-	-	688	-
Prepaid expenses (Note 16)	959	-	3	-
Total current assets	4,651,616	9	1,024,775	2
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 6)				
Equity method	44,629,600	91	43,383,341	98
Cost method	40,000	-	40,000	-
Total long-term investments	44,669,600	91	43,423,341	98
PROPERTIES (Note 2)				
Miscellaneous equipment	943	-	-	-
Accumulated depreciation	52	-	-	-
Net properties	891	-	-	-
OTHER ASSETS				
Deferred pension costs (Notes 2 and 10)	2,278	-	1,041	-
Deferred income tax assets - noncurrent (Notes 2 and 13)	-	-	688	-
Refundable deposit (Notes 16 and 17)	1,433	-	-	-
Total other assets	3,711	-	1,729	-
TOTAL	\$ 49,325,818	100	\$ 44,449,845	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Current portion of long-term liabilities (Note 9)	\$ -	-	\$ 838,000	2
Payables (Notes 2, 7 and 16)	371,273	1	851,274	2
Advances	-	-	292	-
Deferred income tax liabilities - current (Notes 2 and 13)	19,940	-	-	-
Total current liabilities	391,213	1	1,689,566	4
CORPORATE BONDS PAYABLE (Notes 2 and 8)	5,000,000	10	-	-
LONG-TERM DEBTS, NET OF CURRENT PORTION (Notes 6 and 9)	200,000	-	400,000	1
ACCRUED PENSION COST (Notes 2 and 10)	4,337	-	1,041	-
Total liabilities	5,595,550	11	2,090,607	5
STOCKHOLDERS' EQUITY				
Capital stock - NT\$10 par value, authorized 5,000,000 thousand shares, issued 3,027,000 thousand shares in 2005 and 2,930,610 thousand shares in 2004	30,270,000	61	29,306,096	66
Capital surplus				
Paid-in capital in excess of par value	4,383,057	9	4,383,057	10
From treasury stock	3,224,587	7	3,224,587	7
Total capital surplus	7,607,644	16	7,607,644	17
Retained earnings				
Legal reserve	936,547	2	452,903	1
Special reserve	103,008	-	53,767	-
Unappropriated earnings	4,891,495	10	5,041,836	11
Total retained earnings	5,931,050	12	5,548,506	12
Unrealized loss on long-term equity investments	(73,877)	-	(89,856)	-
Cumulative translation adjustments	(2,888)	-	(13,152)	-
Net loss not recognized as net pension cost	(1,661)	-	-	-
Total stockholders' equity	43,730,268	89	42,359,238	95
TOTAL	\$ 49,325,818	100	\$ 44,449,845	100

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

(With Deloitte & Touche audit report dated February 8, 2006)

(二) STATEMENTS OF INCOME**E. SUN FINANCIAL HOLDING CO., LTD.**

YEARS ENDED DECEMBER 31, 2005 AND 2004

In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES (Note 2)				
Income from long-term equity investments under the equity method (Note 6)	\$4,560,451	99	\$4,806,239	99
Other operating revenue	56,785	1	30,623	1
Total operating revenues	4,617,236	100	4,836,862	100
OPERATING COSTS				
Loss from long-term equity investments under the equity method (Notes 2 and 6)	18,145	-	54,317	1
GROSS PROFIT	4,599,091	100	4,782,545	99
OPERATING EXPENSES (Note 10,11 and 16)	49,431	1	49,663	1
OPERATING INCOME	4,549,660	99	4,732,882	98
NONOPERATING INCOME AND GAINS				
Interest income (Note 16)	1,832	-	102,973	2
Others	-	-	42	-
Total nonoperating income and gains	1,832	-	103,015	2
NONOPERATING EXPENSES AND LOSSES				
Interest expense	27,152	1	19,858	-
Foreign exchange loss, net (Notes 2 and 16)	56	-	55,686	1
Amortization of bond issuance expense (Note 2)	-	-	34,622	1
Loss on short-term investments	-	-	2,493	-
Others	-	-	74	-
Total nonoperating expenses and loss	27,208	1	112,733	2
INCOME BEFORE INCOME TAX	4,524,284	98	4,723,164	98
INCOME TAX BENEFIT (Notes 2 and 13)	132,065	3	113,273	2
NET INCOME	\$4,656,349	101	\$4,836,437	100

EARNINGS PER SHARE (Note 15)

	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic	\$ 1.49	\$ 1.54	\$ 1.84	\$ 1.88
Diluted	\$ 1.49	\$ 1.54	\$ 1.68	\$ 1.73

Pro forma information under the assumption that the shares of E.SUN Financial Holding Co.,Ltd. held by its subsidiaries were not treated as treasury stock:

NET INCOME

2004
\$ 8,060,541

**BASIC EARNINGS PER SHARE
DILUTED EARNINGS PER SHARE**

2004	
Before Income Tax	After Income Tax
\$ 2.82	\$ 2.86
\$ 2.61	\$ 2.65

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 8, 2006)

(三) STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**E. SUN FINANCIAL HOLDING CO., LTD.**

YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

	Capital Stock(Note 12)		Capital Surplus (Notes 2 and 12)			Retained Earnings (Note 12)				Unrealized Loss on Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Net Pension Cost (Notes 2 and 10)	Treasury Stock (Notes 2 and 14)	Total Stockholders' Equity
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Treasury Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE, JANUARY 1, 2004	\$2,506,367	\$25,063,669	\$1,769,432	\$	\$1,769,432	\$	\$	\$4,529,029	\$4,529,029	\$(56,391)	\$2,624	\$	\$(4,503,276)	\$26,805,087
Appropriation of prior year's earnings														
Legal reserve	-	-	-	-	-	452,903	-	(452,903)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	53,767	(53,767)	-	-	-	-	-	-
Dividend														
- Cash	-	-	-	-	-	-	-	(2,818,678)	(2,818,678)	-	-	-	-	(2,818,678)
- Stock	84,560	845,603	-	-	-	-	-	(845,603)	(845,603)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(38,170)	(38,170)	-	-	-	-	(38,170)
Bonus to employees - 8,773 thousand shares and \$26,781 thousand in cash	8,773	87,728	-	-	-	-	-	(114,509)	(114,509)	-	-	-	-	(26,781)
Balance after appropriation	2,599,700	25,997,000	1,769,432	-	1,769,432	452,903	53,767	205,399	712,069	(56,391)	2,624	-	(4,503,276)	23,921,458
Conversion of corporate bonds payable to capital stock	330,910	3,309,096	2,613,625	-	2,613,625	-	-	-	-	-	-	-	-	5,922,721
Treasury stock transaction recognized by subsidiaries	-	-	-	3,015,943	3,015,943	-	-	-	-	-	-	-	4,005,259	7,021,202
Subsidiary's transfer of shares to employees by a subsidiary	-	-	-	483	483	-	-	-	-	-	-	-	498,017	498,500
Cash dividends from the Company received by the subsidiaries	-	-	-	208,161	208,161	-	-	-	-	-	-	-	-	208,161
Net income in 2004	-	-	-	-	-	-	-	4,836,437	4,836,437	-	-	-	-	4,836,437
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(15,776)	-	-	(15,776)
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	(33,465)	-	-	-	(33,465)
BALANCE, DECEMBER 31, 2004	2,930,610	29,306,096	4,383,057	3,224,587	7,607,644	452,903	53,767	5,041,836	5,548,506	(89,856)	(13,152)	-	-	42,359,238
Appropriation of prior year's earnings														
Legal reserve	-	-	-	-	-	483,644	-	(483,644)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	49,241	(49,241)	-	-	-	-	-	-
Dividend														
- Cash	-	-	-	-	-	-	-	(3,223,670)	(3,223,670)	-	-	-	-	(3,223,670)
- Stock	87,918	879,183	-	-	-	-	-	(879,183)	(879,183)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(42,738)	(42,738)	-	-	-	-	(42,738)
Bonus to employees - 8,472 thousand shares and \$43,493 thousand in cash	8,472	84,721	-	-	-	-	-	(128,214)	(128,214)	-	-	-	-	(43,493)
Balance after appropriation	3,027,000	30,270,000	4,383,057	3,224,587	7,607,644	936,547	103,008	235,146	1,274,701	(89,856)	(13,152)	-	-	39,049,337
Net income in 2005	-	-	-	-	-	-	-	4,656,349	4,656,349	-	-	-	-	4,656,349
Additional minimum pension liability in excess of the sum of unrecognized prior service cost and unrecognized transitional net obligation based on actuarial calculations	-	-	-	-	-	-	-	-	-	-	-	(1,661)	-	(1,661)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	10,264	-	-	10,264
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	15,979	-	-	-	15,979
BALANCE, DECEMBER 31, 2005	\$3,027,000	\$30,270,000	\$4,383,057	\$3,224,587	\$7,607,644	\$936,547	\$103,008	\$4,891,495	\$5,931,050	\$(73,877)	\$(2,888)	\$(1,661)	\$	\$43,730,268

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 8, 2006)

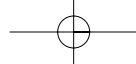
(四) STATEMENTS OF CASH FLOWS**E. SUN FINANCIAL HOLDING CO., LTD.**

YEARS ENDED DECEMBER 31, 2005 AND 2004

In Thousands of New Taiwan Dollars

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$4,656,349	\$4,836,437
Equity in net income of equity-method investees	(4,542,306)	(4,751,922)
Cash dividend received from equity-method investees	3,322,290	2,942,225
Amortization of premium on bonds payable	-	(24,516)
Amortization of bond issuance expense	-	34,622
Depreciation expense	52	-
Deferred income tax	21,316	(1,376)
Others	398	74
Net changes in operating assets and liabilities:		
Receivables	320,149	(820,987)
Prepaid expenses	(956)	(3)
Payables	(481,477)	718,635
Advances	(292)	292
Net cash provided by operating activities	<u>3,295,523</u>	<u>2,933,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments	-	364,493
Increase in long-term equity investments	-	(6,000,000)
Acquisition of properties	(943)	-
Increase in refundable deposit	(1,433)	-
Net cash used in investing activities	<u>(2,376)</u>	<u>(5,635,507)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bonds payable	5,000,000	-
Redemption of bonds payable	-	(50,565)
Increase in long-term debts	590,000	350,000
Repayment of long-term debts	(1,628,000)	(291,000)
Payment of cash dividend	(3,223,670)	(2,818,678)
Payment of bonus to employees and remuneration to directors and supervisors	(84,755)	(64,951)
Net cash provided by (used in) financing activities	<u>653,575</u>	<u>(2,875,194)</u>
EFFECTS OF EXCHANGE RATE CHANGES		
	-	(59,729)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,946,722	(5,636,949)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	56,436	5,693,385
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$4,003,158</u>	<u>\$56,436</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$22,155</u>	<u>\$19,801</u>
Income tax paid	<u>\$17,036</u>	<u>\$10,236</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Proceeds from sales or exchange of parent's shares	\$ -	\$7,021,202
Costs of treasury stock	-	4,005,259
Capital surplus from treasury stock	\$ -	\$3,015,943
Conversion of corporate bonds payable to capital stock	\$ -	\$5,922,721
Current portion of long-term liabilities	\$ -	\$838,000

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 8, 2006)



七、NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

E.Sun Financial Holding Company, Ltd. (the “Company” or “ESFHC”) was established by E.Sun Commercial Bank Ltd. (“E.Sun Bank”), E.Sun Bills Finance Corp. (“E.Sun Bills”) and E.Sun Securities Corp. (“E.Sun Securities”) through a share swap on January 28, 2002 based on the Financial Holding Companies Law and related regulations in the Republic of China (the “ROC”). The ESFHC’s shares have been listed on the Taiwan Stock Exchange (TSE) since January 28, 2002. After the swap, E.Sun Bank, E.Sun Bills and E.Sun Securities became 100% subsidiaries of the Company.

E.Sun Securities Investment Trust Corp. (“ESSIT”) became a 100% subsidiary of the Company through a share swap on September 16, 2003.

The Company invests in and manages financial institutions.

As of December 31, 2005 and 2004, the Company had 60 and 66 employees, respectively. 35 and 56 employees also served in the subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Basis of Presentation

The accompanying financial statements had been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies and accounting principles generally accepted in ROC.

In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of property depreciation, impairment loss of assets, income tax and pension etc. Actual results could differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

The Company’s significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

Assets that are expected to be converted or consumed within one year are classified as current. Obligations to be liquidated or settled within one year are classified as current. All other assets and liabilities are classified as noncurrent.

Long-term Investments

Under a directive of the Accounting Research and Development Foundation of the ROC, a financial holding company should treat the investees’ net worth as paid-in capital if the holding company is incorporated or the affiliated company becomes the subsidiary of the holding company through stock conversion. The stock issued by the holding company is accounted for as capital stock, and the amount in

excess of the par value of the issued stock is accounted for as capital surplus.

Investments in shares of stock of companies in which the Company exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investments are carried at cost on the acquisition date and subsequently adjusted for the Company’s proportionate share in the net income or loss of the investees. The proportionate share in the net income or loss is recognized as current income or loss, and any cash dividends received are reflected as a reduction of the carrying values of the investments. A capital increase of investees that results in the increase in the Company’s equity in the investees’ net assets is credited to capital surplus, and any decrease is charged to capital surplus to the extent of the available balance, with the difference charged to unappropriated earnings. The Company recognizes the investees’ cumulative translation adjustments and unrealized losses on long-term equity investments proportionately. If the impairment in investment value is permanent and the probability of a recovery in value is remote, an investment loss is recognized.

Other long-term equity investments are accounted for by the cost method and are stated at cost. Cash dividends received are recorded as investment income. For the stocks with no quoted market price, the carrying amount of the investment is reduced to reflect other than temporary decline in the value of the investments, with the related loss charged to current income.

For both equity-method and cost-method investments, stock dividends received are recognized only as increases in the number of shares held, and not as income.

The cost of long-term equity investments sold is determined by the weighted-average method.

Properties

Properties are stated at cost less accumulated depreciation. Depreciation is calculated by the straight-line method over five years. If an asset reaches its residual value but is still in use, it is further depreciated over its newly estimated service life.

On the balance sheet date, an impairment loss should be recognized if the recoverable amount of a property is below its carrying amount. If asset impairment loss is reversed, the increase in the carrying amount resulting from the reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

The cost and accumulated depreciation are removed from the accounts when an item of property is disposed of or retired, and any gain or loss is credited or charged to current income.

Amortization of Bond Issuance Expenses

The direct and necessary costs related to the issuing of Euro-convertible bonds are recognized as other assets - other and amortized by the straight-line method over the period from the issuance date to the expiration date of the put option.



Corporate Bonds Payable

The net carrying amount of the Euro-convertible bonds (the face amount adjusted by unamortized premium and bond issuance expenses) at the date of conversion is credited to the appropriate capital accounts (capital stock equal to par value, with the balance credited to capital surplus) upon bond conversion.

Pension Costs

The Company has two types of pension plans: Defined benefit and defined contribution.

For the defined benefit plan, the Company recognizes pension costs on the basis of actuarial calculations, and unrecognized net transitional obligation is amortized over 28 years. For defined contribution plan, the Company recognizes pension costs based on the Company's contributions to the employees' individual pension accounts during the employees' service periods.

Treasury Stock

Under a directive issued by the Securities and Futures Bureau (SFB), if a financial institution ("FI") repurchases its own capital stock pursuant to the Securities and Exchange Law and becomes a wholly owned subsidiary of a financial holding company ("FHC"), resulting in the conversion of the FI's treasury stocks to the FHC's stock, the FHC's shares held by the FI should be treated as treasury stock. The FHC should also present the shares it issued in exchange for FI's capital stock as treasury stock. If shares of the FIs under the same FHC were held among each other before the share swap, these shares will be stated as equity investments after the swap. However, the FHC should state these shares as treasury stocks.

Foreign Currency Transactions

Foreign-currency transactions (except forward transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or loss resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement. The year-end balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as credits or charges to income.

Recognition of Revenue

Revenue is recorded when a major part of the earnings process is completed and revenue is realized.

Income Tax

Provision for income tax is based on inter-period tax allocation.

The tax effects of deductible temporary differences, unused tax credits and operating loss carryforwards are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred tax liabilities. Valuation allowance is provided for deferred tax assets that are not probable to be realized. Deferred tax liabilities and assets are classified as current or noncurrent on the basis of classification of the related asset or liability for financial reporting. A deferred tax asset or liability that cannot be related to an asset or liability for financial reporting, such as the deferred tax assets related to net loss carryforwards, is classified according to the expected reversal or realization date of the temporary difference.

The Company and its subsidiaries elected to file a consolidated tax return from 2003. The difference between consolidated income tax payable and the sum of income tax payable of the entities included in the consolidated tax return is considered as a tax consolidation adjustment which is shown on the Company's income tax expense or benefit. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivable or payable.

Adjustments to prior year's tax liabilities are added to or deducted from the current year's tax expense.

Income taxes (10%) on undistributed earnings are recorded as expense in the year when the stockholders resolve to retain the earnings.

Derivatives

Forward exchange contracts entered into for nontrading purposes are recorded in New Taiwan dollars as assets or liabilities, using the spot rates on the starting dates of the contracts. The premium or discount, computed using the foreign currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rate on the contract starting dates, is also recognized. These premiums or discounts are amortized over the terms of the forward contracts, and the amortizations are recognized in income.

3. ACCOUNTING CHANGE

The Company began applying ROC Statement of Financial Accounting Standards No. 35, "Accounting for Asset Impairment," on January 1, 2005. This accounting change had no significant effect on the financial statements

4. CASH AND CASH EQUIVALENTS

	December 31	
	2005	2004
Demand deposits	\$ 202,403	\$ 49,562
Checking deposits	10,755	6,874
Time deposits - interest rate at 1.42%	\$ 3,790,000	\$ -
	<u>\$ 4,003,158</u>	<u>\$ 56,436</u>

5. RECEIVABLES

	December 31	
	2005	2004
Other receivables - consolidated corporate tax (Note 16)	\$ 504,145	\$ 825,340
Other receivables - tax refundable	141,140	141,146
Other	2,214	1,162
	<u>\$647,499</u>	<u>\$ 967,648</u>

6. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments are summarized below:

	December 31			
	2005		2004	
	Amount	% of Owner-ship	Amount	% of Owner-ship
Equity method				
E.Sun Bank	\$ 33,489,685	100.0	\$ 32,644,613	100.0
E.Sun Bills	6,438,531	100.0	5,971,533	100.0
E.Sun Securities	3,206,033	100.0	3,185,334	100.0
E.Sun Venture Capital Co.,Ltd(ESVC)	1,026,131	100.0	1,021,077	100.0
ESSIT	329,517	100.0	417,562	100.0
E.Sun Insurance Broker Co.,Ltd.(ESIB)	139,703	100.0	143,222	100.0
Cost method	44,629,600		43,383,341	
Taiwan Debt Instruments Depository and Clearing Co.,Ltd.	40,000	2.0	40,000	2.0
	<u>\$ 44,669,600</u>		<u>\$ 43,423,341</u>	

Under the revised ROC Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements," all direct and indirect subsidiaries as well as other investees in which the Company has controlling interests are included in the 2005 consolidated financial statements. In the 2004 consolidated financial statements, E.Sun Bank, E.Sun Bills, E.Sun Securities and E.Sun Insurance Brokers had been included, but not ESVC and ESIB. ESVC and ESIB were not consolidated because neither their total assets nor total operating revenues reached at least 10% or collectively reached at least 30% of those of the Company.

The carrying value of the investments accounted for by the

equity method and the related income were based on audited financial statements. As of December 31, 2004, E.Sun Bank's 454,000 thousand shares were secured as collaterals for long-term debts.

The net income from long-term equity investments under the equity method for the years ended December 31, 2005 and 2004 were \$4,542,306 thousand and \$4,751,922 thousand, respectively.

On December 29, 2005, the board of directors resolved to acquire 100,000 thousand shares of E.Sun Bank at NT\$20.00 per share, amounting to \$2,000,000 thousand. The Financial Supervisory Commission approved the application.

7. PAYABLES

	December 31	
	2005	2004
Tax	\$ 239,669	\$ 683,144
Other payables - consolidated corporate tax (Note 16)	111,642	159,786
Other	19,962	8,344
	<u>\$ 371,273</u>	<u>\$ 851,274</u>

8. CORPORATE BONDS PAYABLE

On June 27, 2003, the Company issued US\$178,200 thousand zero coupon Euro convertible bonds with par value of US\$1,000 dollars in Luxembourg. All the convertible bonds had been converted and redeemed as of December 31, 2004.

On December 15, 2005, the Company made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$5,000,000 thousand and par value of \$10,000 thousand. The bond will mature in seven years, and principal is repayable on maturity. Interest is payable quarterly at the floating rate for the one-year time savings deposit of Chunghwa Post Co., Ltd. plus 0.4%.

9. LONG-TERM DEBTS

	December 31	
	2005	2004
Secured debts - interest rate at 1.6150%-1.7759%	\$ -	\$ 1,238,000
Credit debts - interest rate at 2.088%	200,000	-
	200,000	1,238,000
Less due in one year	-	838,000
	<u>\$ 200,000</u>	<u>\$ 400,000</u>

The secured debts above had been repaid as of December 31, 2005. The Company provided securities for the long-term debts; please refer to Note 6.

The Company obtained a \$390,000 thousand loan from Shanghai Commercial Bank in June 2005, repayable from June 2005 to July 2006. As of December 31, 2005, the Company had fully repaid this loan. The Company also obtained a \$200,000 thousand loan from First Bank in December 2005, repayable from December 2005 to December 2008. As of January 2006, the Company had fully repaid this loan.

10. PENSION PLAN

The Company has pension plans for all regular employees. Upon retirement, an employee will receive the Company's contributions calculated based on length of service and monthly average basic pay for the six months before retirement. The Company makes monthly contributions, equal to 5.54% of salaries, to a pension fund. The fund is deposited in the Central Trust of China in the name of the workers' fund administration committee, which manages the fund.

The Labor Pension Act (the "Act") took effect on July 1, 2005. A new defined contribution pension plan is stipulated by this Act. Employees may choose the pension mechanism under the Labor Standards Act or the mechanism under the Act. For those employees who were subjected to the Labor Standards Act

before the enforcement of this Act, still work for the same business entity after the enforcement of this Act, and choose to be subject to the pension mechanism under this Act, their service years before the enforcement of this Act will be retained. Under the Act, the rate of an employer's monthly contribution to the Labor Pension Fund should be at least 6% of the employee's monthly wages. For employees who chose to keep on using the pension mechanism under the Labor Standards Act, the Company still makes monthly contributions to the pension fund from July 1, 2005 at the same rate of 5.54% of salaries. In the second half of 2005, the Company recognized a pension cost of \$290 thousand based on the Act.

Pension information for 2005 and 2004 is as follows:

a. Net pension cost

	2005	2004
Service cost	\$ 379	\$ 192
Interest cost	137	-
Actual return on plan assets	(5)	-
Amortization	164	-
Net pension cost	<u>\$ 675</u>	<u>\$ 192</u>

b. Reconciliation of the plan funded status to balance sheet amounts

Benefit obligation:

	December 31	
	2005	2004
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	(4,811)	(1,203)
Accumulated benefit obligation	(4,811)	(1,203)
Additional benefits based on future salaries	(3,609)	(1,324)
Projected benefit obligation	(8,420)	(2,527)
Fair value of plan assets	475	163
Funded status	(7,945)	(2,364)
Unrecognized transitional net obligation	2,278	2,364



	December 31	
	2005	2004
Unamortized net pension gains or losses	5,270	-
Addition minimum pension	(3,940)	(1,041)
Accrued pension cost	\$ (4,337)	\$ (1,041)
Vested benefits	\$ -	\$ -
c. Actuarial assumptions		
Discount rate	2.5%	3.0%
Rate of increase in compensation	2.5%	3.0%
Expected long-term rate of return on plan assets	2.5%	3.0%
d. Pension fund changes were as follows:		
Balance, January 1	\$ 192	\$ -
Contributions	278	192
Interest income	5	-
Balance, December 31	\$ 675	\$ 192

11. PERSONNEL AND DEPRECIATION EXPENSES

	2005	2004
Personnel expenses		
Salaries	\$ 10,128	\$ 31,665
Insurance	744	415
Pension	965	192
Other	397	261
Depreciation expenses	52	-

The personnel expenses were part of operating expenses.

12. STOCKHOLDERS' EQUITY

a. Capital stock

In the 2004 stockholder's meeting, the stockholders resolved to transfer unappropriated earnings of \$933,331 thousand as stock dividends of 93,333 thousand shares. These appropriations were approved by the Financial Supervisory Commission (FSC) and Ministry of Economic Affairs (MOEA).

The Euro convertible bonds issued by the Company were converted into 330,910 thousand shares in 2004.

In 2005, the stockholders resolved to use the unappropriated earnings of \$963,904 thousand as stock dividends of 96,390 thousand shares. This appropriation was approved by the FSC and MOEA. As of December 31, 2005, the paid-in capital was \$30,270,000 thousand.

To dispose the Company's shares held by E.Sun Bank, the Company issued 6,800 thousand units of Global Depository Shares (GDS) (one unit represents 25 common shares), which equals to 170,000 thousand common shares, at US\$14.5 per share, on the Luxembourg Stock Exchange on September 27, 2004.

The GDS holders are entitled to present their GDSs for cancellation and receive the corresponding number of underlying common shares, and the common shares can be traded in domestic stock exchange market. As of December

31, 2005, the GDS holders had cancelled 6,133 thousand units (equaled 153,326 thousand shares), the Company issued 66 thousand units (equaled 1,657 thousand shares) because of stock dividend distribution, and the deposit agents reissued 1,711 thousand units (equaled 42,768 thousand shares). Therefore, the outstanding GDSs were 2,444 thousand units, which equaled 61,099 thousand shares, or 2.02% of the Company's total outstanding common shares.

On November 10, 2005, the board of directors resolved to enhance the Company's financial structure by issuing Euro convertible bonds or domestic convertible bonds. The bond issuance date and other terms will be determined by the Chairman, who will authorize personnel to frame related details.

b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from issuance of shares in excess of par value (issuance in excess of common stock par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Capital surplus from long-term equity method investments can not be distributed for any purpose.



Under the Financial Holding Company Law and related directives issued by the SFB, the distribution of the ex-conversion unappropriated earnings that are generated by financial institutions (the subsidiaries) and become part of capital surplus of the financial holding company through stock conversion, is exempted from the appropriation restriction of the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings before stock

conversion amounted to \$2,919,727 thousand, which was already stated as the Company's capital surplus as of its establishment date. In 2002, the stockholders resolved to increase the Company's capital by \$1,800,000 thousand through the issuance of stock dividends from capital surplus.

The capital surplus as of December 31, 2005 came from treasury stock and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

Sources	
From subsidiaries	
Capital surplus (mainly paid-in capital in excess of par value)	\$ 413,733
Legal reserve	2,776,834
Special reserve	109,230
Unappropriated earnings	2,919,727
Proportionate share in the unrealized loss on long-term equity investments	(23,399)
	<u>6,196,125</u>
Total capital stock of subsidiaries in excess of the Company's issuance	<u>600,000</u>
Balance on January 28, 2002	6,796,125
From ESSIT which became a 100% subsidiary of the Company in 2003 through a share swap	
Legal reserve	4,350
Unappropriated earnings	7,861
	<u>6,808,336</u>
Corporate bonds payable converted into capital stock	
In 2003	9,005
In 2004	2,613,625
Treasury stock transaction recognized from subsidiaries	3,015,943
Transfer the shares to employees by subsidiary	483
Cash dividend from the Company received by subsidiaries	208,161
	<u>12,655,553</u>
Uses	
Remuneration to directors and supervisors and Bonus to employees of subsidiaries	(156,458)
Issuance of the Company's stock dividends in 2002	(1,800,000)
Offset of deficit in 2003	(3,091,451)
	<u>\$ 7,607,644</u>

c. Appropriation of earnings and dividend policy

When the Company appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated. Any remainder should be appropriated as follows:

- 1) 96% as dividends
- 2) 1% as remuneration to directors and supervisors
- 3) 3% as bonus to employees.

Under the Company's Articles of Incorporation, the stockholders may decide not to declare any dividends or declare only a portion of distributable earnings as dividends.

Under the Company's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen the Company's financial structure. This policy is also intended to improve the Company's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. However, when dividends are declared, cash dividends must be at least 10% of total dividends declared, unless the resulting cash dividend per share falls below NT\$0.10 dollar.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in

capital. This reserve may be used only to offset a deficit. When the reserve exceeds 50% of the Company's paid-in capital, the amount over 50% of the Company's paid-in capital may be declared as stock dividends or bonus when the Company has no earnings, and only an amount of over 25% of the Company's paid-in capital may be declared as stock dividends when the Company has no deficit.

Under an SFB directive, a special reserve is appropriated from the balance of the retained earnings at an amount that is equal to the debit balance of accounts in the stockholders' equity section (such as unrealized loss on long-term equity investments and cumulative translation adjustments, except treasury stocks). The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts on the balance sheet dates.

Appropriations of earnings should be resolved by the stockholders in the following year and reflected in the financial statements of the year.

On June 11, 2004, the stockholders of the Company resolved the appropriation of earnings in 2003, which were resolved by the Company's board of directors on February 12, 2004, as follows:

Legal reserve	\$	452,903
Special reserve		53,767
Dividend - cash, NT\$1 dollar per share		2,818,678
- stock, NT\$0.3 dollar per share		845,603
Remuneration to directors and supervisors		38,170
Bonus to employees- cash		26,781
- stock		87,728

The dividend per share amount is calculated by 2,506,367 thousand shares issued by the Company and 312,311 thousand shares which were converted from all outstanding Euro convertible bonds as of December 31, 2003. The dividend per share amount will change if the holder of the convertible bonds does not convert the bonds into the Company's shares or the treasury stock for reissuance to employees was not transferred

before ex-rights or ex-dividend date. The actual dividend per share is NT\$1.0856 dollars in cash and NT\$0.3257 dollar in stock.

On June 10, 2005, the stockholders of the Company resolved the appropriation of earnings in 2004, which were resolved by the Company's board of directors on February 14, 2005, as follows:

Legal reserve	\$	483,644
Special reserve		49,241
Dividend - cash, NT\$1.1 dollars per share		3,223,670
- stock, NT\$0.3 dollar per share		879,183
Remuneration to directors and supervisors		42,738
Bonus to employees - cash		43,493
- stock		84,721

The basic earnings per share (after income tax) for 2004 would have been decreased from NT\$1.88 to NT\$1.83 if the aforementioned remuneration to directors and supervisors and bonus to employees had been recognized as expenses.

As of February 8, 2006, the date of the accompanying auditors' report, the board of directors had not resolved the appropriations of the 2005 earnings.

Information on the appropriation of earnings or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

Under the integrated income tax system, certain stockholders are allowed tax credits for the income tax paid by the Company.

13. INCOME TAX

Under Article 49 of the Financial Holding Company Law, a financial holding company (FHC) can elect to file consolidated income tax returns for the regular corporate income tax as well as the 10% income tax on undistributed earnings for FHC and its domestic subsidiaries if the FHC held more than 90% of the subsidiaries' outstanding shares for the entire tax year. The Company is qualified in the regulations.

The Company and its subsidiaries started to file consolidated tax returns since 2003.

a. Income tax information was as follows:

	2005	2004
Income tax expense - current before tax credits		
Net change in deferred income tax	\$ -	\$ 11,622
Organization costs	688	(1,376)
Adjustment of prior year's tax	20	(11,011)
Tax effect on consolidated tax returns	(132,773)	(112,508)
Income tax benefit	\$ (132,065)	\$ (113,273)

b.A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax was shown below:

	2005	2004
Income tax expense on income before income tax at statutory rate (25%)	\$ 1,131,061	\$ 1,180,781
Permanent differences	(1,130,373)	(1,170,535)
Temporary differences	(688)	1,376
Income tax expense - current before tax credits	<u>\$ -</u>	<u>\$ 11,622</u>

c.Net deferred income tax assets(liabilities) were as follows:

	December 31	
	2005	2004
Deferred income tax assets (liabilities) - current		
Organization costs	\$ 688	\$ 688
Tax effect on consolidated tax returns	(20,628)	-
Deferred income tax assets - noncurrent	<u>(19,940)</u>	<u>688</u>
Organization costs	<u>\$ -</u>	<u>\$ 688</u>

d.Imputed tax credit was summarized as follows:

	2005	2004
Balance of stockholder's imputed tax credit	<u>\$ 688,351</u>	<u>\$ 373,286</u>

The Company's actual creditable tax ratio was 21.59% for distributing 2004 earnings. The Company estimated the creditable tax ratio for distributing 2005 earnings at 17.45%. The actual creditable tax ratio may differ from the estimated creditable tax ratio since such ratio is computed on the date the dividend is actually paid or distributed.

e.The Company has no unappropriated earnings generated before January 1, 1998 as of December 31, 2005 and 2004.

f.The Company's 2002 income tax returns had been examined by the tax authorities.

14.TREASURY STOCK

Reason for Redemption	(Unit:Thousand Shares)			
	Sharesat Beginniing of the Year	Share Increase During the Year	Share Decrease During the Year	Sharesat End of the Year
<u>2004</u>				
Reissuance to employees-held by E.Sun Bank	40,000	-	40,000	-
Treasury stock previously classified by E.Sun Bank and E.Sun Securities as long-term investments	<u>334,629</u>	<u>6,248</u>	<u>340,877</u>	-
	<u>374,629</u>	<u>6,248</u>	<u>380,877</u>	-



Under the Financial Holding Company Law, when a financial institution (a subsidiary) holds the shares of a financial holding company (FHC) as a result of a share swap, those shares should be sold to the FHC or the subsidiary's employees or exchanged for other purposes - e.g., sold on the Taiwan Stock Exchange or over-the-counter exchange - within three years from the swap date. Otherwise, the shares will be regarded as the FHC's unissued capital, and the FHC may change the amount of its registered capital.

On August 26, 2004, E.Sun Bank reissued 40,000 thousand shares of the Company to employees.

On December 1, 2003, the board of directors of E.Sun Bank resolved to issue bonds for exchange with the underlying shares of the Company within the limit of 150,000 thousand shares under Article 31 of the Financial Holding Company Law. On January 23, 2004, E.Sun Bank issued three-year debenture exchangeable bonds amounting to \$2,696,100 thousand at 0% interest. On June 14, 2004, all the exchangeable bond holders had exchanged bonds to the Company's common stock.

On February 12, 2004, the board of directors of E.Sun Bank resolved to authorize the chairman to dispose of the shares of the Company with in the limit of 184,449 thousand shares as required under the Financial Holding Company Law.

For E.Sun Bank's purpose of disposing the Company's shares

amounting to 170,000 thousand shares, the Company issued 6,800 thousand units of Global Depository Shares on September 27, 2004 (please refer to Note 12).

On June 23, 2004, the board of directors of E.Sun Securities resolve to authorize the chairman to dispose the Company's stock as a result of the share swap within the 8,850 thousand shares limit.

As of December 31, 2004, E.Sun Bank and E.Sun Securities have disposed all of the treasury stock.

Under the Securities and Exchange Law, the Company is not allowed to buy more than 10% of its issued and outstanding capital stock. In addition, the Company may not spend more than the sum of retained earnings and all realized capital surplus. Further, the Company can not pledge or hypothecate any treasury stock and exercise stockholders' rights before reissuance of the stocks.

Except for the shares which had been bought by subsidiaries before the Company's establishment, the subsidiaries can only exercise the earnings distribution, and surplus capitalization rights.

Under SFB regulations, to maintain the stability of the Company's financial structure and protect stockholders, the Company appropriated a special reserve from retained earnings at an amount equal to the carrying value of the treasury stock held by subsidiaries in excess of the market value at balance sheet date. The special reserve may be reversed if the market value recovers.

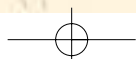
15. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) are summarized as follows:

	Amounts (Numerator)		Shares (Denominator IN Thousands)	Earnings Per Share(Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2005</u>					
Basic and diluted EPS	<u>\$ 4,524,284</u>	<u>\$ 4,656,349</u>	<u>3,027,000</u>	<u>\$ 1.49</u>	<u>\$ 1.54</u>
<u>2004</u>					
Basic EPS	\$ 4,723,164	\$ 4,836,437	2,571,609	<u>\$ 1.84</u>	<u>\$ 1.88</u>
Effect of diluted common shares:					
Convertible bonds	(49,549)	(37,162)	207,980		
Diluted EPS	<u>\$ 4,673,615</u>	<u>\$ 4,799,275</u>	<u>2,779,589</u>	<u>\$ 1.68</u>	<u>\$ 1.73</u>

Pro forma information under the assumption that shares of E.Sun Financial Holding Co., Ltd. held by its subsidiaries were not treated as treasury stock was summarized as follows:

	Amounts (Numerator)		Shares (Denominator IN Thousands)	Earnings Per Share(Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2004</u>					
Basic EPS	\$ 7,947,268	\$ 8,060,541	2,819,020	<u>\$ 2.82</u>	<u>\$ 2.86</u>
Effect of diluted common shares:					
Convertible bonds	(49,549)	(37,162)	207,980		
Diluted EPS	<u>\$ 7,897,719</u>	<u>\$ 8,023,379</u>	<u>3,027,000</u>	<u>\$ 2.61</u>	<u>\$ 2.65</u>



The number of shares outstanding was retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. As a result of this adjustment, the basic and diluted EPS after income tax decreased from NT\$1.94 to NT\$1.88 and from NT\$1.78 to NT\$1.73 in 2004.

16. RELATED-PARTY TRANSACTIONS

In addition to those mentioned in other notes, the relationship with the Company and significant related party transactions were summarized as follows:

a. Related parties

Related Party	Relationship with the Company
E.Sun Bank, E.Sun Bills, E.Sun Securities, ESVC, ESSIT and ESIB	Subsidiaries
E.Sun Foundation and E.Sun Volunteer & Social Welfare Foundation	One-third of the funds are donated by E.Sun Bank and E.Sun Bills
E.Sun Finance & Leasing Co. (E.Sun Leasing), E.Sun Insurance Agent Co., Ltd., E.Sun Securities Investment Consulting Co., Ltd. (ESSIC) and E.Sun Capital Co., Ltd.	Equity-method investees of subsidiaries
Kao Li Real-Estate Management Co., Ltd.	Equity-method investee until its liquidation in June 2005
E.Sun Technologies Co., Ltd.	Equity-method investee until the Company's sale of its holdings in November 2005
Fubon Securities Finance Co. and Bank-Pro E-Service Technology Co., Ltd.	E.Sun Bank is a director of the Company
Globaltop Partner I Venture Capital Co., Ltd.	ESVC is a supervisor of the Company
Others	The Company's and subsidiaries' chairman, president, directors, supervisors, and managers and their relatives

b. Significant transactions with related parties

	2005		2004	
	Amount	%to Total	Amount	%to Total
December 31				
Deposits (part of cash and cash equivalents) - E.Sun Bank	\$ 4,003,158	100	\$ 56,436	100
Interest receivables (part of receivables) - E.Sun Bank	\$1,736	-	\$ -	-
Other receivables (part of receivables)	\$ 459,146	71	\$ 786,427	81
E.Sun Bank	32,925	5	-	-
E.Sun Securities	9,554	2	15,171	2
ESIB	2,206	-	1,940	-
ESVC	314	-	21,802	2
ESSIT	\$ 504,145	78	\$ 825,340	85
Prepaid rent (part of prepaid expenses) - E.Sun Bank	\$ 956	99	\$ -	-
Refundable deposits - E.Sun Bank	\$ 1,433	100	\$ -	-
Other payables (part of payables)	\$ 80,131	21	\$ 80,131	10
E.Sun Bank	14,025	4	18,894	2
E.Sun Securities	10,304	3	60,761	7
E.Sun Bills	7,182	2	-	-
ESSIT	\$ 111,642	30	\$ 159,786	19

	2005		2004	
	Amount	% to Total	Amount	% to Total
<u>Year ended December 31</u>				
Interest revenue - E.Sun Bank	\$ 1,832	100	\$ 67,951	66
Rent expense (part of operating expense) - E.Sun Bank	\$ 3,344	7	\$ -	-
Foreign exchange loss, net - E.Sun Bank	\$ 56	100	\$ 15,415	207

The Company and its subsidiaries started to file consolidated corporate tax returns from 2003. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivables or payables.

The term of the above transactions were similar to or approximate those made with third parties.

c.Subsidiaries' related-party transactions that amounted to more than \$100,000 thousand in 2005 and 2004

1)E.Sun Bank

2005

	December 31			
	Amount	% to Total	Interest Rate(%)	Revenue (Expense) Amount
a)Loans	\$ 315,292	-	1.225-4.27	\$ 9,830
b)Deposits	\$ 5,571,157	1	0-8.88	(\$ 26,961)

2004

	December 31			
	Amount	% to Total	Interest Rate(%)	Revenue (Expense) Amount
a)Loans	\$ 615,370	-	1.025-6.72	\$ 10,995
b)Deposits	\$ 1,966,648	1	0-8.5	(\$ 91,474)
c)Securities sold under repurchase agreement	\$ 517,762	5	0.65-1.025	(\$ 3,537)

d)Other payables (part of payables)

	December 31			
	Amount	%	Amount	%
ESFHC	\$ 459,146	4	786,427	12

The other payables were created because ESFHC filed consolidated corporate tax returns from 2003.

e)Purchases and sales of securities

	Year ended December 31			
	2005		2004	
	Purchases Amount	Sales Amount	Purchases Amount	Sales Amount
<u>Related Party</u>				
E.Sun Bills	\$ 11,645,678	\$ 3,170,072	\$ 847,459	\$ 2,698,469
E.Sun Securities	\$ 248,430	199,511	200,480	216,309
E.Sun Leasing	\$ -	1,053	-	-
	2005		2004	
f)Foreign exchange gain, net-ESFHC	\$	56	\$	115,415

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates on deposits given to managers of the E.Sun Bank are the same as the interest rates on a certain amount of employees' savings deposits.

Under the Banking Law, except for consumer loans and government loans, credits extended by E.Sun Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those extended to third parties.

2)E.Sun Bills

Year ended December 31, 2005

	Highest Balance During the Year	Year-End Balance	Interest Rate(%)	Interest Revenue
a)Call loans to banks - E.Sun Bank	\$ 400,000	\$ -	1.19	\$ 13
b)Deposits - E.Sun Bank	919,224	469,202	1.15-1.8	7,112

c)Purchases and sales of negotiable instruments and bonds

Related Party	Purchases		Sales		Sales under Repurchase Agreements		Purchases under Resell Agreements	
	Amount	%	Amount	%	Amount	%	Amount	%
E.SUN Bank	\$3,170,072	-	\$11,645,678	-	\$ -	-	\$51,567	-
E.SUN Securities	49,134	-	98,984	-	-	-	-	-
ESSIT	-	-	-	-	825,031	-	-	-

Year ended December 31, 2004

	Highest Balance During the Year	Year-End Balance	Interest Rate(%)	Interest Revenue
a)Call loans from banks -E.Sun Bank	\$ 330,000	\$ -	0.925-1.175	\$ (26)
b)Bank deposits and deposits for bond clearance (paid through time deposits, recorded as refundable deposits) - E.Sun Bank	1,622,698	880,629	1.15-1.85	12,573

c)Purchases and sales of negotiable instruments and bonds

Related Party	Purchases		Sales		Sales under Repurchase Agreements		Purchases under Resell Agreements	
	Amount	%	Amount	%	Amount	%	Amount	%
E.SUN Bank	\$2,698,469	-	\$847,459	-	\$199,656	-	\$730,047	-
E.SUN Securities	413,451	-	553,207	-	-	-	70,000	-
ESSIT	-	-	-	-	938,648	-	-	-

3)E.Sun Securities

a)Deposit in E.Sun Bank as of December 31, 2005 and 2004

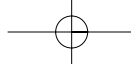
	December 31	
	2005	2004
Demand	\$ 11,036	\$ 4,051
Checking	1	1
Pledged time deposit	10,000	10,000
Operation deposits	340,000	305,000
Settlement account	224	624
Cash and cash equivalents - prepaid underwriting stock value	17,745	-

b)Short-term investment

	December 31	
	2005	2004
Funds managed by ESSIT	\$ 101,276	\$ 70,323

c)Securities purchased under resell agreements

Related Party	2005		2004	
	Amount	% to Total	Amount	% to Total
E.Sun Bank	\$30,000	8	\$517,762	70



d) Securities sold under repurchase agreements

Related Party	December 31			
	2005		2004	
	Amount	% to Total	Amount	% to Total
Funds under ESSIT	\$330,000	16	\$607,666	34

e) Bond transactions

Purchases from:

Related Party	2005	2004
E.Sun Bank	\$199,511	\$216,309
E.Sun Bills	98,984	553,207
	\$298,495	\$769,516

Sales to:

Related Party	2005	2004
E.Sun Bills	\$248,430	\$200,480
E.Sun Bank	49,134	413,451
	\$297,564	\$613,931

f) E.Sun Securities entrusted to E.Sun Bank the deal settlement of securities in 2005 and applied for a guarantee overdraft amounting to \$1,300,000 thousand in 2004. For this overdraft, E.Sun Securities provided securities to E.Sun Bank as collaterals as of December 31, 2005 and 2004 and added real estate as collateral on February 1, 2005. Taishin International Bank and Far Eastern International Bank provided guarantee for the overdraft both in 2005 and 2004. As of December 31, 2005 and 2004, there was no overdraft amount.

4) ESSIT

	2005	2004
a) Brokerage service fee - funds managed by ESSIT	\$120,122	\$192,216
b) Bond and bills transactions with E.Sun Bills		
Purchase	\$825,031	\$938,648

c) To meet the authorities' requirements and to dispose of structured bonds held by E.Sun New Era Bond Fund (the "Fund") and managed by ESSIT. ESSIT bought bonds with an aggregate face amount of \$2,000,000 thousand from the Fund and paid \$2,028,217 thousand for this purchase. ESSIT then sold these bonds to another bank, and this sale resulted in a loss of \$25,700 thousand.

5) ESVC

	December 31	
	2005	2004
Deposits - E.Sun Bank	\$203,444	\$308,324

6) ESIB

	December 31	
	2005	2004
Short-term investments - funds managed by ESSIT	\$113,869	\$101,001



17. FAIR VALUE OF NONDERIVATIVE FINANCIAL INSTRUMENTS

To help ESSIT in dealing with structured bonds, the Company committed to increase ESSIT's capital in cash if ESSIT's net worth is lower than the par value of its stock when it compensates E.Sun Bank for the securitization of the structured bonds (E.Sun CBO 2005-2) at the end of the trust period.

As of December 31, 2005, the Company was leasing certain properties from E.Sun Bank under operating lease agreements expiring in February 2010. Rentals are calculated on the basis of the leased areas and payable quarterly. As of December 31, 2005, refundable deposits on these leases totaled \$1,433 thousand (shown as "refundable deposits"). Future minimum annual rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 5,733
2007	5,733
2008	5,733
2009	5,733
2010	956

The contingencies and commitments of subsidiaries are as follows:

a. E.Sun Bank

- 1) Securities acquired for \$2,601,670 thousand under resell agreements will be sold for \$2,602,830 thousand by January 20, 2006; securities sold for \$10,104,894 thousand under repurchase agreements will be purchased for \$10,111,256 thousand by April 20, 2006.
- 2) Renewable operating lease agreements on premises occupied by E.Sun Bank's branches, which will expire on various dates by July 2015. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. Refundable deposits on these leases totaled \$781,105 thousand as of December 31, 2005. Minimum annual rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 347,252
2007	284,236
2008	221,626
2009	167,065
2010	76,021

Total rentals for 2011 to 2015 aggregate \$11,773 thousand. The present value of these rentals is \$10,249 thousand, based on 1.915% annual interest.

- 3) Agreements for decoration of buildings and various purchases related to the improvements of existing premises occupied by E.Sun Bank's branches, which amounted to approximately \$1,389,479 thousand. As of December 31, 2005, the remaining unpaid amount was approximately \$736,370 thousand.
- 4) Derivatives transaction: Please refer Note 18.

b. E.Sun Bills

- 1) Arising in the ordinary course of business

Securities sold under repurchase agreements (purchase amount)	\$ 46,675,082
Securities purchased under resell agreements (sale amount)	2,480,877
Guarantees on commercial paper	18,335,200
Negotiable instruments underwritten	681,000
Buying fixed rate commercial paper	610,000

2)Leases

E.Sun Bills leases certain properties under operating lease agreements expiring on various dates by July 2009. The rentals are payable monthly or quarterly. Refundable deposits on these leases aggregated \$3,477 thousand as of December 31, 2005.

Future minimum annual rentals are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 9,962
2007	9,165
2008	9,165
2009	3,813

3)Derivates transaction: Please refer to Note 18.

c.E.Sun Securities

1)Securities acquired under resell agreements amounted to \$394,760 thousand will be sold for \$394,983 thousand; securities sold under repurchase agreements amounted to \$2,072,925 thousand will be purchased for \$2,074,053 thousand.

2)E.Sun Securities leases certain properties under operating lease agreements expiring on various dates. Future minimum annual rentals are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 27,134
2007	21,913
2008	11,692
2009	9,094
2010	1,516

3)E.Sun Securities entered into agreements to acquire fixed assets. As of December 31, 2005, the related contracts are summarized as follows:

	<u>Contract Amount</u>	<u>Paid Amount</u>	<u>Paid Amount</u>
Lease improvement	<u>\$ 18,854</u>	<u>\$ 8,685</u>	<u>\$ 10,169</u>

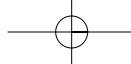
4)For the issuance of stock warrants, E.Sun Securities provided TSE with Taishin Bank's letter guaranteeing \$40,000 thousand of this transaction.

5)Derivates transaction: Please refer to Note 18.

d.ESSIT

ESSIT leases certain properties under operating lease agreements expiring on various dates. Future minimum annual rentals are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 4,270
2007	4,879
2008	4,879
2009	4,879
2010	1,830



In order to disposal of structured bonds held by E.Sun New Era Bond Fund, which is managed by ESSIT, ESSIT indirectly sold these bonds to E.Sun Bank and E.Sun Securities. ESSIT also promised to bear the related losses under the transactions. The above transactions had been approved by the board of director's and related authorities.

e.ESVC

ESVC leases certain properties from E.Sun Bank under operating lease agreements expiring in February 2010. Rentals are calculated on the basis of the leased areas and payable quarterly. As of December 31, 2005, refundable deposits on the leases aggregated \$132 thousand. Future minimum annual rentals are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 529
2007	529
2008	529
2009	529
2010	88

f.ESIB

ESIB entered into insurance agent contracts with various insurance companies. The contracts are summarized as follows:

<u>Insurance Company</u>	<u>Contract Date</u>	<u>Commission Received</u>	<u>Contract Period</u>
Prudential Insurance	2004.01.09	Billed and received according to contract terms	Effectively starts on January 9, 2004 and will expire on January 9, 2014. The contract may be undated according to the parties written notice when the contract expired.
Tokio Marine Nawa	2005.10.15	Billed and received according to contract terms	Effectively starts on October 15, 2005 and will expire on October 15, 2014. The contract may be undated according to the parties written notice when the contract expired.

ESIB leases certain properties from E.Sun Bank under operating lease agreements expiring in February 2010. Rentals are calculated on the basis of the leased areas and payable quarterly. As of December 31, 2005, refundable deposits on these leases totaled \$132 thousand. Future minimum annual rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 529
2007	529
2008	529
2009	529
2010	88



18. FINANCIAL INSTRUMENT TRANSACTIONS

a. Derivative transactions:

The Company uses forward exchange contracts to hedge the exchange rate exposure related to its foreign assets and liabilities.

The net foreign exchange gains on the forward exchange contracts in 2004 were \$212,096 thousand. The Company does not have any derivative transaction in 2005.

The derivative transactions of subsidiaries are as follows:

E.Sun Bank

E.Sun Bank uses forward exchange, currency swap, interest rate swap, cross-currency swap, foreign-currency margin, currency option, government bonds option, credit-linked loan, credit default swap and futures contracts as hedging instruments for exchange rate and interest rate exposures primarily related to its clients' import obligations and export receipts and remittances. It also uses these contracts to cover its own exposures. Furthermore, E.Sun Bank uses cross-currency swap, interest rate swap, asset swap and credit default swap contracts to hedge its exchange rate and interest rate exposures as well as its credit risks as a bond issuer.

Credit risk represents the exposure of E.Sun Bank to potential

losses due to defaults by counter-parties or issuers. To manage this risk, E.Sun Bank reviews the credit history and credit rating of individual customers before entering into any derivative contracts with them. The general terms of acceptable arrangement (including maximum limits on contractual amounts and, if necessary, required guarantees) are approved by E.Sun Bank on the basis of the results of the reviews. The transactions are carried out within the approved terms and limits.

The acceptability of doing business with another bank is evaluated on the basis of its world ranking and credit rating. The evaluation also includes determining the limits on contractual amounts with respect to the bank counter-parties, and the transactions are made within this limit. In addition, E.Sun Bank has entered into futures contracts with international futures and options exchanges; thus, no significant credit risk is expected.

The contract (notional) amounts, credit risks, and fair values of derivative transactions as of December 31, 2005 and 2004 were as follows:

	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
<u>Trading purposes</u>						
Forward exchange contracts	\$2,858,443	\$40,825	\$15,728	\$9,750,002	\$90,833	\$(34,974)
Currency swap contracts	37,528,415	4,630	(882)	6,037,084	8,115	5,182
Interest rate swap contracts	35,388,070	342,455	74,758	3,424,200	15,182	3,010
Cross-currency swap contracts	6,752,192	162,818	91,302	5,321,177	270,825	222,495
Foreign-currency margin contracts	1,305,865	-	41,362	2,615,236	-	127,564
Credit-link loan contracts	4,370,380	6,219	6,219	-	-	-
Option contracts						
Buy	26,502,935	173,156	173,156	25,631,023	534,367	534,367
Sell	27,155,153	-	(319,055)	24,361,892	-	(563,393)
Futures contracts						
Buy	509,330	-	14	-	-	-
Sell	673,630	-	36	-	-	-
Credit default swap contracts						
Buy	2,550,000	-	(511)	-	-	-
Sell	328,600	-	(178)	-	-	-
<u>Nontrading purposes</u>						
Asset swap contracts	5,528,695	195,062	115,660	8,894,881	463,428	260,784
Cross-currency swap contracts	6,165,319	53,251	7,176	6,159,825	246,415	210,230
Interest rate swap contracts	32,700,000	920,645	282,151	19,300,000	389,273	(140,533)
Credit default swap contracts	-	-	-	317,680	266	144

The contract or notional amount is used to calculate the amounts for settlement with the counter-parties, so it is neither the actual amount delivered nor the cash requirement for E.Sun Bank. Also, E.Sun Bank has ability to enter into derivative financial contracts at reasonable market terms. Thus, E.Sun Bank does not expect significant cash flow requirements to settle these contracts.

The gains and losses on the derivative transactions were as follows:

	2005	2004
Forward exchange contracts (under "foreign exchange gain, net")	\$ 894	\$ 34,436
Currency swap contracts		
Interest revenue	\$ 143,979	\$ 72,906
Interest expense	(140,931)	(9,246)
	\$ 3,048	\$63,660
Asset swap contracts (under "interest revenue")	\$ 539,910	\$ 24,703
Cross-currency swap contracts		
Interest revenue	\$ 317,325	\$ 172,305
Interest expense	(433,111)	(160,126)
Gains on derivative transactions	3,329	-
	\$ (112,457)	\$ 12,179
Interest rate swap contracts		
Gains on derivative transactions	\$ 218,002	\$ 244,091
Loss from derivative transactions	(112,036)	(725)
Interest expenses reduction	89,027	207,962
	\$ 194,993	\$ 451,328
Foreign-currency margin contracts (under "foreign exchange gain, net")	\$ 66,018	\$ 119,523
Option contracts		
Gains	\$ 1,985,414	\$ 1,031,511
Loss	(1,822,441)	(921,417)
	\$ 162,973	\$ 110,094
Credit-default swap contracts		
Gains	\$1,244	\$ -
Loss	(3,718)	-
	\$(2,474)	-
Futures contracts		
Gains	\$5,334	\$ -
Loss	(5,799)	-
	\$ (465)	-
Credit-link loan contracts (under "interest revenue")	\$ 53,579	\$ -

E.Sun Bills

E.Sun Bills used interest rate swap to hedge interest rates exposure primarily to its issuance of corporate bonds.

Credit risk is the exposure to loss on any counter-party's default on contracts. To manage this risk, E.Sun Bills enters into derivative transactions only with known international financial institutions among the top 500 listed in "The Banker" magazine or rated as "A-" in the S&P (Standard & Poor) classification or "A3" in Moody's. Thus, E.Sun Bills' credit risk is minimal.

The contract (notional) amounts, credit risks, and fair value of derivative transactions were as follows:

Nontrading Purposes	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
Interest rate swap contracts	\$5,000,000	\$ -	\$ (129,010)	\$5,000,000	\$ 24,016	\$ 24,016

E.Sun Bills calculates the fair value of each contract at the interest rate shown on TWD-T6165 from the Telerate Information System.

The contract (notional) amount is used to calculate the amount of settlement with a counter-party, so it is neither the amount to be actually delivered to nor it is the cash required from E.Sun Bills. Also, for corporate bonds issued, E.Sun Bills will hold the contracts to maturity to hedge the related interest rate fluctuations. Thus, E.Sun Bills does not expect significant cash flow requirements to settle these instruments.

The gains and losses on the derivative transactions were as follows:

Interest rate swap contracts	2005	2004
Interest income	\$ 74,916	\$ 169,455
Interest expense	(50,066)	(37,853)
	\$ 24,850	\$ 131,602

E.Sun Securities

The E.Sun Securities' purpose of issuing derivative financial instruments is to generate reasonable profit by controlling the risk within a tolerable limit. As premium from the stock warrants issued by E.Sun Securities were all received, there is no credit risk.

E.Sun Securities is in a short position for the stock warrants issued, which is in reverse to the investors' position. As the investors may exercise their option rights before expiration of the contracts because of the fluctuations in the underlying securities' fair values, E.Sun Securities' position is expected to be exposed to market risk. To reduce the uncertainty, E.Sun Securities mainly adopts delta and vega risk hedging strategies which are summarized below.

1) Delta risk hedging strategy

The hedge instruments are mainly the underlying securities. The dynamic hedging method is adopted by referring to the delta risk value calculated using E.Sun Securities' risk model.

2) Vega risk hedging strategy

The hedge instruments are mainly the warrants listed in the domestic market with the same underlying securities. The strategy adopted in vega hedge is primarily through buying the significantly under priced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by E.Sun Securities.

Future cash flows refer to the cash inflows or outflows resulting from the settlements of stock warrants by cash or securities when the warrants are exercised. The amount and timing of future cash flows depend on the amount and timing of the stock warrants exercised.

The stock warrant (E.Sun 01-07) issued by E.Sun Securities, which underlying securities are First Financial Holding Co., Ltd., Asia Cement Corporation, BenQ Corp., Chi Mei Optoelectronics Corp., Realtek Semiconductor Corp., Tung Ho Steel Enterprise Corp., and Acer Incorporated were summarized as follows:

Stock Warrants	Price at Issuance (in New Taiwan Dollars)	Market Price (in New Taiwan Dollars)	December 31, 2005		Gain (Loss) on Change in Market Value of Stock Warrants Liabilities in 2005
			Unit Issued	Issued Amount	
E.Sun 04	\$2.10	\$0.13	20,000,000	\$ 42,000	\$ 39,400
E.Sun 05	1.90	1.10	20,000,000	38,000	16,000
E.Sun 06	1.33	0.03	20,000,000	26,600	26,000
E.Sun 07	0.49	0.55	30,000,000	14,700	(1,800)
Less gains on change in market value of stock warrants liabilities				(79,600)	\$ 79,600
Market value				\$ 41,700	

Stock Warrants	Price at Issuance (in New Taiwan Dollars)	Market Price (in New Taiwan Dollars)	December 31, 2004		Gain on Change in Market Value of Stock Warrants Liabilities in 2004
			Unit Issued	Issued Amount	
E.Sun 01	\$3.5	\$2.55	25,000,000	\$ 87,500	\$ 23,750
Less gains on change in market value of stock warrants liabilities				(23,750)	
Market value				\$ 63,750	

The information of stock warrant was summarized as follows:

Stock Warrants	Type	Expired Day	Exercise Day	Settlements
E.Sun 01, 03-07	American	Six months after listed	From listed date to expired day	Cash or securities chosen by E.Sun Securities
E.Sun 02	American	Nine months after listed	From listed date to expired day	Cash or securities chosen by E.Sun Securities

Details of repurchase of stock warrants issued were as follows:

	December 31			
	2005		2004	
	Units Repurchase	Amounts	Units Repurchase	Amounts
E.Sun 01	-	\$ -	22,343,000	\$ 67,875
E.Sun 04	69,000	3	-	-
E.Sun 05	1,557,000	2,190	-	-
E.Sun 06	13,543,000	2,593	-	-
E.Sun 07	37,085,000	14,479	-	-
Less losses on change in market value of stock warrants repurchased		(2,240)		(10,900)
Market value		\$ 17,025		\$ 56,975

Gains of stock warrants issued are as follows:

	2005	2004
Stock warrants liabilities		
Gains on change in market value	\$ 247,500	\$ 23,750
Gains on expiry of warrant	650	-
Stock warrants repurchase		
Loss from disposal	(171,042)	(12,440)
Gains (loss) from change in market value	4,968	(10,900)
Gains on stock warrants issued	<u>\$ 82,076</u>	<u>\$ 410</u>

There was no exercise for the duration of the expired stock warrants.

ESSIT

ESSIT buys inverse-floating structured bonds to earn interest revenue. Bonds held by ESSIT as December 31, 2005 and 2004 were as follows:

<u>Counter party</u>	December 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Taipei Fubon Bank	<u>\$ 245,775</u>	<u>\$ 245,775</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

ESSIT bought bonds from a bank with a strong credit rating; thus, the probability of default by the counter-party is expected to be extremely low. The liquidity risk and market risk are also very low because the bonds can be easily traded in the market and ESSIT will receive the entire principal on bond maturity. In addition, ESSIT had evaluated the effects of bond purchase on its capital before investing in the bonds.

b. Fair value of nonderviative financial instruments

<u>Assets</u>	December 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets with fair value the same as carrying value	\$ 48,676,406	\$ 48,676,406	\$ 43,480,938	\$ 43,480,938
<u>Liabilities</u>				
Liabilities with fair value the same as carrying value	5,219,962	5,219,962	1,246,344	1,246,344

Methods and assumptions used in estimating the fair value of nonderivative financial instruments were as follows:

- 1) The carrying values of cash and cash equivalents, receivables, refundable deposits and payables approximate fair values because of the short maturity of these instruments; thus, their carrying value also approximates its fair value.
- 2) If market prices for long-term equity investments are available, the fair value of these financial instruments should be based on the market price. Otherwise, carrying value represents current fair value.
- 3) Bonds payable are listed financial liabilities, thus, their market value represents fair value.
- 4) Long-term debts are interest-bearing financial liabilities. Thus, their carrying value represents current fair values.

Only the fair values of financial instruments were listed above, thus, the total of the fair values listed does not represent the fair value of the Company.

19. CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Law and related regulations, the Company should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or others assets will be restricted, and the authorities may discipline the Company, depending on the situation. The consolidated CARs of the Company were 115.69% and 120.84% as of December 31, 2005 and 2004, respectively.

The Banking Law and related regulations require that E.Sun Bank maintain both stand-alone and consolidated CARs at a minimum of 8% each. If E.Sun Bank's CAR falls below 8%, the authorities may impose certain restrictions on the amount of cash dividends that E.Sun Bank may declare or, in certain conditions, totally prohibit E.Sun Bank from declaring cash dividends. As of December 31, 2005 and 2004, the non-consolidated CARs of E.Sun Bank were 10.00% and 11.51%,

respectively and the consolidated CARs of E.Sun Bank were 10.01% and 11.52%, respectively.

Under the law governing bills finance companies and related regulations, E.Sun Bills should maintain a CAR of at least 8%. If the CAR falls below 8%, the authorities might subject E.Sun Bills' earnings appropriations to certain restrictions. The CARs of E.Sun Bills were 15.78% and 15.39% as of December 31, 2005 and 2004, respectively.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 200% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 200%, the authorities may impose certain restrictions on a firm's operations. The CARs of E.Sun Securities were 514.57% and 835.20% as of December 31, 2005 and 2004, respectively.

20. CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES

a. Condensed balance sheets

E.Sun Commercial Bank, Ltd. Condensed Balance Sheets					
December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars)					
Assets	2005	2004	Liabilities and Stockholders' Equity	2005	2004
Cash and cash equivalents	\$ 11,287,638	\$ 7,899,575	Liabilities		
Due from the Central Bank of China and banks	35,209,053	27,671,867	Securities sold under repurchase agreements	\$ 10,104,894	\$ 10,676,519
Securities purchased, net	69,179,983	54,815,405	Due to the Central Bank of China and other banks	24,240,441	21,568,711
Receivables, net	33,315,178	30,520,884	Payables	11,116,923	6,464,381
Securities purchased under resell agreements	2,601,670	5,569,238	Advance	659,746	589,965
Prepaid expenses	422,842	307,262	Deposits and remittances	440,482,626	330,971,515
Bills, discounts and loans, net	368,000,876	275,359,584	Bonds	39,200,000	29,600,000
Long-term investments	22,363,856	11,624,627	Other long-term liabilities	3,550,000	-
Other financial assets	1,926,343	-	Other	650,704	805,196
Net properties	10,135,784	8,991,839	Total liabilities	<u>530,005,334</u>	<u>400,676,287</u>
Goodwill	3,662,701	4,661,587	Stockholders' equity		
Other assets, net	5,389,095	5,899,032	Capital stock	22,313,550	20,175,000
Total	<u>\$ 563,495,019</u>	<u>\$ 433,320,900</u>	Capital surplus	4,233,985	4,233,985
			Retained earnings	7,038,864	8,359,984
			Unrealized loss on long-term equity investments	(93,826)	(111,204)
			Cumulative translation adjustments	(2,888)	(13,152)
			Total stockholders' equity	<u>33,489,685</u>	<u>32,644,613</u>
			Total	<u>\$ 563,495,019</u>	<u>\$ 433,320,900</u>

E.Sun Bills Finance Corp.
Condensed Balance Sheets

December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars)

Assets	2005	2004	Liabilities and Stockholders' Equity	2005	2004
Cash	\$ 4,889,992	\$ 5,485,154	Liabilities		
Call loans to banks	-	180,000	Securities sold under repurchase agreements	\$ 46,617,365	\$ 42,267,206
Bills and bonds, net	50,137,130	49,548,257	Call loans from banks	4,460,000	4,950,000
Other short-term investments	70,000	100,000	Payables	84,159	138,418
Receivables	418,767	706,075	Total current liabilities	51,161,524	47,355,624
Other financial assets - current	556,400	-	Corporate bonds payable	5,000,000	5,000,000
Securities purchased under resell agreements	2,479,827	645,000	Reserve for losses on guarantees	324,910	323,124
Other current assets	8,547	5,251	Reserve for losses on sale of bonds	143,095	99,793
Total current assets	58,560,663	56,669,737	Total liabilities	56,629,529	52,778,541
Long-term bond investments	3,979,819	1,257,510	Stockholders' equity		
Other financial assets - noncurrent	-	300,000	Capital stock	4,265,000	4,265,000
Net properties	23,194	97,644	Capital surplus	87,500	87,500
Other assets	504,383	425,182	Retained earnings	2,086,030	1,619,032
			Total stockholders' equity	6,438,530	5,971,532
Total	\$ 63,068,059	\$ 58,750,073	Total	\$ 63,068,059	\$ 58,750,073

E.Sun Securities Corp.
Condensed Balance Sheets

December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars)

Assets	2005	2004	Liabilities and Stockholders' Equity	2005	2004
Current assets	\$ 5,906,354	\$ 4,963,325	Liabilities		
Long-term investments	71,382	72,675	Current liability	\$ 3,584,293	\$ 2,688,938
Net properties	375,113	368,758	Other	55,746	27,105
Intangible assets	7,130	3,637	Securities brokerage accounts, net	33,887	-
Other assets	519,979	480,617	Total liabilities	3,673,926	2,716,043
Securities brokerage accounts, net	-	12,365	Stockholders' equity		
			Capital stock	3,060,000	3,060,000
			Retained earnings	146,032	125,334
			Total stockholders' equity	3,206,032	3,185,334
Total	\$ 6,879,958	\$ 5,901,377	Total	\$ 6,879,958	\$ 5,901,377

E.Sun Insurance Broker Co., Ltd.
Condensed Balance Sheet

December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars)

Assets	2005	2004	Liabilities and Stockholders' Equity	2005	2004
Current assets	\$146,664	\$160,987	Liabilities		
Long-term investments	4,632	4,568	Current liability	\$11,700	\$22,324
Intangible assets	-	127	Other	25	136
Other assets	132	-	Total liabilities	11,725	22,460
			Stockholders' equity		
			Capital stock	62,000	62,000
			Retained earnings	77,703	81,222
			Total stockholders' equity	139,703	143,222
Total	\$151,428	\$165,682	Total	\$151,428	\$165,682

b. Condensed income statements

E.Sun Commercial Bank, Ltd.
Condensed Income Statements

Years Ended December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	2005	2004
Operating revenues and gains	\$20,944,170	\$ 20,279,496
Operating cost	8,723,004	4,635,001
Gross profit	12,221,166	15,644,495
Operating expenses	7,402,428	6,101,229
Operating income	4,818,738	9,543,266
Nonoperating income and gains	85,262	47,254
Nonoperating expense and loss	120,984	1,218,764
Income before income tax	\$4,783,016	\$ 8,371,756
Net income	\$3,829,944	\$ 7,283,936
Earnings per share - before income tax	\$ 2.14	\$ 4.15
Earnings per share - after income tax	\$ 1.72	\$ 3.61

E.Sun Bills Finance Corp.
Condensed Income Statements

Years Ended December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	2005	2004
Operating income	\$1,916,787	\$1,409,368
Operating expenses	861,503	645,921
Income before income tax	\$1,055,284	\$763,447
Net income	\$906,337	\$611,393
Earnings per share - before income tax	\$2.47	\$1.79
Earnings per share - after income tax	\$2.13	\$1.43

E.Sun Securities Corp.
Condensed Income Statements

Years Ended December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	2005	2004
Operating income	\$834,732	\$688,407
Operating expenses	752,191	638,983
Income before income tax	\$82,541	\$49,424
Net income	\$60,182	\$55,971
Earnings per share - before income tax	\$0.27	\$0.16
Earnings per share - after income tax	\$0.20	\$0.18

E.Sun Insurance Broker Co., Ltd.
Condensed Income Statement

Years Ended December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	2005	2004
Operating income	\$112,352	\$122,256
Operating expenses	27,939	22,781
Nonoperating revenue and expense	542	142
Income before income tax	\$84,955	\$99,617
Net income	\$63,001	\$74,619
Earnings per share - before income tax	\$13.70	\$16.07
Earnings per share - after income tax	\$10.16	\$12.04

21. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY SHARING OF RESOURCES

Under cooperation arrangements, E.Sun Bank and E.Sun Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

Year ended December 31, 2005	E.Sun Bank	E.Sun Securities	Total	Allocation Method
Rental expense	\$4,774	\$3,626	\$8,400	All branches, except Chiayi Branch: E.Sun Bank - 2/3; E.Sun Securities - 1/3; and E.Sun Bank's Chiayi Branch - 1/3 and E.Sun Securities - 2/3.
Fixture	172	-	172	Based on area actually occupied.
Broadcasting and security systems	286	36	322	50% each (except E.Sun Bank's Chiayi Branch), and E.Sun Bank's Chiayi Branch - 100%.
Networking, monitoring and telephone systems	156	-	156	Based on actual number of equipment used.
Others	21,631	80,113	101,744	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$27,019</u>	<u>\$83,775</u>	<u>\$110,794</u>	

Year ended December 31, 2004	E.Sun Bank	E.Sun Securities	Total	Allocation Method
Rental expense	\$4,738	\$3,879	\$8,617	E.Sun Bank (except Chiayi Branch) - 2/3 and E.Sun Securities - 1/3, and E.Sun Bank's Chiayi Branch - 1/3 and E.Sun Securities - 2/3.
Broadcasting and security systems	36	36	72	50% each
Networking, monitoring and telephone systems	-	282	282	Based on actual number of equipment used.
Others	1,354	\$2,634	3,988	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$6,128</u>	<u>\$6,831</u>	<u>\$12,959</u>	

Under cooperation arrangements, E.Sun Bank and E.Sun Bills shared some equipment and operating site; thus, related expenses were allocated as follows:

Year ended December 31, 2005	E.Sun Bank	E.Sun Securities	Total	Allocation Method
Rental expense	\$2,566	\$1,524	\$4,090	Based on space actually occupied
Fixtures	-	418	418	Based on space actually occupied
Broadcasting and security systems	36	53	89	E.Sun Bank Kaohsiung Branch, E.Sun Bills and ESC - 1/3 each, but E.Sun Bank Panchiao Branch - 100%
Monitoring, telephone and networking systems	85	40	125	Based on actual number of equipment used
Other	288	321	609	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Kaohsiung Branch's utilities - E.Sun Bank, E.Sun Bills and E.Sun Capital Co., Ltd. - 1/3 each Panchiao Branch's utilities - based on actual incurrence and actual number of employees
	<u>\$2,975</u>	<u>\$2,356</u>	<u>\$5,331</u>	

Year ended December 31, 2004	E.Sun Bank	E.Sun Securities	Total	Allocation Method
Rental expense	\$1,432	\$836	\$2,268	Based on space actually occupied
Fixtures	3,153	1,881	5,034	Based on space actually occupied
Broadcasting, security and networking systems	\$749	\$666	\$1,415	Broadcast and network - based on actual number of equipment used. Security system - E.Sun Bank, E.Sun Bills and E.Sun Capital Co., Ltd. 1/3 each.
Other	298	251	549	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$5,632</u>	<u>\$3,634</u>	<u>\$9,266</u>	

Under cooperation arrangements, E.Sun Bank and ESIB shared some equipment and operating site, personnel, internet service system and provide cross-selling financial services starting in 2004. The service fees earned by E.Sun Bank are based on 10% of the gross revenue derived from the insurance companies' products sold by E.Sun Bank. In 2005 and 2004, ESIB should have paid E.Sun Bank \$11,564 thousand and \$12,996 thousand, respectively; the unpaid amount was \$726 thousand and \$2,738 thousand, respectively.

E.Sun Bank received \$46,608 thousand in cross-selling advance revenue from ESSIT and realized \$32,900 thousand of these revenues in 2005. E.Sun Bank also received \$326 thousand and \$2,083 thousand of cross-selling revenues from ESSIT in 2005 and 2004, respectively.

The cross-selling transactions between E.Sun Bank and E.Sun Securities were as follows:

	Year Ended December 31	
	2005	2004
Revenue	\$ 500	\$ 16,110
Expense	\$ 5,956	\$ -

22.SUBSIDIARIES' ASSET QUALITY, MANAGEMENT INFORMATION, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

a.Asset quality

1)E.Sun Bank

Items	December 31, 2005	December 31, 2004
Nonperforming loans (overdue loans included)	\$2,936,430	\$2,438,734
Overdue loans	2,133,457	1,829,381
Nonperforming loans ratio	0.79%	0.88%
Surveillance loans	-	787,924
Surveillance loans/Total loan	-	0.28%
Allowance for possible losses on loans and receivables	1,580,195	1,811,699

Note 1:Nonperforming loans on December 31, 2005 represent the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans which took effect from July 1, 2005.

Note 2:Nonperforming loans on December 31, 2004 represent the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the Ministry of Finance (MOF) rulings dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

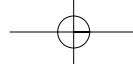
Note 3:Nonperforming loans ratio = Nonperforming loans (including overdue loans)/Total loans

Note 4:Surveillance loans as of December 31, 2004

- a)Midterm and long-term loans repayable in installments, with repayments overdue for more than three months but less than six months.
- b)Other loans, with principal repayments overdue by less than three months and interest overdue by more than three months but less than six months.
- c)Nonperforming loans exempted from reporting (including rescheduled loans which repayment terms meeting the criteria under relevant regulations; nonperforming loans which are to be repaid through a credit insurance fund and settlement fund; nonperforming loans with the same amount of certificates of time deposits as collaterals; and loans extended under other approved exemption programs).
- d)Loans of companies experiencing financial difficulty do not qualify as overdue loans.

2)E.Sun Bills

Items	December 31, 2005	December 31, 2004
Nonperforming loans	\$ -	\$ -
Overdue loans	-	-
Nonperforming loans/Total loan	-	-
Allowance for possible losses on loans and receivables	324,910	323,124



b.Management information

1)Concentration of credit risk

E.Sun Bank

Items	December 31, 2005		December 31, 2004	
Credit to interested party	\$3,365,506		\$5,171,371	
Credit to interested party/Total credit	0.90%		1.84%	
Credit with stock pledged/Total credit	0.28%		0.40%	
Loan concentration by industry	Type of Industry	%	Type of Industry	%
	a.Manufacturing	16	a.Manufacturing	15
	b.Finance, insurance and real estate	9	b.Finance, insurance and real estate	10
	c.Wholesale, retail and catering	6	c.Wholesale, retail and catering	6

Note:a)Total credits included bills, discounts and loans (including import and export negotiations), acceptances and guarantees.

b)Ratios of credit extensions to interested parties: Credit to interested parties ÷ Total credit.

c)Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit

d)The calculation of amounts of credit extensions to interested parties should be based on the Banking Law provisions.

E.Sun Bills

Items	December 31, 2005		December 31, 2004	
Credit to interested party	\$127,900		\$179,000	
Credit to interested party/Total credit	0.70%		1.02%	
Credit with stock pledged/Total credit	23.06%		18.80%	
Loan concentration by industry	Type of Industry	%	Type of Industry	%
	Finance and insurance	41	Finance and insurance	38
	Manufacturing	34	Manufacturing	38
	Wholesale, retail and catering	14	Wholesale, retail and catering	8

Note:a)Ratios of credit extensions to interested parties: Credit to interested parties ÷ Total credit.

b)Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit

c)Total credits include guarantees, endorsed check and non performing loans.

2)Accounting policies on allowances for losses on loans, overdue loans, and securities purchased:

E.Sun Bank

a)Allowances for possible losses and reserve for losses on guarantees:

E.Sun Bank makes provisions for bad debts and losses on guarantees based on the evaluation of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances for their specific risks.

Debts and guarantees with specific risks are evaluated internally for their collaterals, collectibility and customers' overall credits. Under Ministry of Finance (MOF) guidelines, E.Sun Bank makes full provisions for credits deemed

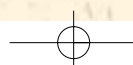
uncollectible and makes at least 50% provisions for credits with high uncollectibility. However, under revised MOF guidelines effective July 1, 2005, E.Sun Bank makes full, 50%, 10% and 2% provisions for credits deemed uncollectible, highly uncollectible, substandard and special mention, respectively, as minimum provisions for possible losses.

Credits deemed uncollectible may be written off if the write-off is approved by board of directors.

b)Allowances for possible losses on investments

i.Securities purchased

Securities purchased are carried at cost less allowance for decline in value. The allowance is reversed when the



market value recovers, with the reversal recognized as income.

ii. Long-term equity investments

Investments in stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect other than temporary decline in the value of the investments, with the related losses charged to current income. Investment in stock with quoted market price is stated at the lower of aggregate cost or market. The reduction of an investment cost to reflect a lower market value and its write-up due to the subsequent recovery in market value are charged and credited, respectively, to stockholders' equity. Cash dividends received from a year after investment acquisition are recorded as investment income. Foreign-currency investments are recorded in New Taiwan dollars at the rate of exchange in effect when the transactions occur. At year-end, the balances of these investments are restated at year-end exchange rates. If the restated amounts are lower than cost, the differences are recognized as translation adjustments under stockholders' equity; otherwise, no adjustment is made.

E.Sun Bills

a) Allowance for doubtful receivables and reserve for losses on guarantees

E.Sun Bills makes provision for bad debts and reserve for losses on guarantees based on the evaluation of related risks. It makes provisions of at least 1% of the amount guaranteed, full provisions for credits deemed uncollectible and 50% provision for credits with high uncollectibility. Under the revised Financial Supervisory Commission's guidelines effective July 1, 2005, E.Sun Bills makes full, 50%, 10% 2% and 1% provisions for credits deemed uncollectible, highly uncollectible, substandard, special mention and credits deemed collectible, respectively, as minimum provisions for possible losses.

b) Reserves for losses on sale of bonds

Under the regulations of SFB, reserves for losses on the sale of bonds are computed at 10% of net gain on sale of these bonds until the balance of the reserve reaches the required amounts set under relevant regulations. This reserve should only be used to offset actual losses on the sale of bonds.

c) Allowance for reduction of investments

i) Bills and bonds

Bills and bonds are stated at aggregate cost less allowance for losses from decline in market value. The allowance is reversed when the market value recovers, with the reversal recognized as income.

ii) Other short-term investments

Other short-term investments are stated at aggregate cost less allowance for losses from decline in market value. The

allowance is reversed when the market value recovers, with reversal recognized as income.

3) Concentrations of risk

a) E.Sun Bank

Under normal business operations, E.Sun Bank is a party to transactions involving financial services with off-balance-sheet risks, such as issuing credit cards, extending credit facilities and providing financial guarantee and obligations under letters of credit issued. Generally, the related transactions are for one year.

The interest rates for loans ranged from 1.40% to 18.25% in 2005 and from 1.20% to 18.25% in 2004. The highest interest rate for credit cards was 19.71% in both years.

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems to E.Sun Bank.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2005 and 2004 were as follows:

	December 31	
	2005	2004
Credit card commitments	\$244,392,721	\$228,563,223
Guarantees and issuance of letter of credit	10,438,314	8,359,827

Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The total potential loss (without considering the value of any collateral) in case of default by counter-parties is equal to the above contractual amounts, if completely drawn upon.

E.Sun Bank evaluates the creditworthiness of each credit applications case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the evaluation result. As of December 31, 2005 and 2004, about 66% and 63% of total loans granted, respectively, and about 13% and 25%, respectively, for both the aggregate guarantees and letters of credit issued, were secured. No collateral is required for credit card facilities but the credit status of each credit cardholder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit and, if necessary, canceling the facility.

The concentration of credit risk exists when counter-parties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their abilities to meet contractual obligations to

be similarly affected by changes in economic or other conditions. E.Sun Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. The concentrations of credit risks were as follows (10% or more of the outstanding loans):

	December 31			
	2005		2004	
	Amount	%	Amount	%
Natural person	\$230,612,281	61	\$170,581,201	61
Manufacturing	58,534,113	16	41,453,228	15

b)E.Sun Bills

E.Sun Bills guarantees commercial paper issued by other entities. The guarantee period is normally one year. The rate for guarantee service fees ranged from 0.05% to 1.00% of the amount guaranteed. As of December 31, 2005 and 2004, the total amounts guaranteed were \$18,335,200 thousand and \$17,567,400 thousand, respectively.

Most of the guarantee contracts are expected to expire without entailing any payment by E.Sun Bills. Thus, the total amount guaranteed does not necessarily represent future cash payments. In addition, the potential total loss on each guarantee is equal to the amount guaranteed, without considering the value of any collateral.

E.Sun Bills approves the guarantee arrangements for commercial paper (including the maximum amount to be

guaranteed) after reviewing a customer's history and credit rating. An appropriate collateral is required, if needed, and the transaction is made within the approved maximum amount. As of December 31, 2005 and 2004, about 37.66% and 31.77%, respectively, of total amounts guaranteed were covered by securities or other properties. If a customer defaults, E.Sun Bills is entitled to sell the related collateral.

Credit risk concentrations exist when the counter-parties to financial-instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. For E.Sun Bills, concentration of credit risk do not involve individuals but industry groups, were as follows:

	December 31	
	2005	2004
Guarantee on commercial paper		
- by industries:		
Finance and insurance	\$ 7,499,000	\$ 6,667,000
Manufacturing	6,219,000	6,606,000
Real estate and leasing	2,594,000	1,416,000
Wholesale, retail and catering	982,000	1,439,000

E.Sun Bills' maximum exposure to losses associated with credit guarantees, regardless of collateral involved, equals the total contract amount.

4)Matter requiring special notation

E.Sun Bank

December 31, 2005

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None
Within the past year, a fine was levied on E.Sun Bank for violations of the Banking Law	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on E.Sun Bank	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded \$50 million dollars	None
Other	None

Note 1: The term "within the past year" means one year before the balance sheet date.

Note 2: The term "a fine levied for violations of the Banking Law within the past year" means a fine imposed by the Banking Bureau, Securities and Futures Bureau, Insurance Bureau or Examination Bureau.



E.Sun Bills

December 31, 2005

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None
Within the past year, a fine was levied on E.Sun Bills for violations of related regulations	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on E.Sun Bills	None
Within the past year, the individual loss or the total losses from employee corruption, accidental and material events, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded \$50 million dollars	None
Other	None

Note: The term "within the past year" means one year before the balance sheet date.

5) Business information of E.Sun Bills

Items	December 31, 2005	December 31, 2004
Guarantees and endorsements	\$18,335,200	\$ 17,567,400
Guarantees and endorsements/stockholders' equity	3.31	3.28
Securities sold under repurchase agreements	46,617,365	42,267,206
Securities sold under repurchase agreements/stockholders' equity	8.43	7.89

c. Profitability

E.Sun Bank

Unit: %

Items	Year Ended December 31, 2005	Year Ended December 31, 2004
Return on assets	0.96	2.25
Return on equity	14.46	31.03
Net income ratio	18.29	35.92

Note: 1) Return on assets = Income before income tax/Average total assets

2) Return on equity = Income before income tax/Average equity

3) Net income ratio = Net income/Total operating revenue

4) Income before income tax or net income represents income for the

years ended December 31, 2005 and 2004.

5) The profitability is expressed annually.

d. Liquidity as of December 31, 2005

1) Liquidity analysis of assets and liabilities for E.Sun Bank

(In Thousands of New Taiwan Dollars)

	Total	Period Remaining until Due Date				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Assets	\$ 514,932,000	\$ 75,847,000	\$ 32,572,000	\$ 12,948,000	\$ 24,726,000	\$368,839,000
Liabilities	489,097,000	88,267,000	73,542,000	94,936,000	168,935,000	63,417,000
Gap	25,835,000	(12,420,000)	(40,970,000)	(81,988,000)	(144,209,000)	305,422,000
Accumulated gap	25,835,000	(12,420,000)	(53,390,000)	(135,378,000)	(279,587,000)	25,835,000

Note: Listed amounts are in New Taiwan dollars (i.e., excluding foreign-currency amounts) of the head office and domestic branches.



2)Liquidity analysis of E.Sun Bills

(In Millions of New Taiwan Dollars)

Items		Period	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Usage of funds	Bills		\$ 11,273	\$ 14,341	\$ 4,161	\$ 1,165	\$ -
	Bonds		44	-	2	1,128	22,260
	Deposits		516	770	1,176	3,093	10
	Call loans		-	-	-	-	-
	R.S		2,480	-	-	-	-
	Total		14,313	15,111	5,339	5,386	22,270
Source of funds	Borrowings		4,460	-	-	-	5,000
	R.P		39,262	6,884	470	2	-
	Capital		-	-	-	-	6,438
	Total		43,722	6,884	470	2	11,438
Net flows			(29,409)	8,227	4,869	5,384	10,832
Accumulated net flows			(29,409)	(21,182)	(16,313)	(10,929)	(97)

Note:R.S - securities purchased under resell agreement
R.P - securities sold under repurchase agreement

e.Market risk sensitivity

1)E.Sun Bank

Unit: %

Items	December 31, 2005	December 31, 2004
Ratio of interest rate-sensitive assets to liabilities	79.45	82.35
Ratio of interest rate-sensitivity gap to stockholders' equity	(248.90)	(165.33)

2)E.Sun Bills

Unit: %

Items	December 31, 2005	December 31, 2004
Ratio of interest rate-sensitive assets to liabilities	78.60	71.91
Ratio of interest rate-sensitivity gap to stockholders' equity	(169.75)	(222.15)

Note 1:Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2:Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities

Note 3:Interest rate-sensitivity gap = Interest rate-sensitive assets – Interest rate-sensitive liabilities

f. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Average balance is calculated at the daily average balance of interest-earning assets and interest-bearing liabilities.

1) E.Sun Bank

Interest-earning assets	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Cash and cash equivalents - due from banks	\$1,340,382	1.58	\$3,293,861	1.11
Due from the Central Bank of China and other banks	17,930,462	1.79	15,272,565	1.55
Securities purchased	66,310,995	2.36	51,367,824	1.39
Securities purchased under resell agreements	2,505,744	0.99	2,510,687	0.81
Receivables of credit cards	30,198,636	12.74	25,418,504	14.31
Bills, discount and loans	319,415,591	3.32	240,121,560	3.40
Long-term bond investments	8,853,356	2.02	6,384,168	2.08
Other long-term investments	2,713,248	1.75	1,823,816	1.69
Other financial assets	753,032	1.27	-	-
<u>Interest-bearing liabilities</u>				
Securities sold under repurchase agreements	10,627,246	1.12	11,414,941	0.80
Due to the Central Bank of China and other banks	28,827,048	2.54	26,677,506	1.31
Demand	41,432,261	0.38	31,711,638	0.18
Savings - demand	91,316,207	0.55	70,520,794	0.54
Time	100,525,866	1.76	81,163,817	1.26
Savings - time	115,253,942	1.64	82,407,110	1.45
Negotiable certificates of deposit	18,698,537	1.26	13,267,152	1.03
Bonds	33,043,836	2.30	23,660,073	1.86

2) E.Sun Bills

Interest-earning assets	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Due from banks	\$5,468,532	1.70	\$3,956,786	1.39
Call loan to banks	174,997	1.87	225,929	1.90
Operating securities - bills	31,139,119	1.28	31,855,360	1.18
Operating securities - bonds	\$21,077,788	4.11	21,699,696	4.05
Bills purchased under resell agreements	-	-	54,768	0.99
Bonds purchased under resell agreements	2,218,626	1.14	1,326,338	0.83
Other financial assets - noncurrent	284,384	3.46	180,328	2.89
Long-term bond investments	2,155,342	2.57	1,744,093	4.05
<u>Interest-bearing liabilities</u>				
Call loan from banks	5,404,756	1.30	7,357,139	1.01
Commercial paper issued	155,616	1.15	303,825	0.85
Bills sold under repurchase agreements	22,187,212	1.05	21,749,488	1.04
Bonds sold under repurchase agreements	23,552,410	1.19	21,988,975	0.87
Corporate bonds payable	5,000,000	1.00	4,726,776	3.59

g. The net position on foreign-currency transactions

The net position on foreign-currency of E.Sun Bank is shown below

Unit: In Thousands of Dollars

	December 31, 2005		December 31, 2004	
	Currency	NT\$	Currency	NT\$
The net position on foreign-currency transaction (market risk)	HKD (186,606)	(\$790,874)	USD (21,112)	(\$670,686)
	USD 23,515	772,703	HKD (102,329)	(417,973)
	EUR 4,406	171,450	SGD 9,382	182,325
	JPY 459,993	128,154	JPY 508,226	157,093
	NZD (4,221)	(94,734)	RMB (19,044)	(73,097)

Note: The foreign currencies represent the top five currencies in E.Sun Bank's basket of international currencies.

23. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY LAW

Please refer to Table 6.

24. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

a. Related information of significant transactions and investees:

- 1) Financing provided: E.Sun Bank and E.Sun Bills - not applicable; the Company and investee company - none.
- 2) Endorsement/guarantee provided: E.Sun Bank and E.Sun Bills - not applicable; the Company and investee company - none.
- 3) Marketable securities held: E.Sun Bank, E.Sun Bills and E.Sun Securities - not applicable; the Company and investee company - Table 1 (attached).
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital (for banks and investment companies, amounting to NT\$300 million or 10% of the paid-in capital; banks and bills finance corporations disclose accumulated acquired and disposed investments information): E.Sun Securities - not applicable; the Company and investee company - Table 2 (attached).
- 5) Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital (for banks and investment companies, amounting to NT\$300 million or 10% of the paid-in capital): the Company - none; investee company - Table 3 (attached).
- 6) Disposal of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital (for banks and investment companies, amounting to NT\$300 million or 10% of the paid-in capital): None.

7) Total purchase from or sale to related parties of at least NT\$100 million or 20% of the paid-in capital: None.

8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (for banks and investment companies, amounting to NT\$300 million or 10% of the paid-in capital): the Company and investee company: Table 4 (attached).

9) Name, locations and other information of investees on which the Company exercises significant influence: Table 5 (attached).

10) Derivative transactions: Note 18 to the financial statements.

b. Investment in Mainland China: None.

25. SEGMENT INFORMATION

The Company engages only in investing and managing businesses related to financial institutions and has no overseas segment. The Company also has no customer from whom income of more than 10% of the total income of the Company is generated. Thus, the Company need not disclose industry, geographic and major customer information.

E.SUN FINANCIAL HOLDING CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

TABLE 1

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2005						
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value of Net Asset Value	Note		
E.Sun Financial Holding Co., Ltd.	Stocks									
	E.Sun Commercial Bank, Ltd.	Equity-method investee	Long-term investments	2,231,355	\$ 33,489,685	100.00	\$ 33,489,685	3		
	E.Sun Bills Finance Corp.	Equity-method investee	Long-term investments	426,500	6,438,531	100.00	6,438,531	3		
	E.Sun Securities Corp.	Equity-method investee	Long-term investments	306,000	3,206,033	100.00	3,206,033	3		
	E.Sun Venture Capital Co., Ltd.	Equity-method investee	Long-term investments	100,000	1,026,131	100.00	1,026,131	3		
	E.Sun Securities Investment Trust Corp.	Equity-method investee	Long-term investments	30,000	329,517	100.00	329,517	3		
	E.Sun Insurance Broker Co., Ltd.	Equity-method investee	Long-term investments	6,200	139,703	100.00	139,703	3		
	Taiwan Debt Instruments Depository and Clearing Co., Ltd.	-	Long-term investments	4,000	40,000	2.00	41,333	3		
	E.Sun Venture Capital Co., Ltd.	Stocks								
		E.Sun Capital Co., Ltd.	Equity-method investee	Long-term equity investments	450	6,704	45.00	6,704	2	
Amipire Co., Ltd.		-	Long-term equity investments	978	13,314	1.92	9,119	1		
Star World Technology Co., Ltd.		-	Long-term equity investments	4	64	0.01	122	1		
Epitech Technology Corp.		-	Long-term equity investments	66	1,332	0.02	2,027	1		
Univacco Technology Inc.		-	Long-term equity investments	1,219	30,000	2.63	21,287	2		
Bank-Pro E-Service Technology Co., Ltd.		-	Long-term equity investments	325	3,250	2.41	2,812	2		
Twinhan Technology Co., Ltd.		-	Long-term equity investments	744	33,192	1.63	3,843	2		
Epoch Chemtronics Corp.		-	Long-term equity investments	1,494	29,660	8.61	21,825	2		
Chunghwa Chemical Synthesis Biotech Co., Ltd.		-	Long-term equity investments	2,000	20,005	3.07	13,720	2		
Sam Lam Technology Co., Ltd.		-	Long-term equity investments	1,700	23,800	6.07	19,181	2		
Etrend Technology Co., Ltd.		-	Long-term equity investments	546	6,825	2.02	6,007	2		
Progress-sive Optoelectronic Technology Co., Ltd.		-	Long-term equity investments	784	25,088	1.85	8,031	2		
Beyond Innovation Technology Co., Ltd.		-	Long-term equity investments	832	25,388	2.88	13,462	2		
Linear Tech Co., Ltd.		-	Long-term equity investments	975	33,750	2.88	13,044	2		
Super Link Electronics Co., Ltd.		-	Long-term equity investments	2,000	25,000	10.00	12,333	2		
Joinsoon Electronics Mfg. Co., Ltd.		-	Long-term equity investments	1,200	25,200	2.91	14,320	2		
Globaltop Partner I Venture Capital Co., Ltd.		Its supervisor	Long-term equity investments	10,000	100,000	2.97	99,336	2		
Solidlite Co., Ltd.		-	Long-term equity investments	1,000	16,000	4.00	6,929	2		
Dynamic Electronics Co., Ltd.		-	Long-term equity investments	1,409	29,425	1.16	30,873	2		
E-Ton Solar Tech.		-	Long-term equity investments	560	38,403	1.21	11,258	2		
Kinggroup Automation Industry Corp.		-	Long-term equity investments	800	17,600	4.44	13,975	2		
Optimer		-	Long-term equity investments	333	36,942	4.00	18,964	2		
MOSA Industrial Corporation		-	Long-term equity investments	650	9,750	1.86	7,720	2		
Orgchem Technologies, Inc.		-	Long-term equity investments	800	56,000	2.26	19,350	2		
Exploit Technology Co., Ltd.		-	Long-term equity investments	535	10,703	1.34	6,960	2		
Mao Chia Metal Co., Ltd.		-	Long-term equity investments	600	18,000	1.90	9,844	2		
Goodway Machine Corp.		-	Long-term equity investments	1,000	30,000	1.48	17,069	2		
Hi-Light Tek Co., Ltd.		-	Long-term equity investments	300	22,500	3.33	4,590	2		
E.Sun Securities Investment Trust Corp.		Funds								
		Mega Diamond Bond Fund	-	Short-term investments	8,710	98,191	-	98,869	1	
		E.Sun Rising-Sun Fund	Common parent company with the same fund management company	Short-term investments	1,954	20,000	-	20,035	1	
		E.Sun Global Balanced Fund	Common parent company with the same fund management company	Short-term investments	2,976	30,148	-	30,479	1	
		E.Sun Insurance Broker Co., Ltd.	Funds							
			E.Sun New Era Bond Fund	Common parent company with the same fund management company	Short-term investments	6,657	70,000	-	71,389	1
		E.Sun Insurance Agent Co., Ltd.	E.Sun Gin-Ru-E Balanced Fund	Common parent company with the same fund management company	Short-term investments	2,376	23,869	-	23,332	1
			CITC Safe Income Fund	Common parent company with the same fund management company	Short-term investments	558	8,039	-	8,183	1
			E.Sun Rising-Sun Fund	Common parent company with the same fund management company	Short-term investments	1,000	10,000	-	10,252	1
			E.Sun Principal Guaranteed Fund	Common parent company with the same fund management company	Short-term investments	1,000	10,000	-	9,944	1
E.Sun Insurance Agent Co., Ltd.			Equity-method investee	Long-term equity investments	324	4,632	20.00	4,632	2	
E.Sun Finance & Leasing Co., Ltd.		Stocks								
		Gapura Incorporated	-	Long-term investments	462	10,733	6.21	11,432	2	
		Government bonds								
E.Sun Insurance Agent Co., Ltd.		A861	-	Long-term investments	-	5,713	-	5,707	S\$8,500 thousand in government bonds pledged with courts of justice for collection case on overdue loan	
		A862	-	Long-term investments	-	4,169	-	4,162		
		E.Sun Gin-Ru-E Balance Fund	The fund management company is in the same group	Short-term investments	1,414	14,200	-	13,881		1
E.Sun Securities Investment Consulting E.Sun Capital Co., Ltd.		Funds								
		Upamc Home Run Bond Fund	-	Short-term investments	225	3,000	-	3,116	1	
E.Sun Capital Co., Ltd.	E.Sun Gin-Ru-E-Balance Fund	The fund management company is in the same group	Short-term investments	498	5,000	-	4,895	1		

Note 1: Market value of the listed stocks was based on the average closing prices in December 2005. The market value of fund was based on the net worth as of December 31, 2005.

Note 2: The amounts are based on the latest unaudited financial statements.

Note 3: The amounts are based on the latest audited financial statements.

E.SUN FINANCIAL HOLDING CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
(FOR BANKS AND INVESTMENT COMPANIES, AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 2

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Carrying Value	Gain(Loss) on Disposal	Shares (Thousand)	Amount
E.Sun Venture Capital Co., Ltd.	Mega Diamond Bond Fund	Short-term investments	-	-	\$ 10,430	\$ 115,873	12,420	\$140,000	14,140	\$158,977	\$157,682	\$1,295	8,710	\$98,191
E.Sun Venture Capital Co., Ltd.	IIT Wan Hwa Fund	Short-term investments	-	-	7,280	101,719	3,528	50,000	10,808	153,248	151,719	1,529		

E.SUN FINANCIAL HOLDING CO., LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
(FOR BANKS AND INVESTMENT COMPANIES, AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 3

Company Name	property	Transacti on Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
E.Sun Commercial Bank Ltd.	Land: Lot 41, 2 small Sec., Chungshan Sec., Chungshan District, Taipei City. Nine floors above ground and three floors underground of a building under construction on the above property	2005.02.16	\$1,350,000	\$634,500 already paid as of December 31, 2005 The remaining amounts paid on schedule under the contract	Founding Construction & Development Co., Ltd.	-	-	-	-	\$ -	Appraisal of China Credit Information Service, Ltd. and Honda Appraisers Firm	Office	-

E.SUN FINANCIAL HOLDING CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
(FOR BANKS AND INVESTMENT COMPANIES, AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 4

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
E.Sun Financial Holding Co., Ltd.	E.Sun Bank	Subsidiaries	\$ 459,146 (Note 1)	-	\$ -	-	\$ -	\$ -

Note 1: The receivable comes from the adoption of the linked tax system for tax filing.



E.SUN FINANCIAL HOLDING CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

TABLE 5

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership	Carrying Value			
E.Sun Financial Holding Co., Ltd.	E.Sun Commercial Bank, Ltd.	Taipei	Banking	\$ 25,160,117	\$ 25,160,117	2,231,355	100.00	\$ 33,489,685	\$ 3,829,944	\$ 3,520,880	
	E.Sun Bills Finance Corp.	Taipei	Dealing and brokering short-term negotiable instruments	5,150,581	5,150,581	426,500	100.00	6,438,531	906,337	893,498	
	E.Sun Securities Corp.	Taipei	Dealing, underwriting and brokering securities	3,137,819	3,137,819	306,000	100.00	3,206,033	60,182	57,419	
	E.Sun Venture Capital Co., Ltd.	Taipei	Investment	1,000,000	1,000,000	100,000	100.00	1,026,131	27,183	26,453	
	E.Sun Insurance Broker Co., Ltd.	Taipei	Insurance broker	10,000	10,000	6,200	100.00	139,703	63,001	62,201	
	E.Sun Securities Investment Trust Co., Ltd.	Taipei	Investing funds under full discretionary authorization from customers	366,211	366,211	30,000	100.00	329,517	(15,245)	(18,145)	
E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	Taipei	Leasing and sale of machinery and equipment	196,000	196,000	19,600	98.99	173,018	18,969	18,777	
	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	3,950	3,950	1,280	79.00	18,295	465	253	
E.Sun Securities Corp.	E.Sun Securities Investment Consulting Co., Ltd.	Taipei	Security consulting	10,000	10,000	1,000	100.00	10,293	(283)	(293)	
E.Sun Venture Capital Co., Ltd.	E.Sun Capital Co., Ltd.	Taipei	Agency of service and human resource	4,500	4,500	450	45.00	6,704	7,539	3,310	
E.Sun Insurance Broker Co., Ltd.	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	8,556	8,556	324	20.00	4,632	465	64	

E.SUN FINANCIAL HOLDING CO., LTD.

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY LAW
DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

TABLE 6

Name	Relation Condition	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1.Tai Power Co., Ltd.	With same person	\$2,800,000	6.61%
2.Mega Financial Holding Co., Ltd. and the related parties	With same affiliate	3,709,600	8.76%
3.China Development Financial Holding Corporation and related parties	With same affiliate	3,650,328	8.62%
4.Continental Engineering Corp. and related parties	With same affiliate	3,646,405	8.61%
5.China Trust Financial Holding Co., Ltd. and related parties	With same affiliate	3,631,529	8.58%
6.Taiwan Acceptance Corp. and the related parties	With same affiliate	2,549,587	6.02%
7.Fubon Financial Holding Co., Ltd. and related parties	With same affiliate	2,446,957	5.78%
8.Nan Ya Plastic Co., Ltd. and the related parties	With same affiliate	2,230,982	5.27%
9.Far Eastern Textile Co., Ltd. and related parties	With same affiliate	2,223,126	5.25%



八、Independent Auditors' Review Report

Deloitte.
勤業眾信

勤業眾信會計師事務所
105台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung-Tai Plaza
156 Min Sheng East Road, Sec. 3
Taipei 105, Taiwan, ROC
Tel: +886 (2) 2545-9988
Fax: +886 (2) 2545-9966
www.deloitte.com.tw

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
E.Sun Financial Holding Co., Ltd.

We have audited the accompanying consolidated balance sheets of E.Sun Financial Holding Co., Ltd. and subsidiaries (collectively, the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements of the subsidiaries of E.Sun Financial Holding Co., Ltd. of the following periods: (a) as of and for the year ended December 31, 2004 of E.Sun Securities Corp. ("E.Sun Securities"); E.Sun Securities Investment Trust Corp. (ESSIT); E.Sun Commercial Bank, Ltd. ("E.Sun Bank") Los Angeles Branch and Hong Kong Branch; and (b) as of and for the year ended December 31, 2005 of E.Sun Securities and subsidiary, ESSIT, and E.Sun Bank Los Angeles Branch. The total assets and net operating revenues of E.Sun Securities and subsidiary, ESSIT, and E.Sun Bank Los Angeles Branch were 2.41% (NT\$15,324,546 thousand) and 5.44% (NT\$1,298,636 thousand), respectively, of the Company's consolidated total assets and consolidated net operating revenues, respectively, as of and for the year ended December 31, 2005. The total assets and net operating revenues of E.Sun Securities and E.Sun Bank Los Angeles Branch and Hong Kong Branch were 5.52% (NT\$27,511,654 thousand) and 5.56% (NT\$1,066,035 thousand), respectively, of the Company's consolidated total assets and net operating revenues, respectively, as of and for the year ended December 31, 2004. The balance of the long-term equity investments in ESSIT was 0.08% (NT\$417,562 thousand) of the Company's consolidated total assets as of December 31, 2004. The Company's equity in ESSIT's net income was 1.70% (NT\$101,432 thousand) of the Company's consolidated pretax income in 2004. The financial statements of the foregoing branches and subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants, the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

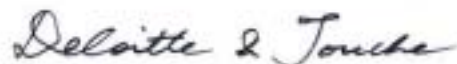
Audit, Tax, Consulting, Financial Advisory,
審計, 稅務, 企業管理諮詢, 財務諮詢。

Member of
Deloitte Touche Tohmatsu

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of E.Sun Financial Holding Co., Ltd. and subsidiaries as of December 31, 2005 and 2004 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Corporations, Guidelines Governing the Preparation of Financial Reports by Securities Firms and accounting principles generally accepted in the Republic of China.

As stated in Note 2 to the consolidated financial statements, the amended Statement of Financial Accounting Standards (SFAS) No.7, "Consolidated Financial Statements," took effect on January 1, 2005. Based on SFAS No. 7, the Company's consolidated financial statements included subsidiaries and other investees over which the Company had controlling interest. In addition, the Company did not have to restate its consolidated financial statements as of and for the year ended December 31, 2004.

As stated in Note 3 to the consolidated financial statements, sales and purchases by E.Sun Bank and E.Sun Bills Finance Corp. of bonds and short-term bills under repurchase and resell agreements were treated as outright sales or purchases until 2003. However, based on the Guidelines Governing the Preparation of Financial Reports by Public Banks and Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Corporations, effective January 1, 2004, the repurchase/resell transactions are treated as financing.



February 8, 2006

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

九、CONSOLIDATED FINANCIAL STATEMENTS 2005

(一) CONSOLIDATED BALANCE SHEETS

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2005		2004		LIABILITIES AND STOCKHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 2 and 5)	\$ 15,715,580	2	\$ 12,677,385	3	SHORT-TERM DEBTS (Note 16)	\$ 1,130,000	-	\$ 100,000	-
DUE FROM THE CENTRAL BANK OF CHINA AND OTHER BANKS (Note 6)	35,209,053	6	27,851,867	6	COMMERCIAL PAPER ISSUED (Note 17)	1,149,110	-	419,551	-
SECURITIES PURCHASED, NET (Notes 2, 3, 7, 32 and 33)	123,111,286	19	106,673,130	21	SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 3, 18 and 32)	58,729,182	9	54,213,579	11
RECEIVABLES, NET (Notes 2, 8, 32 and 33)	37,118,101	6	33,261,751	7	CURRENT PORTION OF LONG-TERM LIABILITIES (Notes 2 and 25)	-	-	838,000	-
OTHER FINANCIAL ASSETS - CURRENT (Note 33)	556,400	-	-	-	STOCK WARRANTS ISSUED LIABILITIES, NET (Notes 2 and 19)	24,675	-	6,775	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 3 and 9)	5,446,257	1	6,433,954	1	DUE TO THE CENTRAL BANK OF CHINA AND OTHER BANKS (Note 20)	28,700,441	4	26,518,711	6
PREPAID EXPENSES (Note 32)	461,026	-	314,814	-	PAYABLES (Note 21)	11,512,131	2	6,886,405	2
BILLS, DISCOUNTS AND LOANS, NET (Notes 2, 10 and 32)	368,000,876	58	275,359,584	55	ADVANCES (Note 32)	649,971	-	590,396	-
LONG-TERM INVESTMENTS (Notes 2, 11, 12 and 33)					DEPOSITS AND REMITTANCES (Notes 22 and 32)	435,670,269	69	330,040,478	66
Long-term equity investments - equity method	-	-	1,638,365	-	BONDS (Notes 23 and 32)	39,200,000	6	29,600,000	6
Long-term equity investments - cost method	1,363,172	-	701,001	-	CORPORATE BONDS PAYABLE (Notes 2 and 24)	10,000,000	2	5,000,000	1
Bonds	16,480,066	3	8,466,314	2	LONG-TERM DEBTS (Note 25)	200,000	-	400,000	-
Other	9,346,412	1	3,932,339	1	OTHER LONG-TERM LIABILITIES (Notes 2 and 26)	3,550,000	1	-	-
Total long-term investments	27,189,650	4	14,738,019	3	OTHER (Note 2)	1,250,902	-	1,254,646	-
OTHER FINANCIAL ASSETS - NONCURRENT (Note 2)	1,926,343	-	-	-	Total liabilities	591,766,681	93	455,868,541	92
PROPERTIES (Notes 2 and 13)					STOCKHOLDERS' EQUITY OF PARENT COMPANY				
Cost					Capital stock - NT\$10.00 par value, authorized 5,000,000 thousand shares; issued 3,027,000 thousand shares in 2005 and 2,930,610 thousand shares in 2004	30,270,000	5	29,306,096	6
Land	5,125,389	1	5,126,329	1	Capital surplus				
Buildings	3,718,417	1	3,185,775	1	Paid-in capital in excess of par value	4,383,057	1	4,383,057	1
Computers	2,213,283	-	2,007,419	-	From treasury stock	3,224,587	-	3,224,587	-
Transportation equipment	274,814	-	232,014	-	Total capital surplus	7,607,644	1	7,607,644	1
Miscellaneous equipment	1,148,285	-	906,117	-	Retained earnings				
Total cost	12,480,188	2	11,457,654	2	Legal reserve	936,547	-	452,903	-
Accumulated depreciation	2,495,155	-	2,028,856	-	Special reserve	103,008	-	53,767	-
Prepayments	9,985,033	2	9,428,798	2	Unappropriated earnings	4,891,495	1	5,041,836	1
	664,322	-	29,443	-	Total retained earnings	5,931,050	1	5,548,506	1
Net properties	10,649,355	2	9,458,241	2	Unrealized loss on long-term equity investments	(73,877)	-	(89,856)	-
GOODWILL (Notes 2, 14 and 45)	3,662,701	1	4,661,587	1	Cumulative translation adjustments	(2,888)	-	(13,152)	-
OTHER ASSETS, NET (Notes 2, 3, 15, 28 and 33)					Net loss not recognized as net pension cost	(1,661)	-	-	-
Rentable assets, net	3,216,271	1	3,103,224	1	Total stockholders' equity of parent company	43,730,268	7	42,359,238	8
Idle assets, net	794,108	-	690,664	-	MINORITY INTEREST	10,190	-	-	-
Foreclosed collaterals, net	126,700	-	402,480	-	Total stockholders' equity	43,740,458	7	42,359,238	8
Refundable deposits	1,107,232	-	999,844	-	CONTINGENCIES AND COMMITMENTS (Notes 2 and 34)				
Operation deposits	656,489	-	612,612	-	TOTAL	\$ 635,507,139	100	\$ 498,227,779	100
Settlement funds	80,843	-	73,544	-					
Others	251,780	-	617,698	-					
Deferred income tax assets, net	227,088	-	297,381	-					
Total other assets, net	6,460,511	1	6,797,447	1					
TOTAL	\$ 635,507,139	100	\$ 498,227,779	100					

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

(With Deloitte & Touche audit report dated February 8, 2006)

(二) CONSOLIDATED STATEMENTS OF INCOME

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Except Par Value)

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES AND GAINS (Note 2)				
Interest (Note 32)	\$ 18,706,062	78	\$ 15,308,812	80
Service fees (Note 32)	2,797,867	12	2,454,184	13
Gains on sales of securities, net	1,264,293	5	371,780	2
Income from long-term equity investments under the equity method, net (Note 11)	-	-	137,821	1
Foreign exchange gains, net	192,642	1	105,034	1
Reversal of allowance for bad debts	-	-	34,655	-
Gains on stock warrants issued (Note 19)	248,150	1	23,750	-
Gains on derivative transactions, net (Note 39)	269,329	1	353,460	2
Others (Note 32)	<u>376,600</u>	<u>2</u>	<u>388,810</u>	<u>2</u>
Total operating revenues and gains	<u>23,854,943</u>	<u>100</u>	<u>19,178,306</u>	<u>100</u>
OPERATING COSTS AND EXPENSES				
Interest (Notes 2 and 32)	7,466,545	31	4,448,659	23
Service charges	650,872	3	658,516	3
Provisions (Note 2)	1,310,181	6	-	-
Loss on stock warrants issued (Note 19)	166,074	1	23,340	-
Operating expenses (Notes 14, 32 and 35)	8,420,599	35	6,837,392	36
Others	<u>34,711</u>	<u>-</u>	<u>9,687</u>	<u>-</u>
Total operating costs and expenses	<u>18,048,982</u>	<u>76</u>	<u>11,977,594</u>	<u>62</u>
OPERATING INCOME	<u>5,805,961</u>	<u>24</u>	<u>7,200,712</u>	<u>38</u>
NONOPERATING INCOME AND GAINS (Note 2)	94,199	1	34,501	-
NONOPERATING EXPENSES AND LOSSES (Notes 2 and 14)	<u>196,690</u>	<u>1</u>	<u>1,253,724</u>	<u>7</u>
INCOME BEFORE INCOME TAX	\$ 5,703,470	24	5,981,489	31
INCOME TAX EXPENSE (Notes 2 and 28)	<u>1,042,780</u>	<u>4</u>	<u>1,145,052</u>	<u>6</u>
CONSOLIDATED INCOME	<u>\$ 4,660,690</u>	<u>20</u>	<u>\$ 4,836,437</u>	<u>25</u>
BELONG TO:				
Parent company	\$ 4,656,349	20	\$ 4,836,437	25
Minority interest	<u>4,341</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,660,690</u>	<u>20</u>	<u>\$ 4,836,437</u>	<u>25</u>
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$ 1.49</u>	<u>\$ 1.54</u>	<u>\$ 1.84</u>	<u>\$ 1.88</u>
Diluted	<u>\$ 1.49</u>	<u>\$ 1.54</u>	<u>\$ 1.68</u>	<u>\$ 1.73</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 8, 2006)

(三) CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

	Stockholder's Equity of Parent Company															
	Capital Stock(Note27)		Capital Surplus (Notes 2 and 27)			Retained Earnings (Deficit) (Note 27)				Unrealized Loss on Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Net Pension Cost (Note 2)	Treasury Stock (Notes 2 and 29)	Stockholders' Equity of Parent Company	Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Treasury Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE, JANUARY 1, 2004	2,506,367	\$25,063,669	\$1,769,432	\$ -	\$1,769,432	\$ -	\$ -	\$4,529,029	\$4,529,029	(\$56,391)	\$2,624	\$ -	(\$4,503,276)	\$26,805,087	\$ -	\$26,805,087
Appropriation of prior year's earnings																
Legal reserve	-	-	-	-	-	452,903	-	(452,903)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	53,767	(53,767)	-	-	-	-	-	-	-	-
Dividend																
Cash	-	-	-	-	-	-	-	(2,818,678)	(2,818,678)	-	-	-	-	(2,818,678)	-	(2,818,678)
Stock	84,560	845,603	-	-	-	-	-	(845,603)	(845,603)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(38,170)	(38,170)	-	-	-	-	(38,170)	-	(38,170)
Bonus to employees - 8,773 thousand shares and 26,781 thousand in cash	8,773	87,728	-	-	-	-	-	(114,509)	(114,509)	-	-	-	-	(26,781)	-	(26,781)
Balance after appropriation	2,599,700	25,997,000	1,769,432	-	1,769,432	452,903	53,767	205,399	712,069	(56,391)	\$2,624	-	(4,503,276)	23,921,458	-	23,921,458
Conversion of corporate bonds payable to capital stock	330,910	3,309,096	2,613,625	-	2,613,625	-	-	-	-	-	-	-	-	5,922,721	-	5,922,721
Treasury stock transactions recognized by subsidiaries	-	-	-	3,015,943	3,015,943	-	-	-	-	-	-	-	-	4,005,259	7,021,202	7,021,202
Subsidiary's transfer of shares to employees	-	-	-	483	483	-	-	-	-	-	-	-	-	498,017	498,500	498,500
Cash dividends from parent received by the subsidiaries	-	-	-	208,161	208,161	-	-	-	-	-	-	-	-	208,161	208,161	208,161
Consolidated income in 2004	-	-	-	-	-	-	-	4,836,437	4,836,437	-	-	-	-	4,836,437	4,836,437	4,836,437
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	(15,776)	-	-	(15,776)	-	(15,776)
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	(33,465)	-	-	-	(33,465)	-	(33,465)
BALANCE, DECEMBER 31, 2004	2,930,610	29,306,096	4,383,057	3,224,587	7,607,644	452,903	53,767	5,041,836	5,548,506	(89,856)	(13,152)	-	-	42,359,238	-	42,359,238
Appropriation of prior year's earnings																
Legal reserve	-	-	-	-	-	483,644	-	(483,644)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	49,241	(49,241)	-	-	-	-	-	-	-	-
Dividend																
Cash	-	-	-	-	-	-	-	(3,223,670)	(3,223,670)	-	-	-	-	(3,223,670)	-	(3,223,670)
Stock	87,918	879,183	-	-	-	-	-	(879,183)	(879,183)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(42,738)	(42,738)	-	-	-	-	(42,738)	-	(42,738)
Bonus to employees - 8,472 thousand shares and \$43,493 thousand in cash	8,472	84,721	-	-	-	-	-	(128,214)	(128,214)	-	-	-	-	(43,493)	-	(43,493)
Balance after appropriation	3,027,000	30,270,000	4,383,057	3,224,587	7,607,644	936,547	103,008	235,146	1,274,701	(89,856)	(13,152)	-	-	39,049,337	-	39,049,337
Effects of increase in consolidated subsidiaries	-	-	-	-	-	-	-	4,656,349	4,656,349	-	-	-	-	-	5,849	5,849
Consolidated income in 2005	-	-	-	-	-	-	-	-	-	-	-	-	-	4,656,349	4,341	4,660,690
Additional minimum pension liability in excess of the sum of unrecognized prior service cost and unrecognized transitional net obligation based on actuarial calculations	-	-	-	-	-	-	-	-	-	-	-	(1,661)	-	(1,661)	-	(1,661)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	10,264	-	-	10,264	-	10,264
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	15,979	-	-	-	15,979	-	15,979
BALANCE, DECEMBER 31, 2005	\$3,027,000	\$30,270,000	\$4,383,057	\$3,224,587	\$7,607,644	\$936,547	\$103,008	\$4,891,495	\$5,931,050	(\$73,877)	(\$2,888)	(\$1,661)	\$ -	\$43,730,268	\$ 10,190	\$43,740,458

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 8, 2006)

(四) CONSOLIDATED STATEMENTS OF CASH FLOWS

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income	\$ 4,660,690	\$ 4,836,437
Provision (reversal) of allowance for losses on securities purchased	129,732	(10,708)
Provisions (reversal) of allowances for bad debts, etc.	1,357,725	(34,655)
Reversal of reserve for losses on sale of bonds	(97)	(14,372)
Depreciation and amortization	1,746,716	895,154
Impairment loss on goodwill	-	1,103,393
Impairment loss on assets	7,127	-
Recovery of written-off credits and guarantees	1,048,127	1,351,604
Write-offs of guarantees	-	(130,000)
Equity in net loss (gain) of equity-method investees, net of cash dividends received	83	(35,992)
Amortization of premium or discount on long-term investments	139,498	87,883
Loss from sales of properties, rentable assets, idle assets and foreclosed collaterals, net	81,949	22,976
Deferred income tax	78,468	133,592
Amortization of premium on corporate bonds payable	-	(24,516)
Amortization of bond issuance expense	-	34,622
Others	65,095	(5,990)
Net changes in operating assets and liabilities	-	-
Securities purchased for trading purposes	(1,720,836)	(46,280,443)
Securities purchased under resell agreements	(1,979,871)	(77,369)
Receivables	(4,029,713)	(6,644,405)
Prepaid expenses	(140,500)	(223,868)
Securities sold under repurchase agreements	4,569,466	40,940,020
Payables	4,546,794	1,049,302
Advances	58,434	400,684
Stock warrants issued liabilities	(22,050)	63,750
Repurchase of stock warrants issued	39,950	(56,975)
Net cash provided by (used in) operating activities	<u>10,636,787</u>	<u>(2,619,876)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased for investing purposes	(\$14,552,295)	(203,593)
Increase in due from the Central Bank of China and other banks	(7,357,186)	(6,950,172)
Decrease (increase) in securities purchased under resell agreements	2,967,568	(5,569,238)
Increase in bills, discounts and loans	(93,617,849)	(62,074,842)
Increase in long-term investments	(16,999,479)	(6,433,945)
Proceeds from sales of long-term investments	172,385	-
Return of principal on long-term investments	3,051,323	1,046,613
Increase in other financial assets	(2,182,743)	-
Acquisition of properties	(1,921,149)	(1,546,712)
Proceeds from sales of properties	1,502	573
Proceeds from sales of foreclosed collaterals	238,129	179,149
Increase in other assets	(573)	(199,473)
Cash subsidy received on the acquisition of the Kaohsiung Business Bank Co., Ltd.	-	13,428,965
Increase in cash arising from the acquisition of the Kaohsiung Business Bank Co., Ltd. on September 3, 2004	-	1,347,863
Net cash used in investing activities	<u>(130,200,367)</u>	<u>(66,974,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	475,000	-
Increase (decrease) in commercial paper issued	151,360	(1,048,405)
Increase (decrease) in due to the Central Bank of China and other banks	2,181,730	(2,774,312)
Increase (decrease) in securities sold under repurchase agreements	(53,863)	10,158,757
Increase in deposits and remittances	106,049,029	43,010,013
Proceeds from issuance of bonds	10,000,000	17,856,100
Repayment of bonds	(400,000)	(400,000)
Increase in corporate bonds payable	5,000,000	2,000,000
Redemption of corporate bonds payable	-	(50,565)
Increase in long-term debts	590,000	350,000
Repayment of long-term debts	(1,628,000)	(291,000)
Increase in other long-term liabilities	3,550,000	-
Decrease in other liabilities	(80,829)	(168,443)
Proceeds from treasury stock transactions	-	4,823,602
Cash dividends paid	(3,223,670)	(2,610,517)
Payment of bonus to employees and remuneration to directors and supervisors	(84,755)	(64,951)
Net cash provided by financing activities	<u>122,526,002</u>	<u>70,790,279</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>12,102</u>	<u>(78,232)</u>
EFFECTS OF INCREASE IN CONSOLIDATED SUBSIDIARIES	<u>63,671</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>3,038,195</u>	<u>1,117,359</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,677,385</u>	<u>11,560,026</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 15,715,580</u>	<u>\$ 12,677,385</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 7,137,171</u>	<u>\$ 4,332,023</u>
Income tax paid	<u>\$ 1,453,821</u>	<u>\$ 261,819</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Properties transferred to idle assets	<u>\$ 77,262</u>	<u>\$ -</u>
Proceeds from bonds issued by subsidiary in exchange for parent's shares	<u>\$ -</u>	<u>\$ 2,696,100</u>
Costs of treasury stock and expense	<u>\$ -</u>	<u>\$ 1,514,142</u>
Capital surplus from treasury stock transactions	<u>\$ -</u>	<u>\$ 1,181,958</u>
Conversion of corporate bonds to capital stock	<u>\$ -</u>	<u>\$ 5,922,721</u>
Current portion of long-term liabilities	<u>\$ -</u>	<u>\$ 838,000</u>

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

(With Deloitte & Touche audit report dated February 8, 2006)

十、NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

E.Sun Financial Holding Co., Ltd. (ESFHC) was established by E.Sun Commercial Bank Ltd. ("E.Sun Bank"), E.Sun Bills Finance Corp. ("E.Sun Bills") and E.Sun Securities Corp. ("E.Sun Securities") through a share swap on January 28, 2002 based on the Financial Holding Companies Law and related regulations in the Republic of China (ROC). The ESFHC's shares have been listed on the Taiwan Stock Exchange (TSE) since January 28, 2002. After the share swap, E.Sun Bank, E.Sun Bills and E.Sun Securities became wholly owned subsidiaries of ESFHC.

E.Sun Securities Investment Trust Corp. (ESSIT) became a wholly owned subsidiary of ESFHC through a share swap on September 16, 2003.

ESFHC invests in and manages financial institutions.

E.Sun Bank engages in commercial banking activities permitted by the Banking Laws. The operations of E.Sun Bank's Trust Department consist of planning, managing and operating the trust business. These operations are regulated under the Banking Law and Trust Law of the ROC. As of December 31, 2005, E.Sun Bank had a business department, international banking department, trust department, credit card business division, an offshore banking unit (OBU), 2 overseas branches (Los Angeles and Hong Kong) and 93 domestic branches. On September 4, 2004, E.Sun Bank acquired

the assets and liabilities (except the assets and liabilities generated from trust business and pension) and business (except trust business) of the Kaohsiung Business Bank Co., Ltd. Please refer to Note 45.

The operations of E.Sun Bills are: (a) underwriting and acting as registrar of commercial paper and bank acceptances; (b) brokering and dealing in commercial paper and bank acceptance; (c) providing guarantees on or endorsements of commercial paper and bank acceptance; (d) brokerage of call loans between financial institutions; (e) consultations on corporate financial matters; (f) brokering and dealing in government bonds; (g) underwriting and acting as registrar of financial institution bonds; (h) brokering and dealing in financial institution bonds; (i) conducting derivative activities approved by the authorities; and (j) dealing in corporate bonds. As of December 31, 2005, it had branches in Kaohsiung, Taichung, Taoyuan and Panchiau.

E.Sun Securities engages in underwriting, dealing and brokerage of securities.

ESSIT issues beneficiary certificates to raise securities investment trust funds and uses these funds to invest in securities and related products.

As of December 31, 2005, the securities investment trust funds were as follows:

Name	Type	When Established
E.Sun Deng Feng Fund	Open-end	January 2002
E.Sun New Era Bond Fund	Open-end	April 2002
E.Sun Balanced Fund	Open-end	September 2002
E.Sun Gin-ru-e Balanced Fund	Open-end	August 2003
E.Sun Rising-sun Fund of Fund	Open-end	February 2004
E.Sun Global Balanced Fund	Open-end	August 2004
E.Sun Principal Guaranteed Fund	Open-end	July 2005

E.Sun Venture Capital Corp. (ESVC) engages in venture capital investments.

E.Sun Insurance Broker Co., Ltd. (ESIB) brokers life and property insurance.

The consolidated entities are listed in Table 7 (attached).

As of December 31, 2005 and 2004, ESFHC and its subsidiaries had 3,635 and 2,838 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies,

Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Corporations, Guidelines Governing the Preparation of Financial Reports by Securities Firms and accounting principles generally accepted in the ROC.

In preparing consolidated financial statements in conformity with these guidelines and principles, ESFHC and its subsidiaries are required to make certain estimates and assumptions that could affect the amounts of allowance for possible losses, reserve for losses on guarantees, property depreciation, loss from investment, pension, income tax, loss on market value decline of foreclosed collaterals, impairment loss of assets and accrued litigation loss. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the

original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

The Company's significant accounting policies are summarized as follows:

Consolidation

ESFHC prepared consolidated financial statements as of and for the year ended December 31, 2005 based on the amended Statement of Financial Accounting Standards (SFAS) No. 7, "Consolidated Financial Statements," effective January 1, 2005, which requires that consolidation include all direct and indirect subsidiaries and other investees over which ESFHC has a controlling interest. Thus, ESFHC's consolidated financial statements as of and for the year ended December 31, 2005 included the accounts of ESFHC, E.Sun Bank and subsidiaries (E.Sun Finance & Leasing Corp. and E.Sun Insurance Agent Corp.), E.Sun Bills, E.Sun Securities and subsidiary (E.Sun Securities Investment Consulting Corp.), ESSIT, ESVC and subsidiary (E.Sun Capital Co., Ltd.), and ESIB and subsidiary (E.Sun Insurance Agent Corp.). All significant intercompany transactions and balances have been eliminated for consolidation purposes. SFAS No. 7 also provides that the consolidated financial statements as of and for the year ended December 31, 2004 need not be restated when the amended SFAS No. 7 is first adopted in 2005.

Under the previous SFAS No. 7, ESFHC prepared the consolidated financial statements in 2004. However, neither the operating revenues nor total assets of ESFHC's subsidiaries - ESVC, E.Sun Finance & Leasing Co., Ltd. (ESFL), E.Sun Insurance Agent Co., Ltd. (ESIA), ESSIT and E.Sun Securities Investment Consulting Co., Ltd. (ESSIC) - individually reached at least 10% or collectively reached at least 30% of those of ESFHC. Thus, their accounts were not included in the consolidated financial statements as of and for the year ended December 31, 2004. The consolidated financial statements in 2004 included the accounts of ESFHC, E.Sun Bank, E.Sun Bills, E.Sun Securities and ESIB. The significant intercompany transactions for those subsidiaries whose accounts were not included in the consolidated financial statements as of and for the year ended December 31, 2004 are shown in Note 4.

The financial statements of the subsidiaries of ESFHC had all been audited, except those of ESIA and E.Sun Capital Co., Ltd. (ESC). The Company's management believes that the effect of adjustments, if any, had these subsidiaries' financial statements been audited would not have had a significant impact on the consolidated financial statements.

Hereinafter, the consolidated entities are collectively referred to as the "Company."

Current and Noncurrent Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the financial statements of E.Sun Bank are not classified as current or

noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by their liquidity.

Except for the matter stated in the preceding paragraph, assets to be converted or consumed within the operating cycle are classified as current. Obligations to be liquidated or settled within the operating cycle are classified as current. All other assets and liabilities are classified as noncurrent.

The consolidated financial statements, however, do not show the classification of current or noncurrent assets/liabilities because the banking industry accounts for the major parts of the consolidated accounts. Thus, accounts in the consolidated financial statements are instead categorized by nature and sequenced by their liquidity. Please refer to Note 38 for the maturity analysis of assets and liabilities.

Cash Equivalents

Cash equivalents are highly liquid investments with maturities of up to three months.

Securities Purchased

Operating securities held by E.Sun Securities, which are OTC traded as Emerging stock, are carried at aggregate cost, and the others are carried at aggregate cost less any allowance for decline in value. The allowance is reversed when the market value recovers and is recognized as income.

Cost of securities sold is determined by the following methods: Stocks, mutual funds and government bonds - moving average; and others - specific identification.

Securities Purchased/Sold Under Resell/Repurchase Agreements

Sales or purchases of bonds and short-term bills under repurchase or resell agreements are stated at cost. The difference between the original purchase cost (or selling price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense). Please refer to Note 3.

Overdue Loans

In accordance with the Ministry of Finance (MOF) guidelines, E.Sun Bank classifies loans and other credits (including accrued interest) overdue for at least six months as overdue loans.

Allowance for Possible Losses and Reserve for Losses on Guarantees

E.Sun Bank makes provisions for bad debts and losses on guarantees based on the evaluation of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances for their specific risks or general risks.

Debts and guarantees with specific risks are evaluated internally for their collaterals, collectibility and customers' overall credits. Under Ministry of Finance (MOF) guidelines, E.Sun Bank makes full provisions for credits deemed uncollectible and makes at least 50% provisions for credits with high uncollectibility. However,



under revised MOF guidelines effective July 1, 2005, E.Sun Bank makes full, 50%, 10% and 2% provisions for credits deemed uncollectible, highly uncollectible, substandard and special mention, respectively, as minimum provisions for possible losses. This change had no significant impact on the consolidated financial statements.

E.Sun Bills makes provision for bad debts and reserve for losses on guarantees based on the evaluation of related risks. It makes provisions of at least 1% of the amount guaranteed, full provisions for credits deemed uncollectible and 50% provision for credits with high uncollectibility. Under the revised Financial Supervisory Commission's (FSC) guidelines effective July 1, 2005, E.Sun Bills makes full, 50%, 10% 2% and 1% provisions for credits deemed uncollectible, highly uncollectible, substandard, special mention and credits deemed collectible, respectively, as minimum provisions for possible losses.

Under the regulation (88) Tai-Tsai-Tseng (7) No. 91625, E.Sun Securities should provide 3% of annual non-primary business transactions from July 1, 1999 to write off bad debt expenses or to use as allowance for bad debts. However, under the regulation (92) Tai-Tsai Tseng (4) No. 03199, this allowance requirement was terminated on July 1, 2003.

Under MOF guidelines, credits deemed uncollectible may be written off if the write-off is approved by the board of directors.

Purchase on Margin and Short Sale

E.Sun Securities recognizes margin loans as loans to customers for purchases on margin while providing financing to investors who buy stocks. Margin loans made by E.Sun Securities are generally collateralized by securities in the client's account. These collateralized securities are not entered in E.Sun Securities' books, but recorded using memorandum entries. After the security investors settle the margin loan, these pledged securities are returned to investors.

E.Sun Securities requires a deposit from security investors for short sale services while providing short sale services to investors. This deposit is recorded as deposit on short-sale transactions. The amount collected from selling of short sale securities (net of securities transaction tax, brokerage fee and handling fee) is kept by E.Sun Securities as collateral and recorded as payable for short-sale transactions. The securities lent to clients as short sale are recorded using memorandum entries. The deposit on short-sale transactions and payable for short sale are returned to security investors after investors settle the short-sale transactions.

Long-term Investments

Under a directive of the Accounting Research and Development Foundation of the ROC, a financial holding company should treat the investee's net worth as paid-in capital if the holding company is incorporated or the affiliated company becomes the subsidiary of the holding company through stock conversion. The stock issued by the holding company is accounted for as capital stock, and the amount in excess of the par value of the issued stock is accounted for as capital surplus.

Investments in shares of stock of companies in which the

Company exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investments are stated at cost on the acquisition date and subsequently adjusted for the Company's proportionate share in the net income or loss of the investees. The difference, on the acquisition date, between the acquisition cost and the Company's proportionate equity in the investees' net assets is amortized over five years. The proportionate share in the net income or loss is recognized as current income or loss, and any cash dividends received are reflected as a reduction of the carrying value of the investments. A capital increase of investees that results in the increase of the Company's equity in the investees' net assets is credited to capital surplus, and any decrease is charged to capital surplus to the extent of the available balance, with the difference charged to unappropriated earnings. The Company recognizes the investees' cumulative translation adjustments and unrealized losses on long-term equity investments proportionately. If the impairment in investment value is permanent and the probability of a recovery in value is remote, an investment loss is recognized.

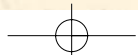
Other long-term equity investments are accounted for by the cost method and are stated at cost. Cash dividends received from a year after the acquisition date are recorded as investment income. Investment in stock with a quoted market price is stated at the lower of aggregate cost or market. The reduction of investment cost to reflect a lower market value and any write-up due to the subsequent recovery in market value are charged or credited to stockholders' equity. Investments in stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect other than temporary decline in the value of the investments, with the related loss charged to current income. Foreign-currency investments are recorded in New Taiwan dollars at the rate of exchange in effect when the transactions occur. As of balance sheet date, the balances of these investments are restated at balance sheet date exchange rates. If the restated balances are lower than cost, the differences are recognized as translation adjustment under stockholders' equity; otherwise, no adjustment is made.

For both equity-method and cost-method investments, stock dividends received are recognized only as increases in the number of shares held, and not as income.

The cost of long-term equity investments sold is determined by the weighted-average method.

Long-term bond investments are stated at cost. Premium or discount is amortized (as a charge or credit to interest income, respectively) over the remaining terms of each bond. Costs of bonds sold are determined by the specific identification method. If the long-term bond investments are reclassified to operating securities, the cost of the securities is compared with its market value at the time of reclassification. If the comparison shows a decline in market value of the investment, a loss is recorded and the lower market value becomes the new investment cost; otherwise, no adjustment is made.

The special-purpose trust beneficiary certificates are stated at cost. Costs of these upon maturity or sale are determined by the moving-average method.



Other Financial Assets - Noncurrent

Other financial assets - noncurrent are primarily investments in structural deposits. The interest revenue generated under the contract is credited to current income. The Company will reclaim the principal if the investments are held to maturity. However, the Company could incur a loss if the contract is canceled prematurely.

Financial Asset Securitization

Under the Financial Asset Securitization Act, E.Sun Bank securitized part of its bonds and entrusted those bonds to a trustee for the issuance of beneficiary certificates. E.Sun Bank then de-recognizes the bonds from securities purchased - except for beneficiary certificates being retained for credit enhancement and reclassified as long-term investments-and recognizes gain or loss because the control of contractual rights on these bonds has been surrendered and transferred to a trustee. The gain or loss on the sale of the bonds is the difference between the proceeds and carrying amount of the bonds, and this carrying amount should be allocated at the ratio of the retained right and the part sold to their fair values on the date of sale.

Since quotes are not available for retained interests, E.Sun Bank estimates fair value using management's key assumptions on bond credit loss rate and discount rates commensurate to the risks involved.

The retained beneficiary certificates, for which market quotes are not available, are accounted for as long-term investments. The present value of expected future cash flows is estimated and evaluated for any impairment loss. On the balance sheet date, impairment losses are recognized; gains are not.

Properties, Rentable Assets and Idle Assets

Properties, rentable assets and idle assets are stated at cost less accumulated depreciation. The cost of betterments and major renewals that extend the useful life of an item of property and equipment is capitalized. The cost of repairs and maintenance is charged to expense as incurred.

Depreciation is calculated by the straight-line method over service lives estimated as follows: buildings, 3 to 55 years; computers, 3 to 7 years; transportation equipment, 5 to 8 years; and miscellaneous equipment, 2 to 10 years; rentable assets, 10 to 50 years, and idle assets, 5 to 55 years. If an asset reaches its residual value but is still in use, it is further depreciated over its newly estimated service life.

An impairment loss should be recognized whenever the recoverable amount of a property or the cash-generating units of properties, rentable assets and idle assets is below the carrying amount. If asset impairment loss is reversed, the increase in the carrying amount resulting from the reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

The cost and accumulated depreciation are removed from the accounts when an item of property is disposed of or retired, and

any gain or loss is credited or charged to current income.

Selling on Condition

The cost of goods sold and imputed interest are recorded as accounts receivable installment. The imputed interest is treated as unearned interest income and is recognized as interest income when earned using the interest rate method.

Capital Lease

Capital lease is accounted for as direct financing lease in accordance with the ROC Statement of Financial Accounting Standards No. 2, "Accounting for Leases." Lease payment receivable results from minimum rental payment plus unguaranteed residual value. The difference between the lease payment receivable and the cost or the carrying value of the leased property is the unearned interest revenue, which is amortized on the interest rate method using implicit interest rate.

Goodwill

Goodwill is amortized over 5 years. Impairment loss is recorded if the carrying amount of goodwill exceeds the recoverable amount.

Operation Deposits

Under the Rules Governing Administration of Securities Firms and Rules Governing Administration of Futures Firms, security firms should place in government-designated banks guarantee deposits based on their respective type of business operations after registration.

Settlement Fund

Under Article 132 of the Securities Exchange Law, Article 10 of the Regulation Governing Securities Firms and Article 3 of the Over-the-Counter Securities Exchange Regulation, securities firms that broker marketable securities and trade securities for their own purposes should deposit settlement funds to the Taiwan Stock Exchange and the Over-the-Counter exchange before and after the start of business operation.

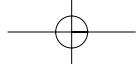
Brokerage Accounts, Net

Under the Guidelines Governing the Preparation of Financial Reports by Securities Firms, the brokerage accounts, net are recorded as brokerage accounts - debit (including bank deposits - settlement account, brokerage securities receivable, exchange clearance, credit transactions and settlements receivable) and brokerage accounts - credit (including brokerage securities payable, exchange clearances, credit transactions and settlements payable). As a result, brokerage accounts - debits are offset against brokerage accounts - credit and recorded as brokerage accounts, net.

Foreclosed Collaterals

Foreclosed collaterals (part of other assets) are recorded at the lower of cost or net fair value as of the balance sheet date.

Amortization of Bond Issuance Expenses



The direct and necessary costs related to the issuing of Euro-convertible bonds are recognized as other assets - other and amortized by the straight-line method over the period from the issuance date to the expiration date of the put option.

Stock Warrants Issued Liabilities/Repurchase of Stock Warrants Issued

Stock warrants are accrued and valued under the fair value method and recorded as stock warrants issued liabilities. If the stock warrants are hedged against its own investment securities as of the balance sheet date, the unrealized loss on the changes in market value of the stock warrants, which is less than the unrealized gain from the increase in market value of the hedging instruments, should be deferred; however, if the loss is greater than the above mentioned unrealized gain, it should be included in current year's results. The repurchase of stock warrants, according to full disclosure principle, should be classified as repurchase of stock warrants issued and debited to stock warrants issued liabilities.

Corporate Bonds Payable

The net carrying amount of Euro-convertible bonds (the face amount adjusted by unamortized premium and bond issuance expenses) at the date of conversion is credited to the appropriate capital accounts (capital stock equal to par value, with the balance credited to capital surplus) upon bond conversion.

Reserve for Losses on Breach of Purchase Commitment

Securities firms engaging in brokerage trading of marketable securities are required to provide 0.0028% of the monthly transaction volume as the default loss provision (part of other liabilities) until the balance of this provision reaches \$200,000 thousand. This provision may only be used to offset default loss or other loss approved by the Securities and Futures Bureau (SFB) of the ROC.

Reserves for Losses on Sale of Bonds

Under the regulations of the SFB, reserves for losses on sale of bonds (part of other liabilities) are computed at 10% of net gain on sale of bonds until the balance of the reserve reaches the required amounts set under relevant regulations. This reserve should only be used to offset actual losses on sale of the bonds.

Pension Costs

The Company has two types of pension plans: Defined benefit and defined contribution.

For the defined benefit plan, the Company recognizes pension costs based on actuarial calculations, and unrecognized net transitional asset or obligation is amortized over 23 to 31 years. For the defined contribution plan, the Company recognizes pension costs based on the Company's contributions to the employees' individual pension accounts during the employees' service periods.

When a defined benefit plan is amended, the prior service

costs should be amortized on a straight-line basis over the average period from the plan effective or amendment date until the benefits become vested. When the benefits are vested immediately following changes in the defined benefit plan, the Company should recognize the prior service cost as expense immediately.

Since 2004, ESSIT, ESVC and its subsidiaries, ESIB, ESSIC and ESFL have applied the ROC Statement of Financial Accounting Standards No. 18, "Accounting for Pensions," to calculate pension costs.

Treasury Stock

The reacquisition of issued capital stock as treasury stock is carried at cost and presented as a separate deduction to arrive at stockholders' equity.

The reissuance of treasury stocks is accounted for as follows: (a) reissue price higher than the acquisition cost - the excess is credited to capital surplus on treasury stock; and (b) reissue price less than the acquisition cost - initially charged to capital surplus on treasury stock, with any remaining deficiency charged to unappropriated earnings.

Under a directive issued by the SFB, if a financial institution ("FI") repurchases its own capital stock pursuant to the Securities and Exchange Law and becomes a wholly owned subsidiary of a financial holding company ("FHC"), resulting in the conversion of the FI's treasury stocks to the FHC's stock, the FHC's shares held by the FI should be treated as treasury stock. The FHC should also present the shares it issued in exchange for FI's capital stock as treasury stock. If shares of the FIs under the same FHC were held among each other before the share swap, these shares will be stated as equity investments after the swap. However, the FHC should state these shares as treasury stocks.

Recognition of Revenue

Interest revenue is recorded on an accrual basis. Under MOF regulations, no interest revenue is recognized on loans and other credits extended by the Company that are classified as overdue loans. The interest revenue on those loans is recognized upon collection of the loans and credits.

The unpaid interest on rescheduled loans should be recorded as deferred revenue, and the paid interest is recognized as interest revenue.

Service fees are recorded when a major part of the earnings process is completed and revenue is realized.

Other operating revenue is recorded on an accrual basis when a major part of the earnings process is completed.

Income Tax

Provision for income tax is based on inter-period tax allocation. The tax effects of deductible temporary differences, unused tax credits and operating loss carryforwards are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred income tax assets that are not certain to be realized.



ESFHC and its subsidiaries elected to file a consolidated tax return from 2003. The difference between consolidated income tax payable and the sum of income tax payable of the entities included in the consolidated tax return is considered as a tax consolidation adjustment which is shown on ESFHC's income tax expense or benefit. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivable or payable.

Income tax on interest in short-term negotiable instruments or special-purpose trust beneficiary certificates, which is levied separately, and any adjustment of income taxes of prior years are added to or deducted from the current year's tax expense.

Tax credits for personnel training and stock investments are recognized in the current period.

Income taxes (10%) on undistributed earnings generated since 1998 are recorded as expense in the year when the stockholders resolve to retain the earnings.

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. A footnote disclosure is made for a situation that might result in a loss if loss is possible but the amount of loss cannot be reasonably estimated.

Foreign Currency Transactions

Foreign-currency transactions of ESFHC (except forward transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Losses or gains resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement. The period-end balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as credits or charges to current income.

E.Sun Bank's foreign-currency transactions are included in the financial statements at their equivalent New Taiwan dollar amounts at the following rates: Assets and liabilities - current exchange rates; and income and expenses - rates prevailing on the date of each transaction. Exchange gains or losses are credited or charged to current income.

Forward Contracts

For forward contracts, which are used for trading purposes, assets and liabilities are recorded at the contracted forward rate. Gains or losses resulting from the difference between the spot rate and the contracted forward rate on the settlement date are credited or charged to current income.

For contracts outstanding as of the balance sheet date, the gains or losses resulting from the difference between the contracted forward rates and the forward rates available for the remaining periods of the contracts are credited or charged to current income. In addition, the receivables and payables related to the forward contracts are netted out, and the resulting amount is

presented as an asset or a liability.

Currency Swap Contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are entered into for trading purposes, are recorded at spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates.

The related differences between spot rates and contracted forward rates are amortized and recorded as interest revenue or interest expense over the contract period on the straight-line basis. For contracts open as of the balance sheet date, the receivables and payables on the contracts are netted out, and the resulting amount is presented as an asset or a liability.

Asset Swaps

The Company agrees to swap the interest rate and redemption premium or conversion right on its investment in bonds for the floating interest rates on these bonds. There is no exchange of contract (notional) principals (equal to the aggregate face values of the bonds). For swaps entered into for nontrading purposes, the net interest upon each settlement is recorded as an adjustment to interest revenue associated with the items being hedged.

Cross-currency Swap

Cross-currency swap contracts are recorded at their forward rates on the contract dates. The interest received or paid under the contract is recorded as interest revenue or expense.

Interest Rate Swaps

Interest rate swap contracts are recorded through memorandum entries on the contract dates since there is no exchange of contract (notional) principals. Interest received or paid upon each settlement is recorded as interest revenue or expense.

Options

The Company enters into currency option contracts and government bonds option contracts for trading purposes. Premiums received or paid are recorded as liabilities or assets. Gains or losses from the exercise of options are credited or charged to current income. For options unexercised as of the balance sheet date, gains or losses from valuation of the contracts are credited or charged to current income.

Foreign-currency Margin Contracts

The Company enters into foreign-currency margin contracts for trading purposes. Margins received or paid are recorded as liabilities or assets. The Company evaluates daily the unrealized gains or losses based on spots rates. Gains or losses on the settlement date are credited or charged to current income.

Futures

Margin deposits paid by the Company for interest rate futures

contracts entered into for trading purposes are recognized as assets. Gains or losses resulting from marking to market and from the settlement of the interest rate futures contracts are included in current income and the carrying amount of the margin deposits is adjusted accordingly.

Credit Default Swap Contracts

Credit default swap contracts, which are intended to hedge the credit risk of the held assets or to generate profit, are recorded through memorandum entries on the contract dates. If there is exchange of contract principals, the amounts are recorded as other long-term liabilities. Premiums amortized or accrued during the contract period are recorded as incomes or expenses. Gains or losses from the valuation of contracts as of the balance sheet date are credited or charged to current income.

Credit-Linked Loans

The Company enters into credit-linked loans for trading purposes. The Company recognizes interest revenue based on the floating interest rate. When the reference entity faces certain situations as described in the contract, the borrower repays loans by giving the reference asset to the Company.

Reclassifications

Certain accounts for the year ended December 31,2004 had been reclassified to be consistent with the presentation of the consolidated financial statements for the year ended December 31,2005.

4. SIGNIFICANT INTERCOMPANY TRANSACTIONS

The significant intercompany transactions, except the long-term equity investments and stockholders' equity of investees which had been eliminated, are summarized below:

Transacting Party	Eliminated Account	Amount	Transaction Counter-party	
2005				
ESFHC	Cash and cash equivalents	\$ 4,003,158	E.Sun Bank and subsidiaries	
	Interest receivable	1,736	E.Sun Bank and subsidiaries	
	Other receivable	504,145	E.Sun Bank and subsidiaries, ESIB and subsidiary, ESSIT, ESVC and subsidiary, E.Sun Securities and subsidiary	
	Prepaid expenses	910	E.Sun Bank and subsidiaries	
	Refundable deposits	1,433	E.Sun Bank and subsidiaries	
	Other payable	111,642	E.Sun Bank and subsidiaries, E.Sun Bills, E.Sun Securities and subsidiary, ESSIT	
	Operating expense	3,185	E.Sun Bank and subsidiaries	
	Nonoperating income and gains	1,832	E.Sun Bank and subsidiaries	
	Nonoperating expenses and losses	56	E.Sun Bank and subsidiaries	
	E.Sun Bank and subsidiaries	Accounts receivable	726	ESIB and subsidiary
		Other receivable	80,131	ESFHC
		Refundable deposits	301	ESVC and subsidiary
		Securities sold under repurchase agreements	30,000	E.Sun Securities and subsidiary
		Interest payable	2,277	ESFHC, E.Sun Securities and subsidiary, ESVC and subsidiary
Other payable		459,146	ESFHC	
Advances		16,086	ESFHC, E.Sun Securities and subsidiary, ESIB and subsidiary, ESVC and subsidiary, ESSIT	
	Deposits and remittances	4,744,871	ESFHC, E.Sun Bills, E.Sun Securities and subsidiary, ESIB and subsidiary, ESSIT, ESVC and subsidiary	

3. ACCOUNTING CHANGES

The Company began applying the ROC Statement of Financial Accounting Standards No. 35, "Accounting for Asset Impairment," on January 1, 2005. As a result, the Company recognized an impairment loss of \$7,127 thousand in 2005, with the corresponding reduction of idle assets and long-term equity investment under the equity method by the same amount. The Company's management believes this change had no significant effect on the consolidated financial statements.

Under a directive issued by the Ministry of Finance, sales and purchases of bonds and short-term bills under repurchase or resell agreements were treated as outright sales or purchases until 2003. However, under the Guidelines Governing the Preparation of Financial Reports by Public Banks and Guidelines Governing the Preparation of Financial Reports by Public Bills Corporations, both effective January 1, 2004, the repurchase/resell transactions are treated as financing. This accounting change increased E.Sun Bank's net income in 2004 by \$66,855 thousand and decreased E.Sun Bills' net income in 2004 by \$266,181 thousand.

Since the volume of E.Sun Bank and E.Sun Bills repurchase/resell transactions is huge and the accounting systems had been revised several times, the historical trading data are hard to trace and calculating the cumulative effect of the change in accounting principle was difficult. Thus, E.Sun Bank and E.Sun Bills could not calculate the cumulative effect of the change in accounting principle.

Transacting Party	Eliminated Account	Amount	Transaction Counter-party
	Guarantee deposits received	6,226	E.Sun Bills, E.Sun Securities and subsidiary, ESIB and subsidiary, ESFHC, ESSIT, ESVC and subsidiary
	Interest revenue	641	E.Sun Securities and subsidiary
	Service fees	45,290	ESIB and subsidiary, ESSIT, E.Sun Securities and subsidiary
	Loss on sales of securities	3,117	E.Sun Securities and subsidiary
	Foreign exchange gain	56	ESFHC
	Other operating revenue	20,989	E.Sun Bills, E.Sun Securities and subsidiary, ESVC and subsidiary, ESFHC, ESIB and subsidiary, ESSIT
	Interest expense	17,066	ESFHC, E.Sun Bills, E.Sun Securities and subsidiary, ESSIT, ESVC and subsidiary, ESIB and subsidiary
	Service charges	9,081	E.Sun Securities and subsidiary
	Operating expense	50,776	E.Sun Securities and subsidiary, ESVC and subsidiary
E.Sun Bills	Cash and cash equivalents	469,202	E.Sun Bank and subsidiaries
	Other receivable	10,304	ESFHC
	Refundable deposits	1,910	E.Sun Bank and subsidiaries
	Securities sold under repurchase agreements	36,002	ESSIT
	Interest revenue	7,125	E.Sun Bank and subsidiaries
	Interest expense	433	ESSIT
E.Sun Securities and subsidiary	Operating expense	7,277	E.Sun Bank and subsidiaries
	Cash and cash equivalents	14,359	E.Sun Bank and subsidiaries
	Interest receivable	265	E.Sun Bank and subsidiaries
	Other receivable	14,025	ESFHC
	Prepaid expenses	719	E.Sun Bank and subsidiaries
	Securities purchased under resell agreements	30,000	E.Sun Bank and subsidiaries
	Refundable deposits	11,399	E.Sun Bank and subsidiaries
	Securities brokerage accounts, net	224	E.Sun Bank and subsidiaries
	Cash and equivalents - prepaid underwriting stock value	17,745	E.Sun Bank and subsidiaries
	Other payable	32,925	ESFHC
	Interest revenue	199	E.Sun Bank and subsidiaries
	Service fees	6,242	E.Sun Bank and subsidiaries
	Other operating revenue	5,956	E.Sun Bank and subsidiaries
	Interest expenses	641	E.Sun Bank and subsidiaries
	Operating expense	8,610	E.Sun Bank and subsidiaries
ESIB and subsidiary	Nonoperating income and gains	7,470	E.Sun Bank and subsidiaries
	Cash and cash equivalents	19,218	E.Sun Bank and subsidiaries
	Prepaid expenses	84	E.Sun Bank and subsidiaries
	Refundable deposits	132	E.Sun Bank and subsidiaries
	Other payable	10,280	ESFHC, E.Sun Bank and subsidiaries
	Operating expense	11,944	E.Sun Bank and subsidiaries
	Nonoperating income and gains	68	E.Sun Bank and subsidiaries
ESSIT	Cash and cash equivalents	36,201	E.Sun Bank and subsidiaries, E.Sun Bills
	Other receivable	7,182	ESFHC
	Prepaid expenses	14,289	E.Sun Bank and subsidiaries
	Refundable deposits	1,220	E.Sun Bank and subsidiaries
	Other payable	314	ESFHC
	Operating expense	34,969	E.Sun Bank and subsidiaries
ESVC and subsidiary	Nonoperating income and gains	557	E.Sun Bank and subsidiaries, E.Sun Bills
	Cash and cash equivalents	210,766	E.Sun Bank and subsidiaries
	Interest receivable	276	E.Sun Bank and subsidiaries
	Prepaid expenses	84	E.Sun Bank and subsidiaries
	Refundable deposits	132	E.Sun Bank and subsidiaries
	Other payable	2,206	ESFHC
	Guarantee deposits received	301	E.Sun Bank and subsidiaries
	Other operating revenue	46,772	E.Sun Bank and subsidiaries
	Operating expense	294	E.Sun Bank and subsidiaries
	Nonoperating income and gains	4,252	E.Sun Bank and subsidiaries

Transacting Party	Eliminated Account	Amount	Transaction Counter-party
2004			
ESFHC	Cash and cash equivalents	\$ 56,436	E.Sun Bank
	Other receivable	801,598	E.Sun Bank and ESIB
	Other payable	159,786	E.Sun Bank, E.Sun Bill and E.Sun Securities
	Interest revenue	67,951	E.Sun Bank
	Foreign exchange loss	115,415	E.Sun Bank
E.Sun Bank	Other receivable	83,193	ESFHC and ESIB
	Securities sold under repurchase agreements	517,762	E.Sun Securities
	Interest payable	233	E.Sun Securities
	Other payable	786,427	ESFHC
	Deposits and remittances	931,037	ESFHC, E.Sun Bills, E.Sun Securities and ESIB
	Guarantee deposits received	1,910	E.Sun Bills
	Interest revenue	279	E.Sun Bills and E.Sun Securities
	Service fees	12,996	ESIB
	Foreign exchange gain	115,415	ESFHC
	Rental revenue	5,027	E.Sun Securities, E.Sun Bills and ESIB
	Other revenue	16,110	E.Sun Securities
	Interest expense	87,158	ESFHC, E.Sun Bills, E.Sun Securities and ESIB
	Service charges	4,265	E.Sun Securities
	Rental expense	3,000	E.Sun Securities
	General and administrative expense	1,624	E.Sun Securities
E.Sun Bills	Cash and cash equivalents	790,629	E.Sun Bank
	Other receivable	60,761	ESFHC
	Refundable deposits	51,910	E.Sun Bank
	Interest revenue	12,748	E.Sun Bank and E.Sun Securities
	Interest expense	141	E.Sun Bank
	Service charges	35	E.Sun Securities
	Rental expense	2,479	E.Sun Bank
E.Sun Securities	Cash and cash equivalents	4,676	E.Sun Bank
	Securities purchased under resell agreements	517,762	E.Sun Bank
	Interest receivable	233	E.Sun Bank
	Other receivable	18,894	ESFHC
	Pledge time deposits	10,000	E.Sun Bank
	Interest revenue	6,440	E.Sun Bank
	Service fees	5,924	E.Sun Bank and E.Sun Bills
	Rental revenue	3,000	E.Sun Bank
	Interest expense	140	E.Sun Bank and E.Sun Bills
	Service charges	16,110	E.Sun Bank
	Rental expense	2,239	E.Sun Bank
ESIB	Cash and cash equivalents	19,296	E.Sun Bank
	Accrued expense	3,062	E.Sun Bank
	Other payable	15,171	ESFHC
	Interest revenue	21	E.Sun Bank
	Rental expense	309	E.Sun Bank
	Operation expense	12,996	E.Sun Bank

The significant intercompany transactions for those subsidiaries whose accounts were not included in the consolidated financial statements as of and in the year ended December 31, 2004 are summarized below:

Transacting Party	Account	Amount	Transaction Counter-party	
ESC	Cash and cash equivalents	\$ 1,350	E.Sun Bank	
	Other operating revenue	19,014	E.Sun Bank	
ESSIT	Cash and cash equivalents	128,240	E.Sun Bank and E.Sun Bills	
	Interest receivable	2,823	E.Sun Bank	
	Other payable	21,802	ESFHC	
	Operating expenses	2,083	E.Sun Bank	
ESVC	Nonoperating income and gains	4,043	E.Sun Bank and E.Sun Bills	
	Cash and cash equivalents	308,324	E.Sun Bank	
	Interest receivable	315	E.Sun Bank	
	Other payable	1,940	ESFHC	
ESSIC	Nonoperating income and gains	2,566	E.Sun Bank	
	Cash and cash equivalents	10,224	E.Sun Bank	
	Other operating revenue	13,000	E.Sun Securities	
	Operating expenses	1,080	E.Sun Securities	
ESIA	Nonoperating income and gains	70	E.Sun Bank	
	Cash and cash equivalents	5,332	E.Sun Bank	
	Nonoperating income and gains	53	E.Sun Bank	
ESFL	Cash and cash equivalents	28,473	E.Sun Bank	
	Prepaid rent	380	E.Sun Bank	
	Refundable deposits	599	E.Sun Bank	
	Other operating revenue	4,953	E.Sun Securities	
	Nonoperating income and gains	19	E.Sun Bank	
	Operating expenses	760	E.Sun Bank	
	Payables	3,138	ESSIT and ESVC	
E.Sun Bank	Prepaid expenses	380	ESFL	
	Deposits and remittances	412,043	ESSIT, ESVC, ESSIC, ESC, ESIA and ESFL	
	Refundable deposits	599	ESFL	
	Service fees	2,083	ESSIT	
	Other operating revenue	760	ESFL	
	Interest expense	6,340	ESSIT, ESSIC, ESVC, ESFL and ESIA	
	Operating expenses	19,014	ESC	
	E.Sun Securities	Operating expenses	17,953	ESSIC and ESFL
		Nonoperating income and gains	1,080	ESSIC
	E.Sun Bills	Securities sold under repurchase agreements	69,900	ESSIT
Interest expense		411	ESSIT	
ESFHC	Other receivable	23,742	ESVC and ESSIT	

5. CASH AND CASH EQUIVALENTS

	December 31	
	2005	2004
Cash on hand	\$ 3,615,834	\$ 2,889,907
Due from banks	5,108,873	6,976,324
Checks for clearing	6,990,873	2,731,194
Cash equivalents - earnings ratio is 1.10%-1.15% in 2004	-	79,960
	<u>\$ 15,715,580</u>	<u>\$ 12,677,385</u>

6. DUE FROM THE CENTRAL BANK OF CHINA (CBC) AND OTHER BANKS

	December 31	
	2005	2004
Call loans to banks	\$ 18,254,448	\$ 13,354,468
Reserves for deposits in CBC	16,570,430	14,118,370
Deposits in CBC	384,175	379,029
	<u>\$ 35,209,053</u>	<u>\$ 27,851,867</u>

As required by law, the reserves for deposits in CBC are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts held by E.Sun Bank. As of December 31, 2005 and 2004, deposit reserve portions of \$10,476,676 thousand and \$8,098,534 thousand, respectively, were restricted from E.Sun Bank use as required by certain regulations.

7. SECURITIES PURCHASED, NET

	December 31	
	2005	2004
Government bonds and treasury bills	\$ 30,325,366	\$ 34,379,247
Certificates of deposit	27,694,775	30,267,672
Overseas securities	23,943,896	20,410,533
Commercial paper	22,273,975	14,439,505
Bank debentures and corporate bonds	13,899,573	3,446,556
Stocks and mutual funds	2,539,638	2,528,598
Operating securities - dealing department	2,200,405	1,108,072
Operating securities - hedge	317,666	28,370
Bank acceptances	25,072	3,773
Operating securities - underwriting department	21,995	80,621
	<u>123,242,361</u>	<u>106,692,947</u>
Less allowance for decline in value	131,075	19,817
	<u>\$ 123,111,286</u>	<u>\$ 106,673,130</u>

As of December 31, 2005 and 2004, some of the securities which amounted to \$49,699,484 thousand and \$49,682,655 thousand (face value), respectively, had been sold under repurchase agreements.

8. RECEIVABLES, NET

	December 31	
	2005	2004
Credit cards	\$ 29,539,803	\$ 26,735,412
Margin loans receivable	1,912,607	1,858,509
Accrued interest	2,092,606	1,810,560
Notes receivable	1,370,275	2,632
Forward exchange receivable	286,634	746,044
Acceptances	790,955	679,647
Accounts receivable	226,421	543,719
Tax refundable	319,085	436,134
Accrued income	376,307	110,513
Other receivable - consolidated corporate tax	-	23,742
Others	621,571	586,915
	<u>37,536,264</u>	<u>33,533,827</u>
Less allowance for possible losses	363,804	272,076
Less unrealized interest revenue	54,359	-
	<u>\$ 37,118,101</u>	<u>\$ 33,261,751</u>



9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired under resell agreements amounted to \$5,446,257 thousand and \$6,433,954 thousand as of December 31, 2005 and 2004, respectively, and will be sold for \$5,448,687 thousand and \$6,437,180 thousand.

As of December 31, 2005 and 2004, some of the securities which amounted to \$2,653,400 thousand and \$1,253,600 thousand (face value), respectively, had been sold under repurchase agreements.

10. BILLS, DISCOUNTS AND LOANS, NET

	December 31	
	2005	2004
Loans:		
Short-term	\$ 64,940,843	\$ 55,477,356
Medium-term	82,430,447	67,795,554
Long-term	217,328,901	150,525,009
Bills and discounts	2,747,423	1,543,983
Overdue loans	2,133,457	1,829,381
	<u>369,581,071</u>	<u>277,171,283</u>
Less allowance for possible losses	1,580,195	1,811,699
	<u>\$ 368,000,876</u>	<u>\$ 275,359,584</u>

As of December 31, 2005 and 2004, the loan and credit balances, for which accrual of interest revenues was discontinued, amounted to \$2,133,457 thousand and \$1,829,381 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to \$70,585 thousand and \$69,411 thousand in the years ended December 31, 2005 and 2004, respectively.

In the years ended December 31, 2005 and 2004, the Company carried out legal procedures required before writing off certain credits.

The details of and changes in the allowance for credit losses on bills, discounts and loans are summarized below:

	Year Ended December 31, 2005		
	Specific Risk	General Risk	Total
Balance, January 1, 2005	\$ 519,622	\$ 1,292,077	\$ 1,811,699
Provisions (reversal)	902,657	(878,451)	24,206
Write-offs	(1,208,062)	-	(1,208,062)
Recovery of written-off credits	950,088	-	950,088
Effects of exchange rate changes	-	2,264	2,264
Balance, December 31, 2005	<u>\$ 1,164,305</u>	<u>\$ 415,890</u>	<u>\$ 1,580,195</u>

	Year Ended December 31, 2004		
	Specific Risk	General Risk	Total
Balance, January 1, 2004	\$ 227,684	\$ 1,942,076	\$ 2,169,760
Transfer from the Kaohsiung Business Bank Co., Ltd.	-	1,721,007	1,721,007
Provisions (reversal)	1,669,898	(2,367,059)	(697,161)
Write-offs	(2,558,585)	-	(2,558,585)
Recovery of written-off credits	1,180,625	-	1,180,625
Effects of exchange rate changes	-	(3,947)	(3,947)
Balance, December 31, 2004	<u>\$ 519,622</u>	<u>\$ 1,292,077</u>	<u>\$ 1,811,699</u>



11. LONG-TERM INVESTMENTS

	December 31	
	2 0 0 5	2 0 0 4
Long-term equity investments	\$ 1,363,172	\$ 2,339,366
Long-term bond investments	16,480,066	8,466,314
Other long-term investments	9,346,412	3,932,339
	<u>\$ 27,189,650</u>	<u>\$ 14,738,019</u>

The details of long-term equity investments are summarized below:

	December 31			
	2005		2004	
	Amount	% of Owner-ship	Amount	% of Owner-ship
Equity method:				
With no quoted market prices				
ESVC	\$ -	-	\$ 1,021,077	100.0
ESSIT	-	-	417,562	100.0
ESFL	-	-	154,241	99.0
ESIA	-	-	22,610	99.0
ESSIC	-	-	11,586	100.0
Kao Li Real-Estate Management Co.	-	-	11,289	30.0
	-	-	<u>1,638,365</u>	
Cost method:				
With quoted market prices				
United Micro Electronics	175,098	-	200,451	-
Ampire Co., Ltd.	13,314	1.9	-	-
Epitech Technology Corp.	1,332	-	-	-
Star World Technology Co., Ltd.	64	-	-	-
With no quoted market prices				
Financial Information Service Co., Ltd.	108,954	2.3	108,954	2.3
Taiwan Asset Management Corporation	100,000	0.6	100,000	0.6
Fu Bon Securities Finance Co., Ltd.	98,957	2.6	98,957	2.6
Globaltop Partner I Venture Capital Co., Ltd.	100,000	3.0	100,000	3.0
Others	870,662		203,843	-
	<u>1,468,381</u>		<u>812,205</u>	
Less allowance for possible losses	97,277		111,204	
Less deferred revenue	7,932		-	
	<u>1,363,172</u>		<u>701,001</u>	
	<u>\$ 1,363,172</u>		<u>\$ 2,339,366</u>	
Market values of stock with quoted market prices	<u>\$ 92,540</u>		<u>\$ 89,247</u>	

The financial statements of equity-method investees on which the calculations of investment carrying value and related income were based, had all been audited, except those of ESIA and Kao Li Real-Estate Management Co. The Company's management believes that, had investees' accounts been audited, the effect of any adjustments on the consolidated financial statements would not have been significant. The net income (loss) from long-term investments under the equity method in the years ended December 31, 2005 and 2004 was net loss of \$83 thousand and net income of \$137,821 thousand, respectively.

Long-term bond investments are summarized below:

	December 31	
	2 0 0 5	2 0 0 4
Government bonds	\$ 11,100,990	\$ 8,466,314
Corporate bonds	3,983,201	-
Overseas securities	1,150,100	-
Bank debentures	245,775	-
	<u>\$ 16,480,066</u>	<u>\$ 8,466,314</u>

As of December 31, 2005, some of the long-term bond investments, which amounted to \$2,610,000 thousand (face value), had been sold under repurchase agreements.



Other long-term investments are summarized below:

	December 31	
	2005	2004
Collateralized bond obligation on securitization beneficiary certificates - domestic	\$ 4,946,835	\$ -
Collateralized securitization beneficiary certificates - overseas	3,254,337	-
Mortgage loan securitization beneficiary certificates - domestic	1,145,240	3,632,339
5 years callable accumulator inverse floating structural product	-	300,000
	\$ 9,346,412	\$ 3,932,339

12. FINANCIAL ASSET SECURITIZATION

In the fourth quarter of 2005, E.Sun Bank entered into two trust contracts (amounting to \$10,060,287 thousand and \$18,340,853 thousand) with The Hong Kong and Shanghai Banking Corporation Limited (HSBC, the trustee) and transferred E.Sun Bank's rights and risks on bond holdings to the trustee in accordance with the Financial Asset Securitization Act. Upon the transfer, the trustee acquired the bondholder's rights from E.Sun Bank, and the trustee issued beneficiary certificates named E.Sun CBO 2005-1 and E.Sun CBO 2005-2 to general investors and turned over to E.Sun Bank the funds raised on certificate issuance along with the retained beneficiary certificates (E.Sun CBO 2005-1 is Type D; E.Sun CBO 2005-2 is Type C). E.Sun Bank recognized a loss of \$10,287 thousand (part of gains on sales of securities, net) on this transaction.

The issuance period for E.Sun CBO 2005-1, amounting to \$10,050,000 thousand, is between October 19, 2005 and July 20, 2012. Interest is payable quarterly. This beneficiary certificate is categorized as follows:

Types of Beneficiary Certificate	Repayment Priority	Issued Amount	Interest Rate
A	First	\$ 8,750,000	1.825%
B	Second	800,000	2.050%
C	Third	450,000	1.925%
D	Fourth/remainder	50,000	None

The issuance period for E.Sun CBO 2005-2, amounting to \$18,341,000 thousand, is between December 28, 2005 and September 20, 2014. This beneficiary certificate is categorized as follows:

Type of Beneficiary Certificate	Repayment Priority	Issued Amount	Interest Rate	Percentage of Total Amount Issued
A1	First	\$ 2,500,000	0%	95.36
A2	First	6,215,000	0%	90.08
A3	First	5,774,349	0%	83.60
B	Second	1,908,281	0%	82.03
C	Third/remainder	1,943,370	None	

E.Sun Bank's future service income from this contract is expected to cover all service costs; thus, no service asset or service liability is recognized. E.Sun Bank's retained beneficiary certificates ensure that E.Sun Bank will retain its liquidity after the investor collects its income based on the trust contract. If the certificate issuers cannot disburse funds upon certificate maturity, the investors and the trustee have no right of recourse on E.Sun Bank's other assets. In addition, the investor's rights take precedence over the rights on the retained beneficiary certificates. The value of the retained beneficiary certificates will be affected by the credit risk of the bond issuers, interest rate risk, etc.

a. Key assumptions used in measuring retained interests:

	E.Sun CBO 2005-1		E.Sun CBO 2005-2	
	December 31, 2005	October 19, 2005	December 31, 2005	October 28, 2005
Projected advance reimbursement rate	0%	0%	0%	0%
Projected credit loss rate	0%	0%	2%	2%
Discount rate for residual cash flows	3.82%	3.82%	3.71%	3.71%



All the bond issuers in the asset pool of E.Sun CBO 2005-1 have attained the credit rating of twA or above, and during the past seven years, only one debtor with a credit rating of twB breached the contract according to Taiwan Ratings 2004 research. Thus, E.Sun Bank's projected credit loss rate will be zero.

b.Sensitivity analysis:

As of December 31, 2005, the key assumptions and the sensitivity of the current fair value of residual cash flows to the immediate 10% and 20% adverse changes in these assumptions were as follows:

	December 31, 2005	
	E.Sun CBO 2005-1	E.Sun CBO 2005-2
Carrying amount of retained interest	\$ 50,000	\$ 3,965,809
Projected credit loss rate (annual)	0%	2%
Impact on fair value of 10% adverse change	-	(87,740)
Impact on fair value of 20% adverse change	-	(184,144)

c.As of December 31, 2005, there had been no credit loss on the securitized bonds; thus, the expected static pool credit loss rate is equal to the projected credit loss rate.

d.Cash flows

Cash flows resulting from the securitization are as follows:

	December 31, 2005	
	E.Sun CBO 2005-1	E.Sun CBO 2005-2
Proceeds from sales of beneficiary certificate	\$ 10,000,000	\$14,375,044
Prepayment of reserve deposit	(80,000)	(51,000)

13.ACCUMULATED DEPRECIATION

	December 31	
	2 0 0 5	2 0 0 4
Buildings	\$534,071	\$407,752
Computers	1,150,950	925,439
Transportation equipment	161,271	142,419
Miscellaneous equipment	648,863	553,246
	<u>\$2,495,155</u>	<u>\$2,028,856</u>

14.GOODWILL

E.Sun Bank acquired substantially all of the businesses, and assets and liabilities of the Kaohsiung Business Bank Co., Ltd. on September 4, 2004. E.Sun Bank recognized a goodwill of \$6,117,415 thousand from this acquisition. The goodwill is amortized over five years. E.Sun Bank recognized an impairment loss of \$1,103,393 thousand (part of nonoperating expenses and losses) on September 30, 2004. The impairment loss amount was based on the management's evaluation of the scale of future operations. E.Sun Bank recognized amortization expenses of \$998,886 thousand and \$352,435 thousand (part of operating expense) in the years ended December 31, 2005 and 2004.

15. OTHER ASSETS, NET

	December 31	
	2005	2004
Foreclosed collaterals	\$ 167,101	\$ 478,379
Less allowance for possible losses	40,401	75,899
Foreclosed collaterals, net	126,700	402,480
Rentable assets, net (less accumulated depreciation of \$27,527 thousand in 2005 and \$13,305 thousand in 2004)	3,216,271	3,103,224
Refundable deposits	1,107,232	999,844
Idle assets, net (less accumulated depreciation of \$16,510 thousand in 2005 and \$2,127 thousand in 2004 and accumulated impairment loss of \$6,857 thousand in 2005)	794,108	690,664
Operation deposits	656,489	612,612
Deferred charges, net of amortization	227,954	315,638
Deferred income tax assets, net	227,088	297,381
Settlement funds	80,843	73,544
Revaluation of derivative transactions	13,945	284,827
Others	9,881	17,233
	<u>\$ 6,460,511</u>	<u>\$ 6,797,447</u>

16. SHORT-TERM DEBTS

	December 31	
	2005	2004
Credit loans - annual interest rate is 1.47%-1.58% in 2005 and 1.275%-1.400% in 2004	\$ 1,130,000	\$ 100,000

17. COMMERCIAL PAPER ISSUED

The face value of commercial paper issued was \$1,150,000 thousand and \$420,000 thousand and the annual discount rate was 1.162%-1.350% and 0.922%-1.100% as of December 31, 2005 and 2004, respectively.

18. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Short-term negotiable instruments sold under repurchase agreements amounted to \$58,729,182 thousand and \$54,213,579 thousand as of December 31, 2005 and 2004, respectively. These would be repurchased for \$58,794,375 thousand and \$54,263,449 thousand.

19. STOCK WARRANTS ISSUED LIABILITIES, NET

	December 31	
	2005	2004
Stock warrants issued liabilities	\$41,700	\$63,750
Less repurchase of stock warrants	17,025	56,975
	<u>\$24,675</u>	<u>\$6,775</u>

a. The stock warrants (E.Sun 01-07) issued by E.Sun Securities, which underlying securities are First Financial Holding Co., Ltd., Asia Cement Corp., BenQ Corp., Chi Mei Optoelectronics Corp., Realtek Semiconductor Corp., Tung Ho Steel Enterprise Corp. and Acer Incorporated were summarized as follows:

Stock Warrants	Price at Issuance (in New Taiwan Dollars)	Market Price (in New Taiwan Dollars)	December 31, 2005		Gains (Losses) on Change in Market Value of Stock Warrants Liabilities in 2005
			Unit Issued	Issued Amount	
E.Sun 04	\$2.10	\$0.13	20,000,000	\$ 42,000	\$ 39,400
E.Sun 05	1.90	1.10	20,000,000	38,000	16,000
E.Sun 06	1.33	0.03	20,000,000	26,600	26,000
E.Sun 07	0.49	0.55	30,000,000	14,700	(1,800)
Less gains on change in market value of stock warrants liabilities				(79,600)	\$ 79,600
Market value				<u>\$ 41,700</u>	

Stock Warrants	December 31, 2004		Unit Issued	Issued Amount	Gain on Change in Market Value of Stock Warrants Liabilities in 2004
	Price at Issuance (in New Taiwan Dollars)	Market Price (in New Taiwan Dollars)			
E.Sun 01	\$3.50	\$2.55	25,000,000	\$ 87,500	\$ 23,750
Less gains on change in market value of stock warrants liabilities				(23,750)	
Market value				<u>\$63,750</u>	

The information of stock warrants was summarized as follows:

Stock Warrants	Type	Expiry Date	Exercise Date	Settlements
E.Sun 01, 03 - 07	American	Six months after listed	From listed date to expiry date	Cash or securities chosen by E.Sun Securities
E.Sun 02	American	Nine months after listed	From listed date to expiry date	Cash or securities chosen by E.Sun Securities

b.Details of repurchase of stock warrants issued were as follows:

	December 31			
	2005		2004	
	Units Repurchase	Amounts	Units Repurchase	Amounts
E.Sun 01	-	\$ -	22,343,000	\$ 67,875
E.Sun 04	69,000	3	-	-
E.Sun 05	1,557,000	2,190	-	-
E.Sun 06	13,543,000	2,593	-	-
E.Sun 07	37,085,000	14,479	-	-
Less losses on change in market value of stock warrants repurchased		(2,240)		(10,900)
Market value		<u>\$ 17,025</u>		<u>\$ 56,975</u>

c.Gains of stock warrants issued were as follows:

	Year Ended December 31	
	2005	2004
Stock warrants liabilities		
Gains on change in market value	\$ 247,500	\$ 23,750
Gains on expiry of warrant	650	-
Stock warrants repurchase		
Losses from disposal	(171,042)	(12,440)
Gains (losses) from change in market value	4,968	(10,900)
Gains on stock warrants issued	<u>\$ 82,076</u>	<u>\$ 410</u>

There was no exercise for the duration of the expired stock warrants.

20.DUE TO THE CENTRAL BANK OF CHINA AND OTHER BANKS

	December 31	
	2005	2004
Call loans from banks	\$ 27,489,028	\$ 26,292,104
Due to banks	950,032	96,163
Bank overdraft	200,047	65,439
Due to the Central Bank of China	61,334	65,005
	<u>\$ 28,700,441</u>	<u>\$ 26,518,711</u>

21. PAYABLES

	December 31	
	2005	2004
Checks for clearing	\$ 6,981,646	\$ 2,726,836
Accrued interest	1,579,587	1,148,677
Acceptances	796,593	683,912
Accrued expenses	404,919	284,802
Collections payable	368,571	245,191
Tax	347,584	761,449
Securities financing guaranty proceeds payable	178,185	177,589
Securities financing guaranty deposits	155,214	160,705
Other	699,832	697,244
	<u>\$ 11,512,131</u>	<u>\$ 6,886,405</u>

22. DEPOSITS AND REMITTANCES

	December 31	
	2005	2004
Deposits:		
Checking	\$ 6,507,938	\$ 4,145,859
Demand	53,911,351	41,498,908
Savings - demand	103,248,161	83,158,428
Time	121,296,091	84,875,484
Negotiable certificates of deposit	16,961,200	14,654,000
Savings - time	133,672,080	101,672,666
Remittances	73,448	35,133
	<u>\$ 435,670,269</u>	<u>\$ 330,040,478</u>

23. BONDS

	December 31	
	2005	2004
Bonds issued on August 6, 2001; 3.76% interest, payable annually; principal due on maturity date (5 years after the issue date).	\$ 3,000,000	\$ 3,000,000
Subordinated bonds issued on August 6, 2001; 4.2% interest, payable annually; principal repayable in five installments starting in the third year from the issue date and final installment due at the end of the seventh year.	1,200,000	1,600,000
Four types of subordinated bonds issued on June 13, 2002; 5%-8.6% interest rate minus the 90 days' interest rate of commercial paper (stated below), payable quarterly; principal due on the maturity date (5 years after the issue date).	1,700,000	1,700,000
Four types of subordinated bonds issued on August 16, 2002; 5.94% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5 years after the issue date).	1,300,000	1,300,000
Five types of bonds issued on August 23, 2002; 6% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5.5 years after the issue date).	2,000,000	2,000,000
Eight types of bonds issued on October 9, 2003; interest rate at (a) 3.8% for the first year, 5.0% minus six months' London Interbank Offered Rate for U.S. dollars (6M LIBOR) for the second to the fifth year and 180 days' interest rate for commercial paper starting from October 9, 2005 for types A and B bonds; (b) 5.15% minus 6M LIBOR for types C to E bonds; and (c) 4.22% minus 90 days' interest rate for commercial paper for types F to H bonds, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	2,000,000	2,000,000
Seven types of bonds issued on October 16, 2003; interest rate at (a) twice the five years' NT\$ interest rate swap (IRS) minus the two years' NT\$ IRS for types A to D bonds; (b) twice the five years' NT\$ IRS minus the two years'		



	December 31	
	2005	2004
NT\$ IRS plus 0.75% for types E and F bonds; and (c) 3% for the first year and twice the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.4% for the second to the fifth year for the type G bond, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	\$ 1,800,000	\$ 1,800,000
Five types of bonds issued on October 29, 2003; interest rates at (a) three months' London Interbank Offered Rate for U.S. dollars (3M LIBOR) plus 1.2% if 3M LIBOR is less than 1% or 4.7% minus 3M LIBOR if 3M LIBOR is more than or equal to 1% for type A bond; (b) 2.5 times of the five years' NT\$ IRS minus two years' NT\$ IRS plus 0.45%, with limit of 3.75%, for types B and C bonds; and (c) 2.5 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.4%, with limit of 3.7%, for types D and E bonds, with all interest rates not to fall below 0% and payable semiannually for type A bond and quarterly for other bond types; principal due on the maturity date (5 years after the issue date).	1,200,000	1,200,000
Seven types of bonds issued on February 27, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.6% if 6M LIBOR is between 1.05% and 2%, or 4.52% minus 6M LIBOR if 6M LIBOR is more than 2% for types A to D bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types E to G bonds with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	2,000,000	2,000,000
Three types of bonds issued on February 27, 2004; interest rates at 3.03% if 6M LIBOR is less than or equal to 2.5%, or 5.2% minus 6M LIBOR if 6M LIBOR is more than 2.5%, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	1,000,000	1,000,000
Eight types of bonds issued on March 18, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2.00%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types A and B bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.40% if 6M LIBOR is between 1.05% and 2.00%, or 4.4% minus 6M LIBOR if 6M LIBOR is more than 2% for types C to E bonds; (c) 2.5 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.5% if the five years' NT\$ IRS minus the two years' NT\$ IRS is less than or equal to 1.2%, or 2% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% for types F and G bonds; (d) 2 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 1.75% if the five years' NT\$ IRS minus the two years' NT\$ IRS is less than or equal to 1.2%, or 2.65% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% in the first and second years, and 3 times of the five years' NT\$ IRS minus the two years' NT\$ IRS if the five years' NT\$ IRS minus the two years' NT\$ IRS is less than or equal to 1.2%, or 2.1% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% in the third to fifth year for type H bond, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	2,000,000	2,000,000
Five bond types issued on May 10, 2004; interest rates at (a) (6M LIBOR plus 0.5001%) multiplied by n/N for type A bond; (b) (6M LIBOR plus 0.5002%) multiplied by n/N for type B bond; (c) (6M LIBOR plus 0.5003%) multiplied by n/N for type C bond; (d) (6M LIBOR plus 0.5004%) multiplied by n/N for type D bond, with 6M LIBOR for types A to D bonds between 1% and 2% in the first year, between 1% and 2.25% in the second year, between 1.05% and 3.00% in the third year, between 1.05% and 3.50% in the fourth year, between 1.1% and 4.0% in the fifth year, between 1.10% and 4.25% in the sixth year, between 1.1% and 4.5% in the seventh year, "n" means the total		



	December 31	
	2005	2004
days of 6M LIBOR between the foregoing interest rate range in each interest-bearing period, "N" means total days of each interest-bearing period; (e) 1.15 times of the ten years' US\$ CMS minus the two years' US\$ CMS with interest rates not to fall below 0% for type E bond; payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	\$ 2,300,000	2,300,000
Three types of bonds issued on May 19, 2004, interest rates at (a) 3% if 6M LIBOR is less than or equal to 2.5%, or 5.3% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.82% if 6M LIBOR is between 1.1% and 2.5%, or 5% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type B bond; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 2.0%, or 5.1% minus 6M LIBOR if 6M LIBOR is more than 2%; with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (7 years after the issue date).	900,000	900,000
Five types of bonds issued on June 1, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.5% if 6M LIBOR is between 1.1% and 2.5%, or 5.15% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5% for types B and C bonds; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 6.05% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (5 years after the issue date).	1,300,000	1,300,000
Bonds issued on June 1, 2004; interest rate at 6M LIBOR if 6M LIBOR is less than 0.9%, or 4% if 6M LIBOR is between 0.9% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually; principal repayable on the maturity date (7 years after the issue date).	500,000	500,000
Subordinated bonds issued on September 16, 2004; 2.95% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	1,300,000	1,300,000
Subordinated bonds issued on December 17, 2004; 2.80% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	3,700,000	3,700,000
Bonds issued on June 24, 2005; 2.75% interest, payable annually; principal repayable on maturity date (10 years after the issue date).	5,000,000	-
Subordinated bonds issued on October 11, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Past Co., Ltd. plus 0.425%, payable quarterly; principal repayable on maturity (7 years after the issue date).	2,000,000	-
Subordinated bonds issued on October 19, 2005; 2.725% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	1,400,000	-
Subordinated bonds issued on November 4, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Past Co., Ltd. plus 0.4%, payable annually; principal repayable on maturity (7 years after the issue date).	1,600,000	-
	\$ 39,200,000	\$ 29,600,000

The above 90 days' and 180 days' interest rates for commercial paper and floating interest rate were based on the average interest rate quoted by Hong Kong's Moneyline Telerate and Reuter.

24. CORPORATE BONDS PAYABLE

	December 31	
	2005	2004
ESFHC first unsecured subordinated corporate bond in 2005	\$ 5,000,000	\$ -
E.Sun Bills first domestic secured corporate bonds in 2003	3,000,000	3,000,000
E.Sun Bills second domestic secured corporate bonds in 2003	2,000,000	2,000,000
	<u>\$ 10,000,000</u>	<u>\$ 5,000,000</u>

On June 27, 2003, ESFHC issued US\$178,200 thousand zero coupon Euro convertible bonds with par value of US\$1,000 dollars in Luxembourg. All the convertible bonds had been converted and redeemed as of December 31, 2004.

On December 15, 2005, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$5,000,000 thousand and par value of \$10,000 thousand. The bond will mature in seven years, and principal is repayable on maturity. Interest is payable quarterly at the floating rate for the one-year time savings deposit of Chunghwa Post Co., Ltd. plus 0.4%.

On December 22, 2003, E.Sun Bills made a first issue of its secured corporate bonds with aggregate face value of \$3,000,000 thousand. The corporate bonds are categorized from A to J at the stated interest rate. The corporate bonds will mature in five years, and the principal is payable on the maturity date. Interest is payable semiannually, and interest calculation is based on the six months' London Interbank Offered Rate for U.S. dollars (6M LIBOR). If

the 6M LIBOR is less than 1.05%, the interest rate will be between 6M LIBOR and 6M LIBOR plus 0.005%. If the 6M LIBOR falls between 1.05% and 2.00%, the interest rate is 3.5%, but if 6M LIBOR is more than 2%, the interest rate is 4.52% minus 6M LIBOR. However, the interest rate should not fall below zero.

On February 20, 2004, E.Sun Bills made a second issue of its secured corporate bonds with aggregate face value of \$2,000,000 thousand. The corporate bonds are categorized from A to H at the stated interest rate. The corporate bonds will mature in five years, and the principal is payable on the maturity date. Interest is payable semiannually, and interest calculation is based on the 6M LIBOR. If the 6M LIBOR is less than 1.05%, the interest rate will be between 6M LIBOR and 6M LIBOR plus 0.007%. If the 6M LIBOR falls between 1.05% and 2.00%, the interest rate is 3.8%, but if 6M LIBOR is more than 2%, the interest rate is 5% minus 6M LIBOR. However, the interest rate should not fall below zero.

25. LONG-TERM DEBTS

	December 31	
	2005	2004
Unsecured long-term debts - interest rate at 2.088%	\$ 200,000	\$ -
Secured long-term debts - interest rate at 1.6150%-1.7759%	-	1,238,000
	200,000	1,238,000
Less due in one year	-	838,000
	<u>\$200,000</u>	<u>\$ 400,000</u>

The secured debts above had been repaid as of December 31, 2005. ESFHC provided E.Sun Bank's 454,000 thousand shares as collaterals for the long-term debts as of December 31, 2004.

ESFHC obtained a \$390,000 thousand loan from Shanghai Commercial Bank in June 2005, repayable from June 2005 to July 2006. As of December 31, 2005, ESFHC had fully repaid this loan. ESFHC also obtained a \$200,000 thousand loan from First Bank in December 2005, repayable from December 2005 to December 2008. As of January 2006, ESFHC had fully repaid this loan.

26. OTHER LONG-TERM LIABILITIES

	December 31	
	2005	2004
Credit-linked structured products	\$ 2,550,000	\$ -
Five-year fixed income, principal-guaranteed deposit (in New Taiwan dollars)	1,000,000	-
	<u>\$ 3,550,000</u>	<u>\$ -</u>

Credit-linked structured products refer to money deposited in accordance with the structured-product contracts, valued in New Taiwan dollars, between E.Sun Bank and other parties, in which credit risks on certain bonds will be transferred to the counter-parties. When the bond issuers face certain situations as described in the contract, E.Sun Bank can make repayments by giving the bonds to the counter parties. The interest rate for this product is from 2.18% to 2.40%, and product maturity is in November 2010.

The five-year fixed income, principal-guaranteed deposits in New Taiwan dollars are the structured deposits, with 2.29% interest payable quarterly and guaranteed return of principal upon instrument maturity. If counter-parties end contracts prematurely, the counter-parties may assume loss. E.Sun Bank has the right to recall the deposits at face value each interest paying day.

27. STOCKHOLDERS' EQUITY

a. Capital stock

In the 2004 of stockholders' meeting, the stockholders of ESFHC resolved to use the unappropriated earnings of \$933,331 thousand as stock dividends of 93,333 thousand shares. These appropriations were approved by the Financial Supervisory Commission (FSC) and the Ministry of Economic Affairs (MOEA).

The Euro convertible bonds issued by ESFHC were converted into 330,910 thousand shares in 2004.

In 2005, the stockholders of ESFHC resolved to use the unappropriated earnings of \$963,904 thousand as stock dividends of 96,390 thousand shares. This appropriation was approved by the FSC and the MOEA. As of December 31, 2005, the paid-in capital of ESFHC was \$30,270,000 thousand.

To dispose of ESFHC's shares held by E.Sun Bank, ESFHC issued 6,800 thousand units of Global Depositary Shares (GDS) (one unit represents 25 common shares), which equaled 170,000 thousand common shares, at US\$14.5 dollars per share, on the Luxembourg Stock Exchange on September 27, 2004.

The GDS holders are entitled to present their GDSs for cancellation and receive the corresponding number of underlying common shares, and the common shares can be traded in the domestic stock exchange market. As of December 31, 2005, the GDS holders had canceled 6,133 thousand units (equaled 153,326 thousand shares), ESFHC issued 66 thousand units (equaled 1,657 thousand shares) because of stock dividend distribution, and the deposit agents reissued 1,711 thousand units (equaled 42,768 thousand shares). Therefore, the outstanding GDSs were 2,444 thousand units, which equaled 61,099 thousand shares, or 2.02% of ESFHC's total outstanding common shares.

On November 10, 2005, the board of directors resolved to enhance ESFHC's financial structure by issuing Euro convertible bonds or domestic convertible bonds. The bond issuance date and

other terms will be determined by the ESFHC'S chairman, who will authorize personnel to frame related details.

On December 29, 2005, the board of directors resolved to acquire 100,000 thousand shares of E.Sun Bank at NT\$20 per share, amounting to \$2,000,000 thousand. The Financial Supervisory Commission approved the application.

b. Capital surplus

Under the related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from issuance of shares in excess of par value (issuance in excess of common stock par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Capital surplus from long-term equity method investments can not be distributed for any purpose.

Under the Financial Holding Company Law and related directives issued by the SFB, the distribution of the ex-conversion unappropriated earnings that are generated by financial institutions (the subsidiaries) and become part of capital surplus of the financial holding company through stock conversion, is exempted from the appropriation restriction of the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings before stock conversion amounted to \$2,919,727 thousand, which was already stated as ESFHC's capital surplus as of its establishment date. In 2002, the stockholders resolved to increase ESFHC's capital by \$1,800,000 thousand through the issuance of stock dividends from capital surplus.

The capital surplus as of December 31, 2005 came from treasury stock and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

Sources	
From subsidiaries	
Capital surplus (mainly paid-in capital in excess of par value)	\$ 413,733
Legal reserve	2,776,834
Special reserve	109,230
Unappropriated earnings	2,919,727
Proportionate share in the unrealized loss on long-term equity investments	(23,399)
	<u>6,196,125</u>
Total capital stock of subsidiaries in excess of ESFHC's issuance	<u>600,000</u>
Balance on January 28, 2002	6,796,125
From ESSIT which became a 100% subsidiary of ESFHC in 2003 through a share swap	
Legal reserve	4,350
Unappropriated earnings	7,861
	<u>6,808,336</u>
Corporate bonds payable converted into capital stock	
In 2003	9,005
In 2004	2,613,625
Treasury stock transactions recognized from subsidiaries	3,015,943
Transferring of shares to employees by subsidiary	483
Cash dividend from ESFHC received by subsidiaries	208,161
	<u>12,655,553</u>
Uses	
Remuneration to directors, supervisors and bonus to employees of subsidiaries	(156,458)
Issuance of ESFHC's stock dividends in 2002	(1,800,000)
Offset of deficit in 2003	(3,091,451)
	<u>\$ 7,607,644</u>

c. Appropriation of earnings and dividend policy

When ESFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated. Any remainder should be appropriated as follows:

- 1) 96% as dividends
- 2) 1% as remuneration to directors and supervisors
- 3) 3% as bonus to employees.

Under ESFHC's Articles of Incorporation, the stockholders may decide not to declare any dividends or declare only a portion of distributable earnings as dividends.

Under ESFHC's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen ESFHC's financial structure. This policy is also intended to improve the ESFHC's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. However, when dividends are declared, cash dividends must be at least 10% of total dividends declared, unless the resulting cash dividend per share falls below

NT\$0.10 dollar.

Under the Company Law, legal reserve should be appropriated until the reserve equals ESFHC's paid-in capital. This reserve may be used only to offset a deficit. When the reserve exceeds 50% of ESFHC's paid-in capital, (a) the excess may be declared as dividends or bonus when ESFHC has no earnings; or (b) the portion of the excess that is over 25% of ESFHC's paid-in capital may be declared as stock dividends when ESFHC has no deficit.

Under an SFB directive, a special reserve is appropriated from the balance of the retained earnings at an amount that is equal to the debit balance of accounts in the stockholders' equity section (such as unrealized loss on long-term equity investments and cumulative translation adjustments, except treasury stocks). The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts on the balance sheet date.

Appropriations of earnings should be resolved by the stockholders in the following year and reflected in the financial statements of that year.

On June 11, 2004, the stockholders of ESFHC resolved the appropriation of earnings in 2003, which were resolved by the ESFHC's Board of Directors on February 12, 2004, as follows:

Legal reserve	\$	452,903
Special reserve		53,767
Dividend - cash, NT\$1 dollar per share		2,818,678
- stock, NT\$0.3 dollar per share		845,603
Remuneration to directors and supervisors		38,170
Bonus to employees- cash		26,781
- stock		87,728

The dividend per share amount is calculated by the 2,506,367 thousand shares issued by ESFHC and 312,311 thousand shares which were converted from all outstanding Euro convertible bonds as of December 31, 2003. The dividend per share amount will change if the holder of the convertible bonds does not convert the bonds into ESFHC's shares or the treasury stock for reissuance to employees was not transferred before ex-rights or ex-dividend date. The actual dividend per share is NT\$1.0856 dollars in cash and NT\$0.3257 dollar in stock.

On June 10, 2005, the stockholders of ESFHC resolved the appropriation of earnings in 2004, which were resolved by ESFHC's Board of Directors on February 14, 2005, as follows:

Legal reserve	\$	483,644
Special reserve		49,241
Dividend - cash, NT\$1 dollar per share		3,223,670
- stock, NT\$0.3 dollar per share		879,183
Remuneration to directors and supervisors		42,738
Bonus to employees- cash		43,493
- stock		84,721

The basic earnings per share (after income tax) for 2004 would have been decreased from NT\$1.88 to NT\$1.83 if the aforementioned remuneration to directors and supervisors and bonus to employees had been recognized as expenses.

As of February 8, 2006, the date of the accompanying auditors' report, the board of directors had not resolved the appropriation of the 2005 earnings.

Information on the appropriation of earnings or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

Under the integrated income tax system, certain stockholders are allowed tax credits for the income tax paid by the Company.

28. INCOME TAX

Under Article 49 of the Financial Holding Company Law, a financial holding company (FHC) can elect to file consolidated income tax returns for the regular corporate income tax as well as the 10% income tax on undistributed earnings for FHC and its domestic subsidiaries if the FHC held more than 90% of the subsidiaries' outstanding shares for the entire tax year. ESFHC is qualified in the regulations.

ESFHC and its subsidiaries started to file consolidated tax returns since 2003.

a. Income tax calculation was as follows:

	2005	2004
Income tax expense - current before tax credits	\$ 958,549	\$ 1,023,946
Net changes in deferred income tax		
Tax credits	239	10,440
Allowance for possible losses on loans and receivables and reserve for losses on guarantees	5,414	108,997
Unrealized foreign exchange gain	9,555	(19,513)
Loss carryforwards	3,816	307,698
Unrealized gain or loss on derivative transactions	(8,856)	9,872
Loss from market decline of foreclosed collaterals	8,875	(18,975)
Goodwill	56,149	(262,000)
Others	(703)	1,970
Valuation allowance	3,979	(4,896)
Tax on unappropriated earnings (10%)	138,822	111,201
Tax effect on consolidated tax returns	(132,773)	(112,508)
Adjustment of prior year's tax	(286)	(11,180)
	<u>\$ 1,042,780</u>	<u>\$ 1,145,052</u>

b. A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax was shown below:

	2005	2004
Income tax expense on income before income tax at statutory rate (25%)	\$1,425,858	\$ 1,495,362
Permanent differences	(397,203)	(303,922)
Temporary differences	(70,106)	(167,494)
Income tax expense-current before tax credits	<u>\$ 958,549</u>	<u>\$ 1,023,946</u>

c. Net deferred income tax assets were as follows:

	2005	2004
Deferred income tax assets (liabilities)		
Allowance for possible losses on loans and receivables and reserve for losses on guarantees	\$ 54,061	\$ 53,011
Loss carryforwards	12,580	16,396
Unrealized foreign exchange gain	(49,463)	(39,908)
Unrealized gain on derivative transactions	(1,016)	(9,872)
Goodwill	205,851	262,000
Loss from market decline of foreclosed collaterals	10,100	18,975
Others	11,251	9,076
	<u>243,364</u>	<u>309,678</u>
Less allowance evaluation	16,276	12,297
Net deferred income taxes assets	<u>\$ 227,088</u>	<u>\$ 297,381</u>

d. Imputed tax credit was summarized as follows:

	ESFHC	E.Sun Bank	E.Sun Bills	E.Sun Securities	ESIB	ESSIT	ESVC
Balance of ICA							
December 31, 2005	\$ 668,351	\$ 23,637	\$ 9,710	\$ 1,525	\$ 380	\$ 23,528	\$ 693
December 31, 2004	373,286	6,451	7,365	2,745	20,932	15,586	1,780
Estimated creditable tax ratio for distributing the 2005 earnings	17.45%	1.11%	2.94%	2.01%	0.59%	-	2.54%
Actual creditable tax ratio for distributing the 2004 earnings	21.59%	0.98%	4.10%	9.70%	27.78%	15.01%	8.20%

The actual creditable tax ratio may differ from the estimated creditable tax ratio since this ratio is computed on the date the dividend is actually paid or distributed.

e. The unappropriated earnings generated before January 1, 1997 were as follows:

	ESFHC	E.Sun Bank	E.Sun Bills	E.Sun Securities	ESIB	ESSIT	ESVC
December 31, 2005 and 2004	\$ -	\$ -	\$ 91,777	\$ -	\$ -	\$ -	\$ -

f. The years for which income tax returns have been examined by the tax authorities as of December 31 2005 were as follows:

	ESFHC	E.Sun Bank	E.Sun Bills	E.Sun Securities	ESIB	ESSIT	ESVC
	2002	2001	2002	2002	None	2003	2002

g. For E.Sun Bank's income tax return of 1994 to 2001 (except 1996 and 1999), the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to periods when those bonds, totaling \$290,044 thousand, were held by other investors. E.Sun Bank had accrued liabilities and written off assets that were related to the foregoing withholding taxes as part of income tax expense in 2001. In August 2002, the Supreme Administrative Court decided that the Taipei National Tax Administration should review the withholding tax issue again.

In 2003, the Taipei National Tax Administration decided to rebate 65% of the foregoing withholding taxes. E.Sun Bank accepted this decision and thus recognized a tax refund receivable in 2003. As of December 31, 2005, E.Sun Bank had received a tax refund of \$61,727 thousand on the 1994, 1995 and 1998 tax returns.

h. The effective income tax rates for 2005 and 2004 were about 25%.

29. TREASURY STOCK

Reason for Redemption	(Unit: Thousand Shares)			
	Shares at Beginning of the Year	Shares Increase During of the Year	Shares Decrease During of the Year	Shares at End of of the Year
2004				
Reissuance to employees - held by E.Sun Bank Treasury stock previously classified E.Sun Bank and E.Sun Securities as long-term investments	40,000	-	40,000	-
	334,629	6,248	340,877	-
	<u>374,629</u>	<u>6,248</u>	<u>380,877</u>	<u>-</u>

Under the Financial Holding Company Law, when a financial institution (a subsidiary) holds the shares of a financial holding company (FHC) as a result of a share swap, those shares should be sold to the FHC or the subsidiary's employees or exchanged for other purposes - e.g., sold on the Taiwan Stock Exchange or over-the-counter exchange - within three years from the swap date. Otherwise, the shares will be regarded as the FHC's unissued capital, and the FHC may change the amount of its registered capital.

On August 26, 2004, E.Sun Bank reissued 40,000 thousand shares of ESFHC to employees.

On December 1, 2003, the board of directors of E.Sun Bank resolved to issue bonds for exchange with the underlying shares of ESFHC within the limit of 150,000 thousand shares under Article 31 of the Financial Holding Company Law. On January 23, 2004, E.Sun Bank issued three-year debenture exchangeable bonds amounting to \$2,696,100 thousand at 0% interest. On June 14, 2004, all the exchangeable bond holders had exchanged bonds to ESFHC's common stock.

On February 12, 2004, the board of directors of E.Sun Bank resolved to authorize the chairman to dispose of the shares of ESFHC within the limit of 184,449 thousand shares as required under the Financial Holding Company Law.

For E.Sun Bank's purpose of disposing ESFHC's shares amounting to 170,000 thousand shares, ESFHC

issued 6,800 thousand units of Global Depository Shares on September 27, 2004 (Please refer to Note 27).

On June 23, 2004, the board of directors of E.Sun Securities resolved to authorize the chairman to dispose ESFHC's stock as a result of the share swap within the limit of 8,850 thousand shares as required under the Financial Holding Company Law.

As of December 31, 2004, E.Sun Bank and E.Sun Securities have disposed all of the treasury stock.

Under the Securities and Exchange Law, ESFHC is not allowed to buy more than 10% of its issued and outstanding capital stock. In addition, ESFHC may not spend more than the sum of retained earnings and all realized capital surplus. Further, ESFHC can not pledge or hypothecate any treasury stock and exercise stockholders' rights before reissuance of the stocks.

Except for the shares which had been bought by subsidiaries before ESFHC's establishment, the subsidiaries can only exercise the earnings distribution and surplus capitalization rights.

Under SFB regulations, to maintain the stability of ESFHC's financial structure and protect stockholders, ESFHC appropriated a special reserve from retained earnings at an amount equal to the carrying value of the treasury stock held by subsidiaries in excess of the market value on balance sheet date. The special reserve may be reversed if the market value recovers.

30. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) are summarized as follows:

	Amounts (Numerator)		Shares (Denominator in Thousands)	Earnings Per Share (Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
2005					
Basic and diluted EPS	\$ 4,524,284	\$ 4,656,349	3,027,000	\$ 1.49	\$ 1.54
2004					
Basic EPS	\$ 4,723,164	\$ 4,836,437	2,571,609	\$ 1.84	\$ 1.88
Effect of diluted common shares:					
Convertible bonds	(49,549)	(37,162)	207,980		
Diluted EPS	\$ 4,673,615	\$ 4,799,275	2,779,589	\$ 1.68	\$ 1.73

The number of shares outstanding was retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. As a result of this adjustment, the basic and diluted EPS after income tax decreased from NT\$1.94 to NT\$1.88 and from NT\$1.78 to NT\$1.73 in 2004.

31. PENSION PLAN

The Company has pension plans for all regular employees. Upon retirement, an employee will receive the Company's contributions before the Labor Standards Act (the "LSA"), which were credited to his/her account, plus earnings thereof and an amount calculated on the basis of length of service after the LSA effective date, and monthly average basic pay of the year before retirement. E.Sun Bank amended the defined benefit plan in 2005. Upon retirement, an employee will receive an amount calculated on the basis of service years.

ESFHC makes monthly contributions, equal to 5.54% of salaries, to a pension fund. The fund is deposited in the Central Trust of China in the name of the workers' fund administration committee, which manages the fund.

E.Sun Bank and E.Sun Bills make monthly contributions, equal to 5.54% and 4.00%, respectively, of salaries, to a pension fund. The fund is deposited in the Central Trust of China in the name of the employees' fund administration committee, which manages the fund. The difference between the foregoing contributions and the pension costs based on actuarial calculations for E.Sun Bank and E.Sun Bills is deposited in a financial institution in the

name of the employees' pension fund administration committee.

E.Sun Securities and ESSIT make monthly contributions, equal to 4% of salaries, to a pension fund. The fund is managed by the workers' fund administration committee and deposited in its name in the Central Trust of China.

The Labor Pension Act (the "Act") took effect on July 1, 2005. A new defined contribution pension plan is stipulated by this Act. Employees may choose the pension mechanism under the LSA or under this Act. For those employees who were subject to the LSA before the enforcement of this Act, still work for the same business entity after the enforcement of this Act, and choose to be subject to the pension mechanism under this Act, their service year before the enforcement of this Act will be retained. Under the Act, the rate of an employer's monthly contribution to the Labor Pension Fund should be at least 6% of the employee's monthly wages. On the other hand, the Company has continued to make monthly pension contributions for the employees who chose the defined benefit plan under the LSA.

Pension expense under the Act was \$51,521 thousand in the second half of 2005.

Other information in 2005 and 2004 on the defined benefit plan is as follows:

	2005	2004
a. Net pension cost		
Service cost	\$ 93,484	\$ 110,470
Interest cost	22,757	16,355
Actual return on plan assets	(50,659)	(77,249)
Amortization	40,285	53,797
Net pension cost	<u>\$ 105,867</u>	<u>\$ 103,373</u>
	December 31	
	2005	2004
b. Reconciliation of the plan funded status to balance sheet amounts		
Benefit obligation:		
Vested benefit obligation	\$(53,373)	\$(26,877)
Non-vested benefit obligation	(550,949)	(387,281)
Accumulated benefit obligation	<u>(604,322)</u>	<u>(414,158)</u>
Additional benefits based on future salaries	(409,587)	(273,445)
Projected benefit obligation	(1,013,909)	(687,603)
Fair value of plan assets	884,467	832,619
Funded status	<u>(129,442)</u>	<u>145,016</u>
Unrecognized transitional net asset	(952)	(11,782)
Unamortized prior service cost	119,955	-
Unamortized net pension gains or losses	(16,212)	(141,348)
Additional minimum pension	(11,623)	(4,805)
Prepaid pension	<u>(3,906)</u>	<u>(3,190)</u>
Accrued pension cost	<u>\$ (42,180)</u>	<u>\$ (16,109)</u>
Vested benefits	<u>\$ (53,559)</u>	<u>\$ (26,877)</u>

	2005	2004
c. Actuarial assumptions		
Discount rate	2.5%	3.0%
Rate of increase in compensation	2.0-3.0%	2.5-3.0%
Expected long-term rate of return on plan assets	2.5%	3.0%
d. Summary of pension fund contributions and payments		
Contributions	\$82,383	\$97,608
Payment of benefits	\$85,252	\$10,118

32. RELATED-PARTY TRANSACTIONS

In addition to those mentioned in other notes, the relationship with the Company and significant related party transactions were summarized as follows:

a. Related parties

Related Party	Relationship with the Company
E.Sun Foundation and E.Sun Volunteer & Social Welfare Foundation	One third of the funds are donated by E.Sun Bank and E.Sun Bills
E.Sun Venture Capital Co., Ltd. ("ESVC"), E.Sun Securities Investment Trust Corp. ("ESSIT"), E.Sun Finance & Leasing Co., Ltd. ("ESFL"), E.Sun Securities Investment Consulting Co., Ltd. ("ESSIC") and E.Sun Insurance Agent Co., Ltd.	Equity-method investees (applicable to the year ended December 31, 2004)
Kao Li Real Estate Management Co.	Equity-method investee until its liquidation in June 2005
E.Sun Technologies Co., Ltd.	Equity-method investee of subsidiary until parent's sale of its holdings in November 2005
E.Sun Capital Co., Ltd.	Equity-method investee of subsidiary (applicable to the year ended December 31, 2004)
Fu Bon Securities Finance Co. and Bank-Pro E-Service Technology Co., Ltd.	E.Sun Bank is a director of the Company
Globaltop Partner I Venture Capital Corp.	ESVC is a supervisor of the Company
Others	ESFHC's and subsidiaries' chairman, president, directors, supervisors, general managers and their relatives

b. Significant transactions with related parties

1) Loan, deposits and bank debentures

	December 31			
	Amount	% to Total	Interest Rate (%)	Revenue (Expense)
2005				
Loans	\$315,292	-	1.225-4.27	\$9,830
Deposits	\$418,800	-	0-8.88	\$(10,065)
2004				
Loans	\$615,370	-	1.025-6.72	\$10,995
Deposits	\$690,611	-	0-8.5	\$(7,853)
Bonds	\$ -	-	-	\$(3,621)

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for deposits given to managers of the E.Sun Bank are the same as the interest rates for a certain amount of employees' savings deposits.

Under the Banking Law, except for consumer loans and government loans, credits extended by the E.Sun Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.



	December 31			
	2005		2004	
	Amount	% to Total	Amount	% to Total
Related Party				
2)Commissions receivable (part of receivables)	\$ 4,144	-	\$ 19,238	-
3)Other receivable (part of receivables) - ESFHC	\$ -	-	\$ 23,742	-
4)Securities sold under repurchase agreements	\$ 330,000	1	\$ 677,566	1
5)Unearned revenue (part of advance)	\$ 5,786	-	\$ -	-
6)Prepaid interest (part of prepaid expense)	\$ 14,304	3	\$ -	-
7)Securities purchased - mutual funds	\$ 302,793	-	\$ 171,324	-

The Company started to file consolidated corporate tax returns from 2003. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivable or payable.

Related Party	2005	2004
	Amount	Amount
8)Donation		
E.Sun Volunteer & Social Welfare Foundation	\$ 46,000	\$ 35,943
E.Sun Foundation	\$ -	\$ 20,000
9)Commissions	\$ 121,923	\$ 192,216
10)Brokerage service fee	\$ 1,801	\$ 2,044
11)Rental revenue (part of operating income - others)	\$ 600	\$ 1,840
12)Rental expenses (part of operating expense)	\$ -	\$ 5,201
13)Telecommunications expense (part of operating expense)	\$ 6,710	\$ -
14)Maintenance expense (part of operating expense)	\$ 3,563	\$ -
15)Software service charges (part of operating expense)	\$ 714	\$ -

The donation is for Foundation's education and social welfare charity.

16)E.Sun Securities signed an investment consulting service contract with ESSIC. E.Sun Securities paid \$13,000 thousand of the service fee in 2004.

17)To meet the authorities' requirements and to dispose of structured bonds held by E.Sun New Era Bond Fund (the "Fund") managed by ESSIT, ESSIT bought bonds with an aggregate face amount of \$2,000,000 thousand from the Fund and paid \$2,028,217 thousand for this purchase. ESSIT then sold these bonds to another bank, and this sale resulted in a loss of \$25,700 thousand.

18)Under the FSC's guidelines, ESSIT paid an interest of \$647 thousand, which was generated by the securities sold under repurchase agreements between E.Sun New Era Bond Fund.

The term of the above transactions were similar to or approximated those for third parties.

33. PLEDGED ASSETS

In addition to those mentioned in other notes, the pledged assets of the Company are summarized as follows:

	December 31	
	2005	2004
Securities purchased (face value)	\$ 6,293,996	\$ 7,544,100
Receivables	300	600
Long-term bond investments (face value)	6,258,500	6,250,000
Other financial assets - current (certificates of deposit)	556,400	-
Rentable assets (carrying amount)	279,635	-
	<u>\$ 13,388,831</u>	<u>\$ 13,794,700</u>





As of December 31, 2005 and 2004, certain certificates of deposit and government bonds, with aggregate face values of \$6,550,000 thousand and \$7,150,000 thousand had been provided as collaterals for day-term overdraft to comply with the Central Bank's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may also be treated as liquidity reserve.

As of December 31, 2005 and 2004, the above-mentioned securities purchased amounting to \$5,300,000 thousand had been provided to International Commercial Bank of China and Chiao Tung Bank as collaterals for issuing corporate bonds by E.Sun Bills. As of December 31, 2004, E.Sun Bank had provided government bonds with face value of \$100,000 thousand as refundable execution deposits according to the contract (please refer to Note 45). Others securities were placed with courts of justice for various collection cases on overdue loans or were used as business reserve.

The rentable assets are real estates on which E.Sun Bank had acquired guarantee deposits of \$190,000 thousand based on related contracts. The real estates had been pledged to the tenants, i.e., if E.Sun Bank does not return the deposits to the tenants upon contract expiry or termination, the tenants have the right to dispose of the properties.

34. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2005 were as follows:

a. ESFHC

To help ESSIT in dealing with structured bonds, ESFHC committed to increase ESSIT's capital in cash if ESSIT's net worth is lower than the par value of its stock when it compensates E.Sun Bank for the securitization of the structured bonds (E.Sun CBO 2005-2) at the end of the trust period.

b. E.Sun Bank

1) Renewable operating lease agreements on premises occupied by E.Sun Bank's branches, which will expire on various dates by July 2015. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2005, refundable deposits on these leases totaled \$781,105 thousand. Minimum annual rentals for the next five years are as follows:

Year	Amount
2006	\$ 347,252
2007	284,236
2008	221,626
2009	167,065
2010	76,021

Total rentals for 2011 to 2015 aggregate \$11,773 thousand. The present value of these rentals is \$10,249 thousand, based on 1.915% annual interest.

2) Agreements on decoration of buildings and various purchases related to the improvements of existing premises occupied by its branches amounted to approximately \$1,389,479 thousand. As of December 31, 2005 the remaining unpaid amount was approximately \$736,370 thousand.

c. E.Sun Bills

1) Arising in the ordinary course of business

	Amount
Guarantees on commercial paper	\$ 18,335,200
Negotiable instruments underwritten	681,000
Buying fixed rate commercial paper	610,000

2) Leases

E.Sun Bills leases certain properties under operating lease agreements expiring on various dates by July 2009. The leases are payable monthly or quarterly. Refundable deposits on these leases aggregated \$3,477 thousand as of December 31, 2005.

Future minimum annual rentals are as follows:

Year	Amount
2006	\$ 9,962
2007	9,165
2008	9,165
2009	3,813



d.E.Sun Securities

1)E.Sun Securities leases certain properties under operating lease agreements expiring on various dates. Future minimum annual rentals are as follows:

Year	Amount
2006	\$ 27,134
2007	21,913
2008	11,692
2009	9,094
2010	1,516

2)E.Sun Securities entered into agreements to acquire fixed assets. As of December 31, 2005, the related contract is summarized as follows:

	Contract Amount	Paid Amount	Unpaid Balance
Lease improvement	\$ 18,854	\$ 8,685	\$ 10,169

3)For the issuance of stock warrants, E.Sun Securities provided TSE with Taishin Bank's letter guaranteeing \$40,000 thousand of this transaction.

e.ESSIT

ESSIT leases certain properties under operating lease agreements expiring on various dates. Future minimum annual rentals are as follows:

Year	Amount
2006	\$ 4,270
2007	4,879
2008	4,879
2009	4,879
2010	1,830

f.ESIB

ESIB entered into insurance agent contracts with various insurance companies. The contracts are summarized as follows:

Insurance Company	Contract Date	Commission Received	Contract Period
Prudential Insurance	2004.01.09	Billed and received according to contract terms	Effectively starts on January 9, 2004 and will expire on January 9, 2014. The contract may be undated according to the parties written notice when the contract expired.
Tokio Marine Newa	2005.10.15	Billed and received according to contract terms	Effectively starts on October 15, 2005 and will expire on October 15, 2014. The contract may be undated according to the parties written notice when the contract expired.

35.PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2005	2004
Personnel expenses		
Salaries	\$2,436,918	\$2,138,412
Insurance	187,685	146,218
Pension	157,388	103,373
Other	217,117	179,849
Depreciation expenses	601,993	455,471
Amortization expenses	1,120,674	439,683

The personnel, depreciation and amortization expenses were part of operating expenses.

36.CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Law and related regulations, ESFHC should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or other assets will be restricted, and the authorities may discipline ESFHC, depending on the situation. The consolidated CARs of ESFHC were 115.69% and 120.84% as of December 31, 2005 and 2004, respectively.

The Banking Law and related regulations require that E.Sun Bank maintains both stand-alone and consolidated CARs at a minimum of 8% each. If E.Sun Bank's CAR falls below 8%, the authorities may impose certain restrictions on the amount of cash dividends that E.Sun Bank may declare or, in certain conditions, totally prohibit E.Sun Bank from declaring cash dividends. As of December 31, 2005 and 2004, the stand-alone CARs of E.Sun Bank were 10.00% and 11.51%, respectively, and the consolidated CARs of E.Sun Bank were 10.01% and 11.52%, respectively.

Under the law governing bills finance companies and related regulations, E.Sun Bills should maintain a CAR of at least 8%. If the CAR falls below 8%, the authorities might subject E.Sun Bills' earnings appropriations to certain restrictions. The CARs of E.Sun Bills were 15.78% and 15.39% as of December 31, 2005 and 2004, respectively.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 200% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 200%, the authority may impose certain restrictions on a firm's operations. The CARs of E.Sun Securities were 514.57% and 835.20% as of December 31, 2005 and 2004.

37.AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance is calculated at the daily average balance of interest-earning assets and interest-bearing liabilities.

a.E.Sun Bank

	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents - due from banks	\$1,340,382	1.58	\$3,293,861	1.11
Due from the Central Bank of China and other banks	17,930,462	1.79	15,272,565	1.55
Securities purchased	66,310,995	2.36	51,367,824	1.39
Securities purchased under resell agreements	2,505,744	0.99	2,510,687	0.81
Receivables of credit cards	30,198,636	12.74	25,418,504	14.31
Bills, discounts and loans	319,415,591	3.32	240,121,560	3.40
Long-term bond investments	8,853,356	2.02	6,384,168	2.08
Other long-term investments	2,713,248	1.75	1,823,816	1.69
Other financial assets	753,032	1.27	-	-
<u>Interest-bearing liabilities</u>				
Securities sold under repurchase agreements	10,627,246	1.12	11,414,941	0.80
Due to the Central Bank of China and other banks	28,827,048	2.54	26,677,506	1.31
Demand	41,432,261	0.38	31,711,638	0.18
Savings - demand	91,316,207	0.55	70,520,794	0.54
Time	100,525,866	1.76	81,163,817	1.26
Savings - time	115,253,942	1.64	82,407,110	1.45
Negotiable certificates of deposit	18,698,537	1.26	13,267,152	1.03
Bonds	33,043,836	2.30	23,660,073	1.86

b.E.Sun Bills

	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from Banks	\$5,468,532	1.70	\$3,956,786	1.39
Call loans to banks	174,997	1.87	225,929	1.90
Operating securities - bills	31,139,119	1.28	31,855,360	1.18
Operating securities - bonds	21,077,788	4.11	21,699,696	4.05
Bills purchased under resell agreements	-	-	54,768	0.99
Bonds purchased under resell agreements	2,218,626	1.14	1,326,338	0.83
Other financial assets - noncurrent	284,384	3.46	180,328	2.89
Long-term bond investments	2,155,342	2.57	1,744,093	4.05
<u>Interest-bearing liabilities</u>				
Call loans from banks	\$5,404,756	1.30	\$7,357,139	1.01
Commercial paper issued	155,616	1.15	303,825	0.85
Bills sold under repurchase agreements	22,187,212	1.05	21,749,488	1.04
Bonds sold under repurchase agreements	23,552,410	1.19	21,988,975	0.87
Corporate bonds payable	5,000,000	1.00	4,726,776	3.59

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of the Company's assets and liabilities is based on the remaining period from balance sheet dates. The remaining period to maturity is based on maturity dates specified under agreements and, if there are no specified maturity dates, on the expected dates of collection or payment.

	December 31, 2005			
	Due in One Year	Due After One Year Up to Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	\$ 15,715,580	\$ -	\$ -	\$ 15,715,580
Due from the Central Bank of China and other banks	35,209,053	-	-	35,209,053
Securities purchased	123,242,361	-	-	123,242,361
Receivables	36,632,830	903,434	-	37,536,264
Securities purchased under resell agreements	5,446,257	-	-	5,446,257
Bills, discounts and loans	88,306,910	67,533,790	213,740,371	369,581,071
Long-term bond investments	9,882	9,198,102	7,272,082	16,480,066
Other long-term investments	-	1,926,343	-	1,926,343
	<u>\$ 304,562,873</u>	<u>\$ 79,561,669</u>	<u>\$ 221,012,453</u>	<u>\$ 605,136,995</u>
Liabilities				
Short-term debts	\$ 1,130,000	\$ -	\$ -	\$ 1,130,000
Commercial paper issued	1,149,110	-	-	1,149,110
Securities sold under repurchase agreements	58,729,182	-	-	58,729,182
Due to the Central Bank of China and other banks	28,700,441	-	-	28,700,441
Payables	11,512,131	-	-	11,512,131
Deposits and remittances	414,309,901	21,360,368	-	435,670,269
Bonds	3,000,000	31,200,000	5,000,000	39,200,000
Corporate bonds payable	-	10,000,000	-	10,000,000
Long-term debts	-	200,000	-	200,000
Other long-term liabilities	-	3,550,000	-	3,550,000
	<u>\$ 518,530,765</u>	<u>\$ 66,310,368</u>	<u>\$ 5,000,000</u>	<u>\$ 589,841,133</u>

	December 31, 2004			
	Due in One Year	Due after One Year Up to Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	\$ 12,677,385	\$ -	\$ -	\$ 12,677,385
Due from the Central Bank of China and other banks	27,851,867	-	-	27,851,867
Securities purchased	106,692,947	-	-	106,692,947
Receivables	33,533,827	-	-	33,533,827
Securities purchased under resell agreements	6,433,954	-	-	6,433,954
Bills, discounts and loans	79,445,646	51,294,233	146,431,404	277,171,283
Long-term bond investments	-	-	8,466,314	8,466,314
Other long-term investments	-	3,932,339	-	3,932,339
	<u>\$ 266,635,626</u>	<u>\$ 55,226,572</u>	<u>\$154,897,718</u>	<u>\$ 476,759,916</u>
Liabilities				
Short-term debts	\$ 100,000	\$ -	\$ -	\$100,000
Commercial paper issued	419,551	-	-	419,551
Securities sold under repurchase agreements	54,213,579	-	-	54,213,579
Due to the Central Bank of China and other banks	26,518,711	-	-	26,518,711
Payables	6,886,405	-	-	6,886,405
Deposits and remittances	318,999,227	11,041,251	-	330,040,478
Bonds	400,000	29,200,000	-	29,600,000
Corporate bonds payable	-	5,000,000	-	5,000,000
Long-term debts	838,000	400,000	-	1,238,000
	<u>\$ 408,375,473</u>	<u>\$ 45,641,251</u>	<u>\$ -</u>	<u>\$454,016,724</u>

39. FINANCIAL INSTRUMENT TRANSACTIONS

a. Derivative transactions

1) ESFHC

ESFHC uses forward exchange contracts to hedge the exchange rate exposure related to its foreign assets and liabilities.

The net foreign exchange gain on forward exchange contracts in 2004 were \$212,096 thousands. ESFHC does not have any derivative transaction in 2005.

2) E.Sun Bank

E.Sun Bank uses forward exchange, currency swap, interest rate swap, cross-currency swap, foreign-currency margin, currency option, government bonds option, credit-linked loan, credit default swap and futures contracts as hedging instruments for exchange rate and interest rate exposures primarily related to its clients' import obligations and export receipts and remittances. It also uses these contracts to cover its own exposures. Furthermore, E.Sun Bank uses cross-currency swap, interest rate swap, asset swap and credit default swap contracts to hedge its exchange rate and interest

rate exposures as well as its credit risks as a bond issuer.

Credit risk represents the exposure of E.Sun Bank to potential losses due to defaults by counter-parties or issuers. To manage this risk, E.Sun Bank reviews the credit history and credit rating of individual customers before entering into any derivative contracts with them. The general terms of acceptable arrangement (including maximum limits on contractual amounts and, if necessary, required guarantees) are approved by E.Sun Bank on the basis of the results of the reviews. The transactions are carried out within the approved terms and limits. The acceptability of doing business with another bank is evaluated on the basis of its world ranking and credit rating. The evaluation also includes determining the limits on contractual amounts with respect to the bank counter-parties, and the transactions are made within this limit. In addition, E.Sun Bank has entered into futures contracts with international futures and option exchanges; thus, no significant credit risk is expected.

The contract (notional) amounts, credit risks, and fair values of derivative transactions were as follows:

	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
Trading purposes						
Forward exchange contracts	\$2,858,443	\$40,825	\$15,728	\$9,750,002	\$90,833	\$(34,974)
Currency swap contracts	37,528,415	4,630	(882)	6,037,084	8,115	5,182
Interest rate swap contracts	35,388,070	342,455	74,758	3,424,200	15,182	3,010
Cross-currency swap contracts	6,752,192	162,818	91,302	5,321,177	270,825	222,495
Foreign-currency margin contracts	1,305,865	-	41,362	2,615,236	-	127,564
Credit-link loan contracts	4,370,380	6,219	6,219	-	-	-
Option contracts						
Buy	26,502,935	173,156	173,156	25,631,023	534,367	534,367
Sell	27,155,153	-	(319,055)	24,361,892	-	(563,393)
Futures contracts						
Buy	509,330	-	14	-	-	-
Sell	673,630	-	36	-	-	-
Credit default swap contracts						
Buy	2,550,000	-	(511)	-	-	-
Sell	328,600	-	(178)	-	-	-
Nontrading purposes						
Asset swap contracts	5,528,695	195,062	115,660	8,894,881	463,428	260,784
Cross-currency swap contracts	6,165,319	53,251	7,176	6,159,825	246,415	210,230
Interest rate swap contracts	32,700,000	920,645	282,151	19,300,000	389,273	(140,533)
Credit default swap contracts	-	-	-	317,680	266	144

E.Sun Bank calculates the fair value of each forward contract at the forward rate for the remaining term, quoted from Reuters or the Telerate Information System.

The contract or notional amount is used to calculate the amounts for settlement with the counter-parties, so it is neither

the actual amount delivered nor the cash requirement for E.Sun Bank. Also, E.Sun Bank has ability to enter into derivative financial contracts at reasonable market terms. Thus, E.Sun Bank does not expect significant cash flow requirements to settle these contracts.

The gains and losses on the derivative transactions were as follows:

	2005	2004
Forward exchange contracts (under "foreign exchange gain, net")	\$894	\$34,436
Currency swap contracts		
Interest revenue	\$143,979	\$72,906
Interest expense	(140,931)	(9,246)
	\$3,048	\$63,660
Asset swap contracts (under "interest revenue")	\$539,910	\$24,703
Cross-currency swap contracts		
Interest revenue	\$317,325	\$172,305
Interest expense	(433,111)	160,126)
Gains on derivative transactions	3,329	-
	\$(112,457)	\$12,179
Interest rate swap contracts		
Gains on derivative transactions	\$218,002	\$244,091
Losses from derivative transactions	(112,036)	(725)
Interest expenses reduction	89,027	207,962
	\$194,993	\$451,328
Foreign-currency margin contracts (under "foreign exchange gain, net")	\$66,018	\$119,523
Option contracts		
Gains	\$1,985,414	\$1,031,511
Losses	(1,822,441)	(921,417)
	\$162,973	\$110,094
Credit default swap contracts		
Gains	\$1,244	\$ -
Losses	(3,718)	-
	\$(2,474)	\$ -
Futures contracts		
Gains	\$5,334	\$ -
Losses	(5,799)	-
	\$(465)	\$ -
Credit-linked loan contracts (under "interest revenue")	\$53,579	\$ -

3)E.Sun Bills

E.Sun Bills used interest rate swaps to hedge interest rate exposures primarily on its issuance of corporate bonds.

Credit risk is the exposure to loss from any counter-party's default on contracts. To manage this risk, E.Sun Bills enters into derivative transactions only with known international financial institutions among the top 500 listed in "The Banker" magazine or rated as "A-" in the S&P (Standard & Poor) classification or "A3" in Moody's. Thus, E.Sun Bills' credit risk is minimal.

The contract (notional) amounts, credit risks, and fair value of derivative transactions were as follows:

	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
Nontrading Purposes						
Interest rate swap contracts	\$5,000,000	\$ -	\$ (129,010)	\$5,000,000	\$24,016	\$24,016

E.Sun Bills calculates the fair value of each contract at the interest rate shown on TWD-T6165 from the Telerate Information System.

The contract (notional) amount is used to calculate the amount of settlement with a counterparty, so it is neither the amount to be actually delivered to nor it is the cash required

from E.Sun Bills. Also, for corporate bonds issued, E.Sun Bills will hold the contracts to maturity to hedge the related interest rate fluctuations. Thus, E.Sun Bills does not expect significant cash flow requirements to settle these instruments.

The gain and loss on the derivative transactions were as follows:

	2005	2004
Interest rate swap contracts		
Interest revenue	\$74,916	\$169,455
Interest expense	(50,066)	(37,853)
	\$24,850	\$131,602

4)E.Sun Securities

The E.Sun Securities' purpose of issuing derivative financial instruments is to generate reasonable profit by controlling the risk within a tolerable limit. As premium from the stock warrants issued by E.Sun Securities were all received, there is no credit risk.

E.Sun Securities is in a short position for the stock warrants issued, which is in reverse to the investors' position. As the investors may exercise their option rights before expiration of the contracts because of the fluctuations in the underlying securities' fair values, E.Sun Securities' position is expected to be exposed to market risk. To reduce the uncertainty, E.Sun Securities mainly adopts delta and vega risk hedging strategies which are summarized below.

a)Delta risk hedging strategy

The hedge instruments are mainly the underlying securities. The dynamic hedging method is adopted by referring to the delta risk value calculated using E.Sun Securities' risk model.

b)Vega risk hedging strategy

The hedge instruments are mainly the warrants listed in the domestic market with the same underlying securities. The strategy adopted in vega hedge is primarily through buying the significantly under priced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by E.Sun Securities.

Future cash flows refer to the cash inflows or outflows resulting from the settlements of stock warrants by cash or securities when the warrants are exercised. The amount and timing of future cash flows depend on the amount and timing of the stock warrants exercised.

Please refer the related information to Note 19.

5)ESSIT

ESSIT buys inverse-floating structured bonds to earn interest revenue. Bonds held by ESSIT as December 31, 2005 and 2004 were as follows:

	December 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Counter-party Taipei Fubon Bank	\$245,775	\$245,775	\$300,000	\$300,000

ESSIT bought bonds from a bank with a strong credit rating; thus, the probability of default by the counter-party is expected to be extremely low. The liquidity risk and market risk are also very low because the bonds can be easily traded in the market and ESSIT will receive the entire principal on bond maturity. In addition, ESSIT had evaluated the effects of bond purchase on its capital before investing in the bonds.

b.Fair value of nonderivative financial instruments

	December 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Assets with fair value the same as carrying value	\$464,490,416	\$464,490,416	\$ 355,464,436	\$ 355,464,436
Securities purchased	123,111,286	123,731,891	106,673,130	107,384,294
Long-term investments	27,189,650	27,307,578	14,738,019	14,615,590
Operation deposits	656,489	674,554	612,612	630,739
Liabilities				
Liabilities with fair value the same as carrying value	579,565,443	579,565,443	448,214,559	448,214,559
Corporate bonds payable	10,000,000	9,816,940	5,000,000	5,060,000

Methods and assumptions used in estimating the fair value of nonderivative financial instruments were as follows:

1)The carrying values of cash and cash equivalents, due to/from the Central Bank of China and other banks, receivables, securities sold (purchased) under repurchase (resell) agreements, refundable deposits, settlement fund, payables, remittances and parts of other liabilities approximate fair values because of the short maturities of these instruments. The carrying values of other liabilities also approximate the expected cash inflows or outflows at settlement dates; thus, the carrying values also approximate fair values.

2)If market prices for securities purchased, long-term investments, other financial assets (current and noncurrent) and operation deposits are available, the fair values of these financial instruments should be based on market prices.

Otherwise, carrying values represent fair values.

3)Bills, discounts and loans, deposits, short-term debts, commercial paper issued, bonds, current portion of long-term liabilities, long-term debts and other long-term liabilities are interest-bearing financial assets and liabilities. Thus, their carrying values represent fair value.

4)If market prices for corporate bonds payable are available, the fair values of these financial instruments should be based on the market price. Otherwise, carrying values represent fair values because corporate bonds payable are interest-bearing financial liabilities.

Only the fair values of financial instruments were listed above, thus, the total of the fair values listed does not represent the fair value of the Company.

40. CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES

a. Condensed balance sheets

E.Sun Commercial Bank, Ltd.
Condensed Balance Sheets

December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars)

Assets	2005	2004	Liabilities and Stockholders' Equity	2005	2004
Cash and cash equivalents	\$11,287,638	\$ 7,899,575	Liabilities		
Due from the Central Bank of China and other banks	35,209,053	27,671,867	Securities sold under repurchase agreements	\$10,104,894	\$10,676,519
Securities purchased, net	69,179,983	54,815,405	Due to the Central Bank of China and other banks	24,240,441	21,568,711
Receivables, net	33,315,178	30,520,884	Payables	11,116,923	6,464,381
Securities purchased under resell agreements	2,601,670	5,569,238	Advance	659,746	589,965
Prepaid expenses	422,842	307,262	Deposits and remittances	440,482,626	330,971,515
Bills, discounts and loans, net	368,000,876	275,359,584	Bonds	39,200,000	29,600,000
Long-term investments	22,363,856	11,624,627	Other long-term liabilities	3,550,000	-
Other financial assets	1,926,343	-	Other	650,704	805,196
Net properties	10,135,784	8,991,839	Total liabilities	530,005,334	400,676,287
Goodwill	3,662,701	4,661,587	Stockholder's equity		
Other assets, net	5,389,095	5,899,032	Capital stock	22,313,550	20,175,000
Total	\$563,495,019	\$ 433,320,900	Capital surplus	4,233,985	4,233,985
			Retained earnings	7,038,864	8,359,984
			Unrealized loss on long-term equity investments	(93,826)	(111,204)
			Cumulative translation adjustments	(2,888)	(13,152)
			Total stockholder's equity	33,489,685	32,644,613
			Total	\$563,495,019	\$433,320,900

E.Sun Bills Finance Corp.
Condensed Balance Sheets

December 31, 2005 and 2004 (In Thousands of New Taiwan Dollars)

Assets	2005	2004	Liabilities and Stockholders' Equity	2005	2004
Assets			Liabilities		
Cash	\$4,889,992	\$5,485,154	Securities sold under repurchase agreements	\$46,617,365	\$42,267,206
Call loans to banks	-	180,000	Call loans from banks	4,460,000	4,950,000
Bills and bonds, net	50,137,130	49,548,257	Payables	84,159	138,418
Other short-term investments	70,000	100,000	Total current liabilities	51,161,524	47,355,624
Receivables	418,767	706,075	Corporate bonds payable	5,000,000	5,000,000
Other financial asset - current	556,400	-	Reserve for losses on guarantees	324,910	323,124
Securities purchased under resell agreements	2,479,827	645,000	Reserve for losses on sale of bonds	143,095	99,793
Other current assets	8,547	5,251	Total liabilities	56,629,529	52,778,541
Total current assets	58,560,663	56,669,737	Stockholders' equity		
Long-term bond investments	3,979,819	1,257,510	Capital stock	4,265,000	4,265,000
Other financial assets - noncurrent	-	300,000	Capital surplus	87,500	87,500
Net properties	23,194	97,644	Retained earnings	2,086,030	1,619,032
Other assets	504,383	425,182	Total stockholders' equity	6,438,530	5,971,532
Total	\$63,068,059	\$58,750,073	Total	\$63,068,059	\$58,750,073

E.Sun Securities Corp.
Condensed Balance Sheets

December 31, 2005 and 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Assets	2005	2004	Liabilities and Stockholders' Equity	2005	2004
Current assets	\$5,906,354	\$4,963,325	Liabilities		
Long-term investments	71,382	72,675	Current liability	\$3,584,293	\$2,688,938
Net properties	375,113	368,758	Other	55,746	27,105
Intangible assets	7,130	3,637	Securities brokerage accounts, net	33,887	-
Other assets	519,979	480,617	Total liabilities	<u>3,673,926</u>	<u>2,716,043</u>
Securities brokerage accounts, net	-	12,365	Stockholders' equity		
Total	<u>\$6,879,958</u>	<u>\$5,901,377</u>	Capital stock	3,060,000	3,060,000
			Retained earnings	146,032	125,334
			Total stockholders' equity	<u>3,206,032</u>	<u>3,185,334</u>
			Total	<u>\$6,879,958</u>	<u>\$5,901,377</u>

E.Sun Insurance Broker Co., Ltd.
Condensed Balance Sheet

December 31, 2005 and 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Assets	2005	2004	Liabilities and Stockholders' Equity	2005	2004
Current assets	\$146,664	\$160,987	Liabilities		
Long-term investments	4,632	4,568	Current liability	\$11,700	\$22,324
Intangible assets	-	127	Other	25	136
Other assets	132	-	Total liabilities	<u>11,725</u>	<u>22,460</u>
Total	<u>\$151,428</u>	<u>\$165,682</u>	Stockholders' equity		
			Capital stock	62,000	62,000
			Retained earnings	77,703	81,222
			Total stockholders' equity	<u>139,703</u>	<u>143,222</u>
			Total	<u>\$151,428</u>	<u>\$165,682</u>

b. Condensed income statements

E.Sun Commercial Bank, Ltd.
Condensed Income Statements

Years Ended December 31, 2005 and 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	2005	2004
Operating revenues and gains	\$20,944,170	\$20,279,496
Operating cost	8,723,004	4,635,001
Gross profit	12,221,166	15,644,495
Operating expenses	7,402,428	6,101,229
Operating income	4,818,738	9,543,266
Nonoperating income and gains	85,262	47,254
Nonoperating expense and losses	120,984	1,218,764
Income before income tax	\$4,783,016	\$8,371,756
Net income	<u>\$3,829,944</u>	<u>\$7,283,936</u>
Earnings per share - before income tax	<u>\$2.14</u>	<u>\$4.15</u>
Earnings per share - after income tax	<u>\$1.72</u>	<u>\$3.61</u>

E.Sun Bills Finance Corp.
Condensed Income Statements

Years Ended December 31, 2005 and 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	2005	2004
Operating income	\$1,916,787	\$1,409,368
Operating expenses	861,503	645,921
Income before income tax	\$1,055,284	\$763,447
Net income	\$906,337	\$611,393
Earnings per share - before income tax	\$2.47	\$1.79
Earnings per share - after income tax	\$2.13	\$1.43

E.Sun Securities Corp.
Condensed Income Statements

Years Ended December 31, 2005 and 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	2005	2004
Operating income	\$834,732	\$688,407
Operating expenses	752,191	638,983
Income before income tax	\$82,541	\$49,424
Net income	\$60,182	\$55,971
Earnings per share - before income tax	\$0.27	\$0.16
Earnings per share - after income tax	\$0.20	\$0.18

E.Sun Insurance Broker Co., Ltd.
Condensed Income Statement

Years Ended December 31, 2005 and 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	2005	2004
Operating income	\$112,352	\$122,256
Operating expenses	27,939	22,781
Nonoperating revenue and expense	542	142
Income before income tax	\$84,955	\$99,617
Net income	\$63,001	\$74,619
Earnings per share - before income tax	\$13.70	\$16.07
Earnings per share - after income tax	\$10.16	\$12.04

41.ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY SHARING OF RESOURCES

Under cooperation arrangements, E.Sun Bank and E.Sun Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

2005	E.Sun Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	\$4,774	\$3,626	\$8,400	All branches, except Chiayi Branch: E.Sun Bank - 2/3; E.Sun Securities - 1/3; and E.Sun Bank's Chiayi Branch - 1/3 and E.Sun Securities - 2/3.
Fixture	172	-	172	Based on area actually occupied.
Broadcasting and security systems	286	36	322	50% each (except E.Sun Bank's Chiayi Branch), and E.Sun Bank's Chiayi Branch - 100%.
Networking, monitoring and telephone systems	156	-	156	Based on actual number of equipment used.
Others	21,631	80,113	101,744	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees, but for E.Sun Bank's North Hsin Chuang and Tucheng Branch - 50% each. Building maintenance expenses - based on space actually occupied.
	<u>\$27,019</u>	<u>\$83,775</u>	<u>\$110,794</u>	
2004				
Rental expense	\$4,738	\$3,879	\$8,617	E.Sun Bank (except Chiayi Branch) - 2/3 and E.Sun Securities - 1/3, and E.Sun Bank's Chiayi Branch - 1/3 and E.Sun Securities - 2/3.
Broadcasting and security systems	36	36	72	50% each
Networking, monitoring and telephone systems	-	282	282	Based on actual number of equipment used.
Others	1,354	2,634	3,988	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$6,128</u>	<u>\$6,831</u>	<u>\$12,959</u>	

Under cooperation arrangements, E.Sun Bank and E.Sun Bills shared some equipment and operating site since 2004; thus, related expense were allocated as follows:

2005	E.Sun Bank	E.Sun Bills	Total	Allocation Method
Rental expense	\$2,566	\$1,524	\$4,090	Based on space actually occupied
Fixtures	-	418	418	Based on space actually occupied
Broadcasting and security systems	36	53	89	E.Sun Bank, Kaohsiung Branch, E.Sun Bills and ESC - 1/3 each, but E.Sun Bank Panchiao Branch - 100%
Monitoring, telephone and networking systems	85	40	125	Based on actual number of equipment used
Others	288	321	609	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Kaohsiung Branch's utilities - E.Sun Bank, E.Sun Bills and E.Sun Capital Co., Ltd. - 1/3 each Panchiao Branch's utilities - based on actual incurrence and actual number of employees
	<u>\$2,975</u>	<u>\$2,356</u>	<u>\$5,331</u>	
2004				
Rental expense	\$1,432	\$836	\$2,268	Based on space actually occupied
Fixtures	3,153	1,881	5,034	Based on space actually occupied
Broadcasting and security and networking systems	749	666	1,415	Broadcast and network - based on actual number of equipment used. Security system - E.Sun Bank, E.Sun Bills and E.Sun Capital Co., Ltd. 1/3 each.
Others	298	251	549	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$5,632</u>	<u>\$3,634</u>	<u>\$9,266</u>	

Under cooperation arrangements, E.Sun Bank and ESIB share some equipment, operating site, personnel, and an Internet service system and provide cross-selling financial services starting in 2004. The service fees earned by E.Sun Bank are based on 10% of the gross revenue on the insurance companies' products sold by E.Sun Bank. In 2005 and 2004, ESIB should have paid E.Sun Bank \$11,564 thousand and \$12,996 thousand, respectively; the unpaid amounts were \$726 thousand and \$2,738 thousand, respectively.

E.Sun Bank received \$46,608 thousand in cross-selling advance revenues from ESSIT and realized \$32,900 thousand of these revenues in 2005.

E.Sun Bank also received \$326 thousand and \$2,083 thousand of cross-selling revenues from ESSIT in 2005 and 2004, respectively.

The results of the cross-selling transactions between E.Sun Bank and E.Sun Securities were as follows (the amounts below refer to E.Sun Bank):

	2005	2004
Revenue	\$500	\$16,110
Expense	\$5,956	\$ -

42. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT INFORMATION, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

a. Asset quality

1) E.Sun Bank

Items	December 31, 2005	December 31, 2004
Nonperforming loans (overdue loans included)	2,936,430	2,438,734
Overdue loans	2,133,457	1,829,381
Nonperforming loans ratio	0.79%	0.88%
Surveillance loans	-	787,924
Surveillance loans/Total loan	-	0.28%
Allowance for possible losses on loans	1,580,195	1,811,699

Note 1: Nonperforming loans on December 31, 2005 represent the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans which took effect from July 1, 2005.

Note 2: Nonperforming loans on December 31, 2004 represent the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the Ministry of Finance (MOF) rulings dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

Note 3: Nonperforming loans ratio = Nonperforming loans (including overdue loans)/Total loan

Note 4: Surveillance loans as of December 31, 2004

- a) Midterm and long-term loans repayable in installments, with repayments overdue for more than three months but less than six months;
- b) Other loans, with principal repayments overdue by less than three months and interest overdue by more than three months but less than six months;
- c) Nonperforming loans exempted from reporting (including rescheduled loans with repayment terms meeting the criteria under relevant regulations; nonperforming loans which are to be repaid through a credit insurance fund and settlement fund; nonperforming loans with the same amount of certificates of time deposits as collaterals; and loans extended under other approved exemption programs);
- d) Loans of companies experiencing financial difficulty do not qualify as overdue loans.

2) E.Sun Bills

Items	December 31, 2005	December 31, 2004
Nonperforming loans	\$-	\$-
Overdue loans	-	-
Nonperforming loans/Total loan	-	-
Allowance for possible losses on loans and receivables	324,910	323,124



b.Management information

1)Concentration of credit risk

E.Sun Bank

Items	December 31, 2005		December 31, 2004	
Credit to interested party	\$3,365,506		\$5,171,371	
Credit to interested party/Total credit	0.90%		1.84%	
Credit with stock pledged/Total credit	0.28%		0.40%	
Loan concentration by industry	Type of Industry	%	Type of Industry	%
	a.Manufacturing	16	a.Manufacturing	15
	b.Finance, insurance and real estate	9	b.Finance, insurance and real estate	10
	c.Wholesale, retail and catering	6	c.Wholesale, retail and catering	6

Note: a) Total credits included bills, discounts and loans (including import and export negotiations), acceptances and guarantees.

b) Ratios of credit extensions to interested parties: Credit to interested parties ÷ Total credit.

c) Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

d) The calculation of amounts of credit extensions to interested parties should be based on the Banking Law provisions.

E.Sun Bills

Items	December 31, 2005		December 31, 2004	
Credit to interested party	179,000		179,000	
Credit to interested party/Total credit	0.70%		1.02%	
Credit with stock pledged/Total credit	23.06%		18.80%	
Loan concentration by industry	Type of Industry	%	Type of Industry	%
	Finance and insurance	41	Finance and insurance	38
	Manufacturing	34	Manufacturing	38
	Real estate and leasing	14	Wholesale, retail and catering	8

Note: a) Ratios of credit extensions to interested parties: Credit to interested parties ÷ Total credit.

b) Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

c) The total credits include guarantees, endorsed check and nonperforming loans.

2) Accounting policies on allowances for losses on loans, overdue loans, and securities purchased: Note 2.

3) Concentrations of risk

a) E.Sun Bank

Under normal business operations, E.Sun Bank is a party to transactions involving financial services with off-balance-sheet risks, such as issuing credit cards, extending credit facilities and providing financial guarantee and obligations under letters of credit issued. Generally, the related transactions are for one year.

The interest rates for loans ranged from 1.40% to 18.25% and from 1.20% to 18.25% in 2005 and 2004, respectively. The highest interest rate for credit cards was 19.71% in both 2005 and 2004.

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems to E.Sun Bank.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2005 and 2004 were as follows:

	December 31	
	2005	2004
Credit card commitments	\$244,392,721	\$228,563,223
Guarantees and issuance of letter of credit	10,438,314	8,359,827



Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The total potential loss (without considering the value of any collateral) in case of default by counter-parties is equal to the above contractual amounts, if completely drawn upon.

E.Sun Bank evaluates the creditworthiness of credit applications case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the evaluation result. As of December 31, 2005 and 2004, about 66% and 63% of total loans granted, respectively, and about 13% and 25%, respectively, for both the aggregate guarantees and letters of credit issued, were secured. No collateral is required for credit card facilities but the credit status of each credit cardholder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit and, if necessary, canceling the facility.

The concentration of credit risk exists when counter-parties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. E.Sun Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. The concentrations of credit risks were as follows (10% or more of the outstanding loans):

	2005		2004	
	Amount	%	Amount	%
Natural person	\$230,612,281	61	\$170,581,201	61
Manufacturing	58,534,113	16	41,453,228	15

b) E.Sun Bills

E.Sun Bills guarantees commercial paper issued by other entities. The guarantee period is normally one year. The rate for guarantee service fees ranged from 0.05% to 1.00% of the amount guaranteed. As of December 31, 2005 and 2004, the total amounts guaranteed were \$18,335,200 thousand and \$17,567,400 thousand, respectively.

Most of the guarantee contracts are expected to expire without entailing any payment by E.Sun Bills. Thus, the total amount guaranteed does not necessarily represent future cash payments. In addition, the potential total loss on each guarantee is equal to the amount guaranteed, without considering the value of any

collateral.

E.Sun Bills approves the guarantee arrangements for commercial paper (including the maximum amount to be guaranteed) after reviewing a customer's history and credit rating. An appropriate collateral is required, if needed, and the transaction is made within the approved maximum amount. As of December 31, 2005 and 2004, about 37.66% and 31.77%, respectively, of total amounts guaranteed were covered by securities or other properties. If a customer defaults, E.Sun Bills is entitled to sell the related collateral.

Credit risk concentrations exist when the counter-parties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. For E.Sun Bills, concentrations of credit risk do not involve individuals but industry groups, were as follows:

	December 31	
	2005	2004
Guarantee on commercial paper		
- by industries:		
Financial and insurance	\$7,499,000	\$6,667,000
Manufacturing	6,219,000	6,606,000
Real estate and leasing	2,594,000	1,416,000
Wholesale, retail and catering	982,000	1,439,000

E.Sun Bills' maximum exposure to losses associated with credit guarantees, regardless of collateral involved, equals the total contract amount.



4) Matter requiring special notation

E.Sun Bank

December 31, 2005

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None
Within the past year, a fine was levied on E.Sun Bank for violations of the Banking Law	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on E.Sun Bank	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars	None
Other	None

Note 1: The term "within the past year" means one year before the balance sheet date.

Note 2: The term "a fine levied for violations of the Banking Law within the past year" means a fine imposed by the Banking Bureau, Securities and Futures Bureau, Insurance Bureau or Examination Bureau.

E.Sun Bills

December 31, 2005

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor.	None
Within the past year, a fine was levied on E.Sun Bills for violations of related regulations	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on E.Sun Bills.	None
Within the past year, the individual loss or the total losses from employee corruption, accidental and material events, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded \$50 million dollars.	None
Other	None

Note: The term "within the past year" means one year before the balance sheet date.

5) Business information of E.Sun Bills

Items	December 31, 2005	December 31, 2004
Guarantees and endorsements	\$18,335,200	\$ 17,567,400
Guarantees and endorsements/stockholder's equity	3.31	3.28
Securities sold under repurchase agreements	46,617,365	42,267,206
Securities sold under repurchase agreements/stockholder's equity	8.43	7.89



c.Profitability

E.Sun Bank

Unit: %

Items	Year Ended December 31, 2005	Year Ended December 31, 2004
Return on assets	0.96	2.25
Return on equity	14.46	31.03
Net income ratio	18.29	35.92

Note:1)Return on assets = Income before income tax/Average total assets

2)Return on equity = Income before income tax/Average equity

3)Net income ratio = Net income/Total operating revenue

4)Income before income tax or net income represents income in the years ended December 31, 2005 and 2004.

5)The profitability is expressed on annually.

d.Liquidity as of December 31, 2005

1)Liquidity analysis of assets and liabilities for E.Sun Bank

(In Thousands of New Taiwan Dollars)

	Total	Period Remaining until Due Date				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Assets	\$514,932,000	\$75,847,000	\$32,572,000	\$12,948,000	\$24,726,000	\$368,839,000
Liabilities	489,097,000	88,267,000	73,542,000	94,936,000	168,935,000	63,417,000
Gap	25,835,000	(12,420,000)	(40,970,000)	(81,988,000)	(144,209,000)	305,422,000
Accumulated gap	25,835,000	(12,420,000)	(53,390,000)	(135,378,000)	(279,587,000)	25,835,000

Note: Listed amounts are in New Taiwan dollars (i.e., excluding foreign-currency amounts) of the head office and domestic branches.

2)Liquidity analysis of E.Sun Bills

(In Millions of New Taiwan Dollars)

Items		Period	1-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Usage of funds	Bills		1,273	14,341	4,161	1,165	-
	Bonds		44	-	2	1,128	22,260
	Deposits		516	770	1,176	3,093	10
	Call loans		-	-	-	-	-
	R.S		2,480	-	-	-	-
	Total		14,313	15,111	5,339	5,386	22,270
Source of funds	Borrowings		4,460	-	-	-	5,000
	R.P		39,262	6,884	470	2	-
	Capital		-	-	-	-	6,438
	Total		43,722	6,884	470	2	11,438
Net flows			(29,409)	8,227	4,869	5,384	10,832
Accumulated net flows			(29,409)	(21,182)	(16,313)	(10,929)	(97)

Note:R.S - securities purchased under resell agreements

R.P - securities sold under repurchase agreements



e. Market risk sensitivity

1) E.Sun Bank

Unit: %

Items	December 31, 2005	December 31, 2004
Ratio of interest rate-sensitive assets to liabilities	79.45	82.35
Ratio of interest rate-sensitivity gap to stockholders' equity	(248.90)	(165.33)

2) E.Sun Bills

Unit: %

Items	December 31, 2005	December 31, 2004
Ratio of interest rate-sensitive assets to liabilities	78.60	71.91
Ratio of interest rate-sensitivity gap to stockholders' equity	(169.75)	(222.15)

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by the interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Note 3: Interest rate-sensitivity gap = Interest rate-sensitive assets – Interest rate-sensitive liabilities.

f. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Please refer to Note 37.

g. The net position on foreign-currency transactions

The net position on foreign-currency of E.Sun Bank is shown below:

Unit: (in thousands of dollars)

Net positions on foreign-currency transaction (market risk)	December 31, 2005			December 31, 2004		
	Currency	NT\$		Currency	NT\$	
	HKD	(186,606)	\$ (790,874)	USD	(21,112)	\$ (670,686)
USD	23,515	772,703	HKD	(102,329)	(417,973)	
EUR	4,406	171,450	SGD	9,382	182,325	
JPY	459,993	128,154	JPY	508,226	157,093	
NZD	(4,221)	(94,734)	RMB	(19,044)	(73,097)	

Note: The foreign currencies represent the top five currencies in E.Sun Bank's basket of international currencies.

43. E.SUN BANK'S INFORMATION REGARDING BORROWERS, GUARANTORS AND COLLATERAL PROVIDERS AS INTERESTED PARTIES

Category	December 31, 2005			December 31, 2004		
	Account Volume	Amount	Possibility of Loss	Account Volume	Amount	Possibility of Loss
Consumer loans (Note 1)	386	\$102,625	\$ -	408	\$95,467	\$ -
Loan for employees' mortgage housing	503	1,035,641	-	481	906,960	-
Other loans (Note 2)	504	2,227,240	-	397	4,168,943	-
Guarantees	774	2,371,109	-	768	1,901,623	-
Collateral providers	877	2,011,728	-	774	2,004,369	-

Note 1: Consumer loans are governed by Article 32 of the Banking Law in ROC.

Note 2: Represent the loans, except for consumer loans and loans for employees' mortgage housing, that borrowers are interested parties.

Note 3: The interested parties mentioned above are governed by Article 33-1 of the Banking Law in ROC.



44.E.SUN BANK'S INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

a. Trust-related item, as shown in the following balance sheet and trust property list

Balance Sheet of Trust Accounts

December 31, 2005 and 2004

Trust Assets	2005	2004	Trust Liabilities	2005	2004
Cash in banks	\$ 41,145	\$ 7,589	Trust capital		
Short-term investments	37,388,822	28,110,551	Trust by cash	\$35,567,547	\$ 26,095,800
Total assets	<u>\$37,429,967</u>	<u>\$ 28,118,140</u>	Trust by securities	1,862,420	2,022,340
			Total liabilities	<u>\$37,429,967</u>	<u>\$ 28,118,140</u>

Trust Property List

December 31, 2005 and 2004

Investment Items	2005	2004
Demand	\$ 6,641	\$ 3,579
Time	34,504	4,010
Bonds	93,006	9,959
Stocks	2,188,352	2,022,390
Mutual funds	35,073,701	26,078,202
Bonds sold under repurchase agreements	33,763	-
	<u>\$37,429,967</u>	<u>\$28,118,140</u>

b. Nature of trust business operations under the Trust Law: Note 1.

45.ACQUISITION OF OTHER FINANCIAL INSTITUTIONS' MAIN ASSETS, LIABILITIES AND OPERATIONS

To expand E.Sun Bank's business, enhance its competitiveness and ensure its long-term development, E.Sun Bank participated in the open bid and refund procedure for the assets, liabilities (except the assets and liabilities generated from the trust business and pension) and operations (except for the trust business) of Kaohsiung Business Bank (KBB) and

won the bid for \$13,368,000 thousand, to be subsidized by the Executive Yuan Resolution Trust Corporation (RTC) Fund. This acquisition was approved by the E.Sun Bank's Board of Directors on June 1, 2004, but if the related regulations and the authorities would require changes in the content and other matters of the bid, E.Sun Bank's chairman will be fully authorized to handle these changes. The acquisition was finished on September 4, 2004. KBB had business department, trust department and 44 domestic branches as of the acquisition date.

KBB was established in November 1950 and obtained approval for its conversion into a banking institution in July 1978. Main operations include savings, loans, guarantees, safe-keeping, remittance, trust funds, etc. Credit card operation started in 1994, and asset trust operations were approved by the Ministry of Finance in 2001.

KBB's stock started to be traded on the Taiwan Stock Exchange (TSE) on March 12, 1984 but stopped trading on the TSE on January 17, 2002. Since then, KBB was considered a public listed company subject to the requirements of the Securities and Futures Commission (SFC). On February 10, 2003, the SFC approved KBB's declassification as a public listed company.

E.Sun Bank's acquisition of KBB's entire operations (except the trust business) and assets and liabilities (except those related to the trust business and pension) meant that KBB would transfer to E.Sun Bank all its profits and risks as of the date of the acquisition. If there was any liability assumed

which KBB or its related parties (under the definition of the contract) did not disclose during E.Sun Bank's due diligence performing period and the liability was incurred before the acquisition date, E.Sun Bank could ask for compensation within one year after the acquisition date. The terms of payment of cash subsidy from the RTC Fund are:

- a. Seventy percent of the subsidy should be paid on the first working day after the acquisition date; and
- b. The remaining 30% should be paid within 60 days of the first payment, and after the two-stage payment by E.Sun Bank of refundable deposits for the execution of the KBB acquisition agreement.

Under certain regulations, E.Sun Bank recognized a goodwill of \$6,117,415 thousand, equal to the difference between the actual cash subsidy received of \$13,428,965 thousand and fair value of KBB's net liabilities assumed of \$19,546,380 thousand as of the date of the acquisition. Goodwill is amortized using straight-line method over five years.

Fair values of KBB's assets and liabilities were as follows:

Cash subsidy received	\$ 13,428,965
Fair value	
Cash and cash equivalents	1,347,863
Due from Central Bank of China and banks	4,833,325
Securities purchase	1,616,288
Receivables	345,798
Prepaid expenses	15,263
Bills, discounts, and loans, net	15,262,493
Long-term investments	121,912
Net properties	1,787,268
Other assets	654,118
Due to banks	(8,824)
Payables	(264,822)
Advance	(14,590)
Deposits and remittance	(45,034,459)
Other liabilities	(208,013)
	<u>(19,546,380)</u>
Goodwill	<u>\$ 6,117,415</u>



All major asset additions from the acquisition are going to be used for future operations and are not going to be disposed of. All operating results of KBB after September 4, 2004 were included in E.Sun Bank's income statement, but any profit or loss before the acquisition date was not included. For comparison purposes, the combined pro forma income statements for 2004 are shown as follows (KBB's data during January 1 to September 3, 2004 were audited by other auditors).

	Year Ended December 31, 2004	
	Amount	%
Operating income	\$21,121,766	100
Operating cost	5,191,674	25
Gross profit	15,930,092	75
Operating expenses	6,667,455	32
Net operating income	9,262,637	43
Nonoperating income and gains	70,486	1
Nonoperating expenses and losses	1,230,244	6
Income before income tax	8,102,879	38
Income tax expense	1,087,147	5
Net income	\$7,015,732	33
Earnings per share (NT\$)	\$3.47	

In the meeting of the Executive Yuan's Resolution Trust Corporation Fund ("RTC Fund") Committee (the "Committee") on July 1, 2003, the Committee reached a consensus that the RTC Fund will subsidize the difference between the retirement and severance payments under the Labor Standards Act that KBB should pay and KBB's pension funds up to the date before acquisition date.

To show good faith to employees for a sound working relationship, E.Sun Bank drew up an employee welfare plan to let KBB end its contracts with all employees before the acquisition date and make pension and severance payments. E.Sun Bank renegotiated new wages with each employee after the acquisition date came up with an employee compensation plan, as follows:

- a. Calculation standards
 - 1) Those who do not qualify for retirement will get 0.5 as the base compensation number for each year they worked for KBB. For those who worked less than a year, the calculation is prorated.
 - 2) Those who qualify for voluntary retirement will get one month's average salary as compensation.
 - 3) Those who qualify for mandatory retirement will not get any compensation.
- b. Base number

One base number means one month's average salary i.e. the average of the monthly salary of the employees from November

1, 2003 to April 30, 2004. Those who did not work up to 6 months will tally up their wages and divide these wages by the total working days, and the result will be multiplied by 30.

Based on the compensation plan, the total amount payable to the employees was \$232,881 thousand. This amount, which was recognized as business expense, was paid on October 1, 2004.

As of December 31, 2004, E.Sun Bank provided government bonds with face value of \$100,000 thousand as refundable execution deposits according to the contract.

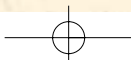
46. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY LAW

Please see Table 6.

47. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for ESFHC and its investees:

- a. Related information of significant transactions and investees:



1) Financing provided: E.Sun Bank and E.Sun Bills - not applicable; ESFHC and investee company - none.

2) Endorsement/guarantee provided: E.Sun Bank and E.Sun Bills - not applicable; ESFHC and investee company - none.

3) Marketable securities held: E.Sun Bank, E.Sun Bills and E.Sun Securities - not applicable; ESFHC and investee company - Table 1 (attached).

4) Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital (for banks and investment companies, amounting to NT\$300 million or 10% of the paid-in capital; banks and bills finance corporations disclose accumulated acquired and disposed investments information): E.Sun Securities - not applicable; ESFHC and investee company - Table 2 (attached).

5) Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital (for banks and investment companies, amounting to NT\$300 million or 10% of the paid-in capital): ESFHC - none; investee company - Table 3 (attached).

6) Disposal of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital (for banks and investment companies, amounting to NT\$300 million or 10% of the paid-in capital): None.

7) Total purchase from or sale to related parties of at least NT\$100 million or 20% of the paid-in capital: None.

8) Allowance of service fees to related parties amounting to at least NT\$5 million (applicable to banks and securities firms): None.

9) Sale of nonperforming loans amounting to at least NT\$5 billion (applicable to banks) or NT\$3 billion (applicable to bills finance corporations): None.

10) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (for banks and investment companies, amounting to NT\$300 million or 10% of the paid-in capital): ESFHC and investee company: Table 4 (attached).

11) Name, locations and other information of investees on which the Company exercises significant influence: Table 5 (attached).

12) Derivative transactions: Note 39 to the consolidated financial statements.

13) Other significant transactions which may affect the decisions of users of financial reports: Note 45 to the consolidated financial statements.

b. Investment in Mainland China: None.

c. Business relationship and significant transactions among the Corporation and subsidiaries: Table 8 (attached).

48. SEGMENT INFORMATION

ESFHC and its subsidiaries engage in investing, banking, bills financing and the securities industry. The revenues, operating profits and identifiable assets related to the Company's banking operations represent more than 90% of those of all the Company's operations.

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 1

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value of Net Asset Value		
E.Sun Financial Holding Co., Ltd.	Stocks								
	E.Sun Commercial Bank, Ltd.	Equity-method investee	Long-term investments	2,231,355	\$33,489,685	100.00	\$33,489,685	3 and 4	
	E.Sun Bills Finance Corp.	Equity-method investee	Long-term investments	426,500	6,438,531	100.00	6,438,531	3 and 4	
	E.Sun Securities Corp.	Equity-method investee	Long-term investments	306,000	3,206,033	100.00	3,206,033	3 and 4	
	E.Sun Venture Capital Co., Ltd.	Equity-method investee	Long-term investments	100,000	1,026,131	100.00	1,026,131	3 and 4	
	E.Sun Securities Investment Trust Corp.	Equity-method investee	Long-term investments	30,000	329,517	100.00	329,517	3 and 4	
	E.Sun Insurance Broker Co., Ltd.	Equity-method investee	Long-term investments	6,200	139,703	100.00	139,703	3 and 4	
Taiwan Debt Instruments Depository and Clearing Co., Ltd.	-	-	Long-term investments	4,000	40,000	2.00	41,333	3	
E.Sun Venture Capital Co., Ltd.	Stocks								
	E.Sun Capital Co., Ltd.	Equity-method investee	Long-term equity investments	450	6,704	45.00	6,704	2 and 4	
	Ampire Co., Ltd.	-	Long-term equity investments	978	13,314	1.92	9,119	1	
	Star World Technology Co., Ltd.	-	Long-term equity investments	4	64	0.01	122	1	
	Epitech Technology Corp.	-	Long-term equity investments	66	1,332	0.02	2,027	1	
	Univacoco Technology Inc.	-	Long-term equity investments	1,219	30,000	2.63	21,287	2	
	Bank-Pro E-Service Technology Co., Ltd.	-	Long-term equity investments	325	3,250	2.41	2,812	2	
	Twinhan Technology Co., Ltd.	-	Long-term equity investments	744	33,192	1.63	3,843	2	
	Epoch Chemtronics Corp.	-	Long-term equity investments	1,494	29,660	8.61	21,825	2	
	Chungghwa Chemical Synthesis Biotech Co., Ltd.	-	Long-term equity investments	2,000	20,005	3.07	13,720	2	
	Sam Lam Technology Co., Ltd.	-	Long-term equity investments	1,700	23,800	6.07	19,181	2	
	Etrend Technology Co., Ltd.	-	Long-term equity investments	546	6,825	2.02	6,007	2	
	Progres-sive Optoelectronic Technology Co., Ltd.	-	Long-term equity investments	784	25,088	1.85	8,031	2	
	Beyond Innovation Technology Co., Ltd.	-	Long-term equity investments	832	25,388	3.86	13,462	2	
	Linear Tech Co., Ltd.	-	Long-term equity investments	975	33,750	2.88	13,044	2	
	Super Link Electronics Co., Ltd.	-	Long-term equity investments	2,000	25,000	10.00	12,333	2	
	Joinson Electronics Mfg. Co., Ltd.	-	Long-term equity investments	1,200	25,200	2.91	14,320	2	
	Globalpartner I Venture Capital co., Ltd.	Its supervisor	Long-term equity investments	10,000	100,000	2.97	99,336	2	
	Solidlite Co., Ltd.	-	Long-term equity investments	1,000	16,000	4.00	6,929	2	
	Dynamic Electronics Co., Ltd.	-	Long-term equity investments	1,409	29,425	1.16	30,873	2	
	E-Ton Solar Tech.	-	Long-term equity investments	560	38,403	1.21	11,258	2	
	Kingroup Automation Industry Corp.	-	Long-term equity investments	800	17,600	4.44	13,975	2	
	Optimer	-	Long-term equity investments	333	36,942	4.00	18,964	2	
	MOSA Industrial Corporation	-	Long-term equity investments	650	9,750	1.86	7,720	2	
	Orgchem Technologies, Inc.	-	Long-term equity investments	800	56,000	2.26	19,350	2	
	Exploit Technology Co., Ltd.	-	Long-term equity investments	535	10,703	1.34	6,960	2	
	Mao Chia Metal Co., Ltd.	-	Long-term equity investments	600	18,000	1.90	9,844	2	
	Goodway Machine Corp.	-	Long-term equity investments	1,000	30,000	1.48	17,069	2	
	Hi-Light Tek Co., Ltd.	-	Long-term equity investments	300	22,500	3.33	4,590	2	
		Funds							
		Mega Diamond Bond Fund	-	Short-term investments	8,710	98,191	-	98,869	1
		E.Sun Rising-Sun Fund	Common parent company with the same fund management company	Short-term investments	1,954	20,000	-	20,035	1
		E.Sun Global Balanced Fund	Common parent company with the same fund management company	Short-term investments	2,976	30,148	-	30,479	1
	E.Sun Securities Investment Trust Corp.	Bonds							
		Fubon Commercial Bank, 2002-1 type I	-	Long-term investments	-	195,775	-	195,775	
	Fubon Commercial Bank, 2004-5 type K	-	Long-term investments	-	50,000	-	50,000		
	E.Sun Insurance Broker Co., Ltd.	Funds							
		E.Sun New Era Bond Fund	Common parent company with the same fund management company	Short-term investments	6,657	70,000	-	71,389	1
		E.Sun Gin-Ru-E Balanced Fund	Common parent company with the same fund management company	Short-term investments	2,376	23,869	-	23,332	1
		CITC Safe Income Fund	-	Short-term investments	558	8,039	-	8,183	1
		E.Sun Rising-Sun Fund	Common parent company with the same fund management company	Short-term investments	1,000	10,000	-	10,252	1
		E.Sun Principal Guaranteed Fund	Common parent company with the same fund management company	Short-term investments	1,000	10,000	-	9,944	1
			Stocks						
	E.Sun Insurance Agent Co., Ltd.	Equity-method investee	Long-term equity investments	324	4,632	20.00	4,632	2 and 4	
	E.Sun Finance & Leasing Co., Ltd.	Stocks							
Gapura Incorporated		-	Long-term investments	462	10,733	6.21	11,432	2	
Government bonds									
A861	-	Long-term investments	-	5,713	-	5,707	\$8,500 thousand in government bonds pledged with courts of justice for collection case on overdue loan		
A862	-	Long-term investments	-	4,169	-	4,162			
E.Sun Insurance Agent Co., Ltd.	Funds								
	E.Sun Gin-Ru-E Balance Fund	The fund management company is in the same group	Short-term investments	1,414	14,200	-	13,881	1	
E.Sun Securities Investment Consulting	Funds								
	Upamc Home Run Bond Fund	-	Short-term investments	225	3,000	-	\$3,116	1	
E.Sun Capital Co., Ltd.	Funds								
	E.Sun Gin-Ru-E-Balance Fund	The fund management company is in the same group	Short-term investments	498	5,000	-	4,895	1	

Note 1: Market value of the listed stocks was based on the average closing prices in December 2005. The market value of fund was based on the net asset value as of December 31, 2005.

Note 2: The amounts are based on the latest unaudited financial statements.

Note 3: The amounts are based on the latest audited financial statements.

Note 4: In consolidating financial statements, the account balance has been eliminated.

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES
OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
(FOR BANKS AND INVESTMENT COMPANIES, AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 2

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Carrying Value	Gain(Loss) on Disposal	Shares (Thousand)	Amount
E.Sun Venture Capital Co., Ltd.	Mega Diamond Bond Fund	Short-term investments	-	-	\$ 10,430	\$ 115,873	12,420	\$140,000	14,140	\$158,977	\$157,682	\$1,295	8,710	\$98,191
E.Sun Venture Capital Co., Ltd.	IIT Wan Hwa Fund	Short-term investments	-	-	7,280	101,719	3,528	50,000	10,808	153,248	151,719	1,529		

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
(FOR BANKS AND INVESTMENT COMPANIES, AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 3

Company Name	property	Transacti on Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
E.Sun Commercial Bank Ltd.	Land: Lot 41, 2 small Sec., Chungshan Sec., Chungshan District, Taipei City. Nine floors above ground and three floors underground of a building under construction on the above property	2005.02.16	\$1,350,000	\$634,500 already paid as of December 31, 2005 The remaining amounts paid on schedule under the contract	Founding Construction & Development Co., Ltd.	-	-	-	-	\$ -	Appraisal of China Credit Information Service, Ltd. and Honda Appraisers Firm	Office	-

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
(FOR BANKS AND INVESTMENT COMPANIES, AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 4

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
E.Sun Financial Holding Co., Ltd.	E.Sun Bank	Subsidiaries	\$ 459,146 (Note 1)	-	\$ -	-	\$ -	\$ -

Note 1: The receivable comes from the adoption of the linked tax system for tax filing.

Note 2: When preparing the consolidated financial statements, it has been eliminated.

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 5

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership	Carrying Value			
E.Sun Financial Holding Co., Ltd.	E.Sun Commercial Bank, Ltd.	Taipei	Banking	\$ 25,160,117	\$ 25,160,117	2,231,355	100.00	\$ 33,489,685	\$ 3,829,944	\$ 3,520,880	1
	E.Sun Bills Finance Corp.	Taipei	Dealing and brokering short-term negotiable instruments	5,150,581	5,150,581	426,500	100.00	6,438,531	906,337	893,498	1
	E.Sun Securities Corp.	Taipei	Dealing, underwriting and brokering securities	3,137,819	3,137,819	306,000	100.00	3,206,033	60,182	57,419	1
	E.Sun Venture Capital Co., Ltd.	Taipei	Investment	1,000,000	1,000,000	100,000	100.00	1,026,131	27,183	26,453	1
	E.Sun Insurance Broker Co., Ltd.	Taipei	Insurance broker	10,000	10,000	6,200	100.00	139,703	63,001	62,201	1
	E.Sun Securities Investment Trust Co., Ltd.	Taipei	Investing funds under full discretionary authorization from customers	366,211	366,211	30,000	100.00	329,517	(15,245)	(18,145)	1
E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	Taipei	Leasing and sale of machinery and equipment	196,000	196,000	19,600	98.99	173,018	18,969	18,777	1
	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	3,950	3,950	1,280	79.00	18,295	465	253	1
E.Sun Securities Corp.	E.Sun Securities Investment Consulting Co., Ltd.	Taipei	Security consulting	10,000	10,000	1,000	100.00	10,293	(283)	(293)	1
E.Sun Venture Capital Co., Ltd.	E.Sun Capital Co., Ltd.	Taipei	Agency of service and human resource	4,500	4,500	450	45.00	6,704	7,539	3,310	1
E.Sun Insurance Broker Co., Ltd.	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	8,556	8,556	324	20.00	4,632	465	64	1

Note 1: When preparing the consolidated financial statements, it has been eliminated.

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF
THE FINANCIAL HOLDING COMPANY LAW
DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 6

Name	Relation Condition	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1.Tai Power Co., Ltd.	With same person	\$2,800,000	6.61%
2.Mega Financial Holding Co., Ltd. and the related parties	With same affiliate	3,709,600	8.76%
3.China Development Financial Holding Corporation and related parties	With same affiliate	3,650,328	8.62%
4.Continental Engineering Corp. and related parties	With same affiliate	3,646,405	8.61%
5.China Trust Financial Holding Co., Ltd. and related parties	With same affiliate	3,631,529	8.58%
6.Taiwan Acceptance Corp. and the related parties	With same affiliate	2,549,587	6.02%
7.Fubon Financial Holding Co., Ltd. and related parties	With same affiliate	2,446,957	5.78%
8.Nan Ya Plastic Co., Ltd. and the related parties	With same affiliate	2,230,982	5.27%
9.Far Eastern Textile Co., Ltd. and related parties	With same affiliate	2,223,126	5.25%

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

TABLE 7

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership		Note
				Balances as of December 31, 2005	Balances as of December 31, 2004	
E.Sun Financial Holding Co., Ltd.	E.Sun Commercial Bank, Ltd.	Taipei	Banking	100.00	100.00	
	E.Sun Bills Finance Corp.	Taipei	Dealing and brokering short-term negotiable instruments	100.00	100.00	
	E.Sun Securities Corp.	Taipei	Dealing, underwriting and brokering securities	100.00	100.00	
	E.Sun Venture Capital Co., Ltd.	Taipei	Investment	100.00	100.00	2
	E.Sun Insurance Broker Co., Ltd.	Taipei	Insurance broker	100.00	100.00	2
	E.Sun Securities Investment Trust Co., Ltd.	Taipei	Investing funds under full discretionary authorization from customers	100.00	100.00	2
E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	Taipei	Leasing and sale of machinery and equipment	98.99	98.99	2
	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	79.00	79.00	2
E.Sun Securities Corp.	E.Sun Securities Investment Consulting Co., Ltd.	Taipei	Security consulting	100.00	100.00	2
E.Sun Venture Capital Co., Ltd.	E.Sun Capital Co., Ltd.	Taipei	Agency of service and human resource	45.00	45.00	1 and 2
E.Sun Insurance Broker Co., Ltd.	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	20.00	20.00	2

Note 1: The investment company's direct or indirect ownership of the investee was not over 50%, but the consolidated entities have control over the investee. Thus, the investee's accounts were included in the consolidated financial statements.

Note 2: Neither the operating revenue nor total assets of ESFHC's subsidiaries individually reached 10% or collectively reached 30% of those of ESFHC. Thus, their accounts were not included in these consolidated financial statements as of and for the year ended December 31, 2004.

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE CORPORATION AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

TABLE 8

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (%)
0	E.Sun Financial Holding Co., Ltd.	E.Sun Commercial Bank, Ltd.	a.	Cash and cash equivalents	\$4,003,158	Note 4	0.63%
1	E.Sun Commercial Bank, Ltd.	E.Sun Financial Holding Co., Ltd.	b.	Deposits and remittances	4,003,158	Note 4	0.63%
0	E.Sun Financial Holding Co., Ltd.	E.Sun Commercial Bank, Ltd.	a.	Other receivable	459,146	Note 4	0.07%
1	E.Sun Commercial Bank, Ltd.	E.Sun Financial Holding Co., Ltd.	b.	Other payable	459,146	Note 4	0.07%
1	E.Sun Commercial Bank, Ltd.	E.Sun Bills Finance Corp.	c.	Deposits and remittances	469,202	Note 4	0.07%
2	E.Sun Bills Finance Corp.	E.Sun Commercial Bank, Ltd.	c.	Cash and cash equivalents	469,202	Note 4	0.07%
1	E.Sun Commercial Bank, Ltd.	E.Sun Venture Capital Co., Ltd.	c.	Deposits and remittances	210,766	Note 4	0.03%
3	E.Sun Venture Capital Co., Ltd.	E.Sun Commercial Bank, Ltd.	c.	Cash and cash equivalents	210,766	Note 4	0.03%

Note 1: Transaction between parent company and subsidiaries should be distinguished as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Three types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the consolidated total assets or liabilities and revenue or expense account is divided by the consolidated total revenue or expense of the same period.

Note 4: The terms for the transactions between the Company and related parties are similar to those with unrelated parties.

Note 5: Referring to transactions exceeding New Taiwan dollars \$100,000 thousand.

十一、Review and analysis of financial Status and Results

(一) Analysis of Financial Status

Unit:NT\$1,000

Item \ Year	2005	2004	Difference	
			Amount	Amount
Current assets	4,651,616	1,024,775	3,626,841	354
Long-term equity investments	44,669,600	43,423,341	1,246,259	3
Fixed assets	891	-	891	-
Other assets	3,711	1,729	1,982	115
Total liabilities	49,325,818	44,449,845	4,875,973	11
Current liabilities	391,213	1,689,566	(1,298,353)	(77)
Long-term debt	5,200,000	400,000	4,800,000	1,200
Accrued pension liabilities	4,337	1,041	3,296	317
Total liabilities	5,595,550	2,090,607	3,504,943	168
Capital Stock	30,270,000	29,306,096	963,904	3
Capital Surplus	7,607,644	7,607,644	-	-
Retained earnings	5,931,050	5,548,506	382,544	7
Total stockholders' equity	43,730,268	42,359,238	1,371,030	3

Note :

1. Current assets increased mainly because the cash injection from the issuance of subordinate corporate bond on December, 2005.
2. Long term equity investment increased mainly because the Company recognized investment profit by equity method.
3. Current liabilities decreased mainly because the repayment to bank loans and the decrease of estimated income tax.
4. Long term debt increased mainly because the issuance of subordinate corporate bond on December, 2005.

(二) Review and Analyses of Significant Capital Expenditure and Related Capital Resources

1. Significant Scheduled Cash Outflows and Capital Resources for Capital Expenditure and the nature of capital expenditure of expected investment for next 5 years:

Unit:NT\$1,000

Items	Actual/Expected Capital Resources	Actual/Expected Completed Date	Total Required Capital	Actual/Expected Cash Flow Schedule						
				2004	2005	2006	2007	2008	2009	2010
Subscribe E.SUN BANK capital increase by cash	Issue ECB	2004.12.17	6,000,000	6,000,000	-	-	-	-	-	-
Subscribe E.SUN BANK capital increase by cash	Issuing subordinate corporate bond	2006.3	2,000,000	-	-	2,000,000	-	-	-	-

2. Expected Benefits : increasing investment profits.

(三) Analyses for Liquidity

1.Liquidity Analyses of 2005 and 2004

Item	Year	2005	2004	Changes(%)
Cash flow ratio (%)		842.39	173.62	385
Cash flow adequacy ratio (%)		53.53	40.37	33
Cash re-investments ratio (%)		0.16	0.26	(38)

1.Cash flow ratio increased mainly because the Company received more cash dividends from equity-method investees in 2005 and the bond payable had already completely converted or redeemed by the end of Year 2004.

2.Cash flow adequacy ratio increased because the 5-year net cash flow of business operation in 2005 increased from that of 2004

3.Cash re-investments ratio decreased mainly because the remaining amount of net cash flow of business operation minus cash dividends in 2005 is less than that of 2004.

2.Liquidity analyses for the coming year

Unit : NT\$1,000

Cash balance beginning of year①	Expected cash outflows for operating activities for the come year②	Expected cash outflows for the whole year③	Expected cash Surplus / deficit ①+②-③	Response expected cash deficit	
				Plans of investing activities	Plans of financing activities
\$4,003,158	\$1,609,593	\$5,453,450	\$159,301	\$ -	\$ -

1. Cash flow analysis:
 (1) Operating activity: expect to acquire the cash dividend distributed by investees adopting equity method.
 (2) Investing activity: none.
 (3) Financing activity: expect to distribute cash dividend, remuneration of directors and supervisors, employee bonus.

2. Response for expected cash deficit and liquidity analysis: none.

(四) Operating result analyses

1. Operating result analyses 2005 and 2004 :

Unit : NTS1,000

Item	Year	2005	2004	Changes	
				Amount	(%)
Operating income		\$4,617,236	\$ 4,836,862	\$ (219,626)	(5)
Operating costs		<u>18,145</u>	<u>54,317</u>	(36,172)	(67)
Cross profit		4,599,091	4,782,545	(183,454)	(4)
Operating expense		<u>49,431</u>	<u>49,663</u>	(232)	(1)
Operating income		4,549,660	4,732,882	(183,222)	(4)
Non-operating income and gains		1,832	103,015	(101,183)	(98)
Non-operating expense and losses		<u>27,208</u>	<u>112,733</u>	(85,525)	(76)
Income before income tax		4,524,284	4,723,164	(198,880)	(4)
Income tax benefit		<u>132,065</u>	<u>113,273</u>	180,792	17
Net income		<u>\$4,656,349</u>	<u>\$ 4,836,434</u>	(180,088)	(3)

Note :

1. Operation costs: mainly increased by the investment loss recognized under equity method.
2. Non-operating income and gains : Mainly because the company had more available fund in 2004 than in 2005, which generated more interest income for year 2004.
3. Non-operating expense and losses : due to (1) The 2004 foreign currency deposit generated more losses on foreign exchange; (2) Amortization of issuance costs of 2004 ECB.

2. Analyses of gross profit changes : N/A.

With our heartfelt appreciation and eternal blessing

E.SUN FINANCIAL HOLDING COMPANY, LTD.



Chairman of the Board

Yung-Jen Huang



April 27, 2006 Printed