

YUANTA SECURITIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2007 AND 2006

For the convenience of readers and for information purpose only, 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants

PWCR07000402

To the Board of Directors and Stockholders of
Yuanta Securities Co., Ltd.

We have audited the accompanying consolidated balance sheets of Yuanta Securities Co., Ltd. (the “Company”) and its subsidiaries as of December 31, 2007, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the year 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. The consolidated financial statements of the Company as of December 31, 2006 and for the year then ended were audited by other independent accountants whose report, dated February 13, 2007, expressed a modified unqualified opinion on those financial statements.

We conducted our audit in accordance with the “Rules Governing the Examination of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Those 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 consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Firms”, “Rules Governing the Preparation of Financial Statements by Futures Commission Merchants”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China.

As stated in Note 1(3) to the consolidated financial statements, in accordance with the resolution adopted by the Board of Directors on April 10, 2007, the Company decided to merge with Yuanta Core Pacific Securities Co., Ltd. with the latter being the dissolved company. The merger date was set on September 23, 2007.

As described in Note 5(2) to the consolidated financial statements, Yuanta Core Pacific Securities Co., Ltd entered into an agreement relating to the transfer of the right of claim on margin loans and short sales with Yuanta Securities Finance Co., Ltd. amounting to NT\$35,923,470 thousand. The effective date of the transfer was set on July 1, 2007.

February 21, 2008

Taipei, Taiwan

Republic of China

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

YUANTA SECURITIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2007		2006			2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
<u>Assets</u>					<u>Liabilities and Stockholders' Equity</u>				
<u>Current Assets</u>					<u>Current Liabilities</u>				
Cash and cash equivalents (Notes 4 (1), and 6)	\$ 7,845,818	8	\$ 2,732,628	10	Short-term loans	\$ 97,841	-	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 3,4 (2), 5, 6 and 10)	49,719,064	47	12,565,420	48	Bonds sold under repurchase agreements (Notes 4 (11) and 5)	26,576,487	25	12,564,833	48
Bonds purchased under resale agreements (Notes 4 (5),5 and 6)	4,944,945	5	5,003,280	19	Financial liabilities at fair value through profit or loss - current (Notes 4 (12), 7 and 10)	794,889	1	267,221	1
Receivables from refinance guaranty	27,057	-	-	-	Notes payable	91,879	-	-	-
Receivables from security lending	2,112	-	-	-	Accounts payable	543,638	1	201,626	1
Security lending deposits	1,908	-	-	-	Advance collections	195,042	-	3,964	-
Notes receivable	16,934	-	7,528	-	Collections for third parties	226,373	-	101,576	1
Accounts receivable	1,001,836	1	195,710	1	Other payables (Notes 4 (13) (22) and 5)	11,154,051	11	1,121,093	4
Prepayments	69,549	-	10,847	-	Other financial liabilities - current (Note 10)	468,525	-	-	-
Other receivables (Note 5)	390,035	-	255,312	1	Other current liabilities	-	-	782	-
Other receivables - related parties (Note 5)	13,999,081	13	-	-		<u>40,148,725</u>	<u>38</u>	<u>14,261,095</u>	<u>55</u>
Restricted assets - current(Notes 5 and 6)	1,443,322	1	910,000	4	<u>Other Liabilities</u>				
Deferred income tax assets - current (Note 4 (22))	1,790	-	-	-	Reserve for default (Note 4 (14))	200,000	-	200,000	1
Investment in bonds without active markets - current	1,000	-	-	-	Reserve for trading loss (Note 4 (15))	175	-	19,866	-
Non-current assets held for sale (Note 4 (7))	575,474	1	-	-	Deposits-in	10,045	-	5,263	-
Other current asset - other	3,581	-	440	-	Accrued pension liability (Note 4 (16))	711,029	1	150,605	-
Total Assets	<u>80,043,506</u>	<u>76</u>	<u>21,681,165</u>	<u>83</u>	Reserve for bad debts	217,129	-	219,694	1
					Funds collected for share subscriptions	-	-	65,224	-
<u>Funds and Investments</u>						<u>1,138,378</u>	<u>1</u>	<u>660,652</u>	<u>2</u>
Long-term investments accounted for under the equity method (Notes 4 (6) , (8) and 5)	5,957,793	6	-	-	Total Liabilities	<u>41,287,103</u>	<u>39</u>	<u>14,921,747</u>	<u>57</u>
Available-for-sale financial assets - noncurrent (Notes 4 (3) (10), 5 and 6)	6,171,505	6	1,250,375	5	<u>Stockholders' Equity</u>				
Held-to-maturity financial assets - noncurrent (Notes 4 (4) and 6)	899,624	1	-	-	Common stock (Note 4 (17))	53,679,388	51	10,402,938	40
Financial assets at fair value through profit or loss - noncurrent (Notes 4 (2) and 6)	469,387	-	-	-	Capital reserve (Note 4 (18))				
	<u>13,498,309</u>	<u>13</u>	<u>1,250,375</u>	<u>5</u>	Paid in capital in excess of par	28,758	-	28,758	-
<u>Fixed Assets</u> (Notes 4 (8) (9), 6 and 7)					Long-term investment	51,189	-	-	-
Land	4,128,751	4	472,136	2	Capital surplus from business combination	1,230,544	1	55,028	-
Buildings	1,537,992	1	526,776	2	Retained earnings				
Equipment	858,105	1	270,884	1	Legal reserve (Note 4 (19))	68,503	-	-	-
Prepayments for land and buildings	1,663,075	2	-	-	Special reserve (Note 4 (20))	137,006	-	-	-
Prepayments for equipment	115,452	-	73,632	-	Unappropriated earnings (Notes 4 (21))	8,600,870	8	685,029	3
Leasehold improvements	322,483	-	198,205	1	Other adjustment items				
Less: accumulated impairment	(18,385)	-	-	-	Cumulative translation adjustments	738,774	1	(50,552)	-
accumulated depreciation	(839,872)	(1)	(296,833)	(1)	Unrealized profit or loss on financial instruments (Note 10)	101,944	-	4,642	-
	<u>7,767,601</u>	<u>7</u>	<u>1,244,800</u>	<u>5</u>	Minority interest	225,114	-	72,896	-
<u>Intangible Assets</u>					Total Stockholders' Equity	<u>64,862,090</u>	<u>61</u>	<u>11,198,739</u>	<u>43</u>
Deferred pension costs	3,644	-	1,667	-	Significant commitments and contingences (Note 7)				
Other intangibles	341,664	-	448,976	2	Significant subsequent events (Note 9)				
	<u>345,308</u>	<u>-</u>	<u>450,643</u>	<u>2</u>					
<u>Other Assets</u>									
Business security deposits (Notes 5 and 6)	595,000	1	465,000	2					
Exchange clearing deposits	771,964	1	299,141	1					
Deposits-out (Note 6)	428,006	-	158,022	-					
Deferred debits	-	-	-	-					
Rental assets (Notes 4 (8) and 6)	462,427	-	497,873	2					
Idle assets (Notes 4 (8) and 6)	265,339	-	-	-					
Deferred income tax assets - noncurrent (Note 4 (22))	134,728	-	39,083	-					
Consolidated debits	1,674,973	2	-	-					
	<u>4,332,437</u>	<u>4</u>	<u>1,459,119</u>	<u>5</u>					
<u>Securities Brokerage Debit Accounts - Net</u> (Note 4 (24))	<u>162,032</u>	<u>-</u>	<u>34,384</u>	<u>-</u>					
Total Assets	<u>\$ 106,149,193</u>	<u>\$ 100</u>	<u>\$ 26,120,486</u>	<u>\$ 100</u>	Total Liabilities and Stockholders' Equity	<u>\$ 106,149,193</u>	<u>100</u>	<u>\$ 26,120,486</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated February 21, 2008.

YUANTA SECURITIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	2007		2006	
	Amount	%	Amount	%
Revenues				
Securities brokerage fees (Note 5)	\$ 10,073,742	47	\$ 2,353,252	49
Service fees for security lending	49	-	-	-
Underwriting fees	278,383	1	15,738	-
Gain on sales of trading securities (Notes 4 (2) and 5)	1,366,909	6	427,264	9
Stock custodial income	170,243	1	33,162	1
Interest income (Note 5)	1,341,156	6	277,743	6
Dividend income	298,713	1	77,353	2
Gain on valuation of trading securities (Note 4 (2))	1,150,631	5	29,973	1
Gain on short covering and trading securities - RS financing covering (Note 10)	7,480	-	-	-
Gain on warrants issuance (Note 10)	839,451	4	320,485	7
Commission income - futures (Note 5)	-	-	82,414	2
Exchange clearing fees	6,879	-	-	-
Gain on trading of financial instruments - Futures (Note 10)	633,198	3	105,325	2
Gain on trading of financial instruments - OTC (Note 10)	-	-	305,293	6
Other operating income (Note 5)	2,942,386	14	163,026	3
Non-operating income (Notes 4 (6) and 5)	2,599,412	12	590,608	12
	<u>21,708,632</u>	<u>100</u>	<u>4,781,636</u>	<u>100</u>
Expenses				
Handling charges - brokerage	(579,349)	(3)	(145,441)	(3)
Handling charges - dealing	(36,488)	-	(7,430)	-
Service charges - refinancing	(203)	-	-	-
Service charges - underwriting	(6,468)	-	(1,030)	-
Loss on sales of trading securities (Notes 4 (2) and 5)	(443,628)	(2)	(123,671)	(3)
Interest expense (Note 5)	(616,587)	(3)	(268,053)	(6)
Loss on short covering and trading securities - Valuation	(50)	-	-	-
Warrant issuance expenses (Note 10)	(20,720)	-	(3,060)	-
Service charges - exchange clearing	(50,233)	-	(693)	-
Loss on trading of financial instruments - Futures (Note 10)	(514,436)	(3)	(83,346)	(2)
Loss on trading of financial instruments - OTC (Note 10)	(201,728)	(1)	(310,672)	(6)
Operating expenses (Notes 4 (25) and 5)	(9,046,502)	(42)	(2,748,037)	(57)
Other operating expenses	(41,334)	-	(180)	-
Non-operating expenses (Note 4 (8))	(701,854)	(3)	(142,952)	(3)
	<u>(12,259,580)</u>	<u>(57)</u>	<u>(3,834,565)</u>	<u>(80)</u>
Income before income tax	9,449,052	43	947,071	20
Income tax (Note 4 (22))	(770,148)	(3)	(378,136)	(8)
Income before cumulative effect of changes in accounting principles	8,678,904	40	568,935	12
Cumulative effect of changes in accounting principles (Note 3)	-	-	113,682	2
Consolidated net income	8,678,904	40	682,617	14
Attributable to:				
Equity holders of the Company	\$ 8,600,870	40	\$ 685,029	12
Minority interest	78,034	-	(2,412)	-
Consolidated net income	<u>\$ 8,678,904</u>	<u>\$ 40</u>	<u>\$ 682,617</u>	<u>\$ 12</u>
	Pre-tax	After-tax	Pre-tax	After-tax
Basic earnings per share (in dollars) (Notes (3) and 4 (23))				
Income from continuing operations	\$ 1.83	\$ 1.71	\$ 0.95	\$ 0.57
Cumulative effect of changes in accounting principles (Note 3)	-	-	0.11	0.11
Consolidated net income before minority interest	1.83	1.71	1.06	0.68
Minority interest	(0.02)	(0.02)	-	-
Consolidated net income	<u>\$ 1.81</u>	<u>\$ 1.69</u>	<u>\$ 1.06</u>	<u>\$ 0.68</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated February 21, 2008.

YUANTA SECURITIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained Earnings					Cumulative	Unrealized Gain or		
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Translation Adjustments	Loss on Financial Instruments	Minority interest	Total
Balance at January 1, 2006	\$ 8,902,938	\$ 89,280	\$ 390,678	\$ 781,355	(\$ 1,177,527)	(\$ 38,211)	\$ -	\$ 75,308	\$ 9,023,821
Accumulated deficit offset by capital reserve	-	(5,494)	-	-	5,494	-	-	-	-
Accumulated deficit offset by legal reserve	-	-	(390,678)	-	390,678	-	-	-	-
Accumulated deficit offset by special reserve	-	-	-	(781,355)	781,355	-	-	-	-
Issuance of common stock for cash	1,500,000	-	-	-	-	-	-	-	1,500,000
Consolidated net income for 2006	-	-	-	-	685,029	-	-	(2,412)	682,617
Unrealized gain or loss on financial instruments	-	-	-	-	-	-	4,642	-	4,642
Cumulative translation adjustments	-	-	-	-	-	(12,341)	-	-	(12,341)
Balance at December 31, 2006	<u>\$ 10,402,938</u>	<u>\$ 83,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,029</u>	<u>(\$ 50,552)</u>	<u>\$ 4,642</u>	<u>\$ 72,896</u>	<u>\$ 11,198,739</u>
Balance at January 1, 2007	\$ 10,402,938	\$ 83,786	\$ -	\$ -	\$ 685,029	(\$ 50,552)	\$ 4,642	\$ 72,896	\$ 11,198,739
Issuance of new common stock for merger with Yuanta Core Pacific Securities Co., Ltd.	59,276,450	1,263,216	-	-	-	739,069	43,265	-	61,322,000
Return of capital for capital reduction	(16,000,000)	-	-	-	-	-	-	-	(16,000,000)
Appropriation of prior year's earnings									
Legal reserve	-	-	68,503	-	(68,503)	-	-	-	-
Special reserve	-	-	-	137,006	(137,006)	-	-	-	-
Bonuses to employees	-	-	-	-	(4,795)	-	-	(4,795)	-
Cash dividends	-	-	-	-	(474,725)	-	-	(474,725)	-
Consolidated net income for 2007	-	-	-	-	8,600,870	-	-	78,034	8,678,904
Cumulative translation adjustments	-	-	-	-	-	50,257	-	-	50,257
Adjustment to capital reserve due to non-proportional investment in investee's increase in capital	-	(22,970)	-	-	-	-	-	(22,970)	-
Adjustment due to change in investee's equity	-	(13,541)	-	-	-	-	-	(13,541)	-
Unrealized gain or loss on financial instruments	-	-	-	-	-	-	54,037	-	54,037
Increase in minority interest	-	-	-	-	-	-	-	74,184	74,184
Balance at December 31, 2007	<u>\$ 53,679,388</u>	<u>\$ 1,310,491</u>	<u>\$ 68,503</u>	<u>\$ 137,006</u>	<u>\$ 8,600,870</u>	<u>\$ 738,774</u>	<u>\$ 101,944</u>	<u>\$ 225,114</u>	<u>\$ 64,862,090</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated February 21, 2008

YUANTA SECURITIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2007	2006
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated net income	\$ 8,678,904	\$ 682,617
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on valuation of trading securities	(1,150,631)	(29,973)
(Reversal of) provision for trading loss	(72,858)	19,866
Gain on valuation of open-end mutual funds beneficiary certificates and money market instruments	(71,032)	-
Loss on short covering and trading securities - Valuation	50	-
Provision for default reclassified to income	(200,000)	-
Reversal of reserve for bad debts	(2,565)	(1,740)
Dividends received from long-term equity investments accounted for under the equity method	643,948	-
Investment income accounted for under the equity method (including impairment loss)	(754,523)	-
Gain on disposal of long-term equity investments	-	(43,718)
Loss on disposal of fixed assets	(32,523)	47,766
Fixed assets charged to operating expenses	1,995	587
Loss on disposal of other intangibles	-	755
Impairment loss of non-financial assets (including fixed, rental and idle assets)	376,946	-
Impairment loss on investment in bonds without active markets	4,272	-
Loss on disposal of investment in bonds without active markets	230	-
Impairments loss on available-for-sale financial assets	8,877	12,724
Loss on disposal of available-for-sale financial assets - noncurrent	4,400	706
Depreciation (including assets for rental and idle assets)	264,372	120,418
Amortization	112,628	102,532
Changes in Assets/Liabilities:		
Financial assets at fair value through profit or loss - current	20,762,691	4,674,681
Bonds purchased under resale agreements	5,314,886	123,824
Accounts and notes receivable	287,295	263,620
Receivables from refinance guaranty	(25,445)	-
Security lending guaranty	(2,112)	-
Security lending deposits	(1,908)	-
Prepayments	541,464	19,845
Other receivables	(3,502,914)	47,098
Deferred income tax assets	(11,081)	(5,282)
Other asset - current	(3,141)	96,444
Bonds sold under repurchase agreements	(24,061,231)	(5,642,063)
Financial liabilities at fair value through profit or loss - current	(100,036)	(85,542)
Accounts payable	98,452	(367,700)
Notes payable	(60,335)	(41,310)
Advance collections	10,173	(13,232)
Collections for third parties	54,092	(94,947)
Other financial liabilities - current	468,525	-
Other payables	(1,734,795)	327,170
Accrued pension liability	38,884	21,127
Other liabilities - current	(987)	782
Securities brokerage debit and credit account - net	(330,189)	8,138
Net cash provided by operating activities	<u>5,554,778</u>	<u>245,193</u>

(Continued)

YUANTA SECURITIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2007	2006
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Decrease in restricted assets	-\$ 311,110	\$ 17,162
Collections-held-to-maturity financial assets	99,720	-
Acquisition of fixed assets	(491,483)	(126,457)
Proceeds from disposal of fixed assets (including advance collections)	1,111,309	8,561
Increase in other intangibles	(2,078)	(25,590)
Increase in deferred debits	-	(7,315)
Decrease in other asset	12,823	-
Decrease in business security deposits	565,000	575,215
Decrease in exchange clearing deposits	162,596	24,980
Increase in investments in bonds without active markets	(571)	-
Proceeds from disposal of available-for-sale financial assets	35,020	2,620
Acquisition of available-for-sale financial assets - noncurrent	-	(536,583)
(Increase) decrease in deposits-out	75,689	33,289
Proceeds from the transfer of the right of claim on margin loans and short sales	22,000,000	-
Acquisition of available-for-sale financial assets - noncurrent	(292,117)	-
Proceeds from available-for-sale financial assets - noncurrent	44,752	-
Net cash provided by (used in) investing activities	<u>23,009,550</u>	<u>(34,118)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from capital infusion	-	1,500,000
Decrease in short-term loans	(7,372,156)	(559,794)
Decrease in commercial papers payable	-	(199,515)
(Decrease) increase in deposits-in	(3,670)	1,345
Bonus to employees	(4,795)	-
Cash dividends	(474,725)	-
Remuneration to the directors and supervisors of dissolved company	(47,103)	-
Bonus to the employees of dissolved company	(94,205)	-
Cash dividends of dissolved company	(3,009,572)	-
Return of capital	(16,000,000)	-
Effect of consolidation	2,691,578	-
Changes in minority interest	74,184	-
Net cash (used in) provided by financing activities	<u>(24,240,464)</u>	<u>742,036</u>
Effect of exchange rate changes	<u>789,326</u>	<u>(12,341)</u>
Net increase in cash and cash equivalents	5,113,190	940,770
Cash and cash equivalents - beginning of the year	<u>2,732,628</u>	<u>1,791,858</u>
Cash and cash equivalents - end of the year	<u>\$ 7,845,818</u>	<u>\$ 2,732,628</u>
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid for interest (including interest expense capitalized)	\$ 387,078	\$ 271,213
Less : Interest expense capitalized	(62,044)	-
Cash paid for interest (excluding interest expense capitalized)	<u>\$ 325,034</u>	<u>\$ 271,213</u>
Cash paid for income tax	<u>\$ 1,774,818</u>	<u>\$ 23,541</u>
<u>Partial Cash Flow For Investing activities</u>		
Proceeds from the transfer of the right of claim on margin loans and short sales	\$ 35,923,470	(-
Less: Receivable from the transfer of the right of claim on margin loans and short sales	(13,923,470)	-
Cash received	<u>\$ 22,000,000</u>	<u>(-</u>

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

See report of independent accountants dated February 21, 2008.

YUANTA SECURITIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

1) Yuanta Core Pacific Securities Co., Ltd.

A. Yuanta Securities Co., Ltd. (“the Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) and commenced commercial operations in 1996. The Company is mainly engaged in the underwriting, dealing, brokerage and financing of marketable securities, futures, warrants and derivative financial instruments. As of December 31, 2007, the Company had approximately 4,700 employees.

B. In accordance with the resolution adopted by the first stockholders’ extraordinary meeting on December 10, 2001, the Company decided to jointly establish Yuanta Financial Holding Co., Ltd. with Yuanta Securities Finance Co., Ltd. in the way of shares conversion based on the Financial Holding Company Act. The shares conversion base date was set on February 4, 2002.

C. In accordance with the resolution adopted by the Board of Directors on April 10, 2007, the Company decided to merge with Yuanta Core Pacific Securities Co., Ltd, as approved by the Commerce Services, Ministry of Economic Affairs, R.O.C., on October 23, 2007. Yuanta Core Pacific Securities Co., Ltd. was the dissolved company. The merger date was set on September 23, 2007.

D. The Company changed its name from Fuhwa Securities Co., Ltd. to Yuanta Securities Co., Ltd., as approved by the Ministry of Economic Affairs, R.O.C. on June 14, 2007.

E. As of December 31, 2007, the Company had 145 branches.

F. The Company’s parent company is Yuanta Financial Holding Co., Ltd.

2) Name, business and the percentage ownership of the Company in the subsidiaries included in the consolidated statement.

Investors	Investees	Major operating Activities	Percentage Ownership Dec 31, 2007	Percentage Ownership Dec 31, 2006	Note
The Company	Yuanta Securities Asia Financial Services Ltd.	Securities investments and holdings	100%	-	Notes 1 and 2
	Yuanta Insurance Brokers Co.,Ltd.	Insurance broking	100%	-	Notes 1 and 3
	Yuanta Securities Investment Trust Company	Investment trust	83.19%	-	Notes 1 and 2
	Fuhwa Holdings Ltd.(Virgin Islands)	Securities investments and holdings	100%	100%	Note 2
	Fuhwa Futures Co., Ltd.	Futures broking	-	50%	Notes 2 and 4
Yuanta Securities Asia Financial Services Ltd.	Yuanta Securities (Hong Kong) Co.,Ltd	Securities broking underwriting, and consulting	100%	-	Notes 1 and 2
Fuhwa Holdings Ltd.(Virgin Islands)	Fuhwa Securities (Hong Kong) Co., Ltd.	Overseas securities broking and other relevant investments	100%	100%	Notes 2 and 5

Note 1 : The original subsidiary of the dissolved company, Yuanta Core Pacific Securities Co., Ltd.

Note 2 : The subsidiary was included in the consolidated financial statements based on its audited financial statements.

Note 3 : As it had not met the threshold by auditing standards that requires the examination of financial statements by certified public accountants, the subsidiary was included in the consolidated financial statements based on its unaudited and unreviewed financial statements.

Note 4 : The subsidiary had gone into liquidation and was dissolved in 2007.

Note 5 : The subsidiary had gone into liquidation since November, 2005, while, the procedures for dissolution have not been completed.

Note 6 : In coordination with the Yuanta Financial Holding Group's reorganization as well as business developments, the Company's subsidiary, Yuanta Futures Co., Ltd. (formerly the subsidiary of Yuanta Core Pacific Securities Co., Ltd. and acquired by the Company due to the Company's merger with Yuanta Core Pacific Securities Co., Ltd.), merged with Fuhwa Futures Co., Ltd. and the Company sold its full shareholdings of Yuanta Futures Management Co., Ltd., which were acquired from Yuanta Core Pacific Securities Co., Ltd., to Yuanta Futures Co., Ltd. Afterwards, the Company transferred its equity interests in Yuanta Futures Co., Ltd. and Yuanta Securities Investment Consulting Co., Ltd. to Yuanta Financial Holding Co., Ltd. The income (loss) of these subsidiaries was included in the consolidated statements of income before the equity interest transfer.

- 3) Relationship with consolidated controlled subsidiaries of which the Company owns indirectly more than 50% ownership: None.
- 4) Reason for excluding majority owned subsidiaries from the consolidated financial statement:
Grand Asia Assets Management Ltd., a 50% owned subsidiary of Yuanta Securities Asia Financial Services Co., is not a consolidated entity because Yuanta Securities Asia Financial Services Co. has less than one half of the seats on the board of directors and has no control over Grand Asia Assets Management Ltd.
- 5) Names and ownership percentage of subsidiaries excluded from the consolidated financial statements and the reasons : None.
- 6) The reason and adjustments for subsidiaries with different balance sheet dates : None.
- 7) Special operating risks in foreign subsidiaries : None.
- 8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company : None.
- 9) Contents of subsidiaries' securities issued by the parent company : None.
- 10) Information on convertible bonds and common stock issued by subsidiaries : None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Firms”, “Rules Governing the Preparation of Financial Statements by Futures Commission Merchants”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China. The Group’s significant accounting policies are described below:

1) Basis for preparation of consolidated financial statements

- A. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. The income (loss) of the subsidiaries is included in the consolidated statement of income effective on the date the Company gains control over the subsidiaries, and the prior year’s consolidated financial statements would not be retroactively adjusted. The income (loss) of the subsidiaries is excluded from the consolidated statement of income effective the date on which the Company loses control over the subsidiaries.
- B. Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which are carried forward from prior year’s balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in “cumulative translation adjustments” under stockholders’ equity.

3) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

4) Cash equivalents

Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments which are readily convertible to known amount of cash and subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

5) Financial assets and financial liabilities at fair value through profit or loss

- A. Equity securities and beneficiary certificates are accounted for using trade date accounting while debt securities are accounted for using settlement date accounting at fair value. Option transactions are recognized based on fair value on the date of trading. Derivative non-option transactions are recognized at a fair value of zero on the date of trading.
- B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date.
- C. Financial assets and liabilities designated at fair value through profit or loss are those that meet one of the following requirements:
 - (A) the product is a mixed product;
 - (B) the designation can significantly eliminate the inconsistency in measurement or recognition; or
 - (C) the position is mutually managed in accordance with the risk management or investment strategies of the Company and is designated for the purpose of fair value evaluation.

6) Receivables from security lending

- A. Upon managing the security lending business, the amount of lending to customers is recognized as “Receivables from security lending- customers giving securities purchased as pledges” or “Receivables from security lending- customers giving their holding securities as pledges” at the second business date following the transaction date. Allowance for doubtful accounts is provided according to the evaluation of the collectibility of receivables from security lending at the end of period, and recognized as “Allowance for doubtful accounts- receivables from security lending- customers giving securities purchased as pledges” or “Allowance for doubtful accounts- receivables from security lending-customers giving their holding securities as pledges”.
- B. The interests on receivables from security lending would start to accrue from the second business date following the transaction date, and are recognized as interest revenue. The service charges on security lending are recognized as service charges revenue. The financing penalties received according to Article 28 of Procedures for Provision of Security Lending Managed by Securities Firms are recognized as other operating revenue.

7) Available-for-sale financial assets

- A. Equity securities and beneficiary certificates are accounted for using trade date accounting while debt securities are accounted for using settlement date accounting at fair value.
- B. Available-for-sale financial assets, except for delisted stocks, are remeasured and stated at fair value or fundamental value derived from model evaluation, and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks, closed-end mutual funds and beneficiary certificates is determined based on the closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date. Unlisted and emerging stocks are stated at cost. For accounting policies regarding securitization of financial assets, please refer to Note 2 (20).
- C. If there is any objective evidence that the financial asset is impaired, a loss is recognized. Subsequent recovery of fair value is recognized in equity. Recovery of fair value of debt instruments is recognized in current operations.

8) Held-to-maturity financial assets

- A. Held-to-maturity financial assets are accounted for using settlement date accounting, and are stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. These financial assets are carried at amortized cost.
- C. If there is any objective evidence that the financial asset is impaired, a loss is recognized. Subsequent recovery of fair value is recognized in equity. Recovery of fair value of debt instruments is recognized in current operations.

9) Investment in bonds without active markets

- A. Investment in bonds without active markets is recognized and derecognized using settlement date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset.
- B. This financial asset is carried at amortized cost.
- C. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. If, subsequently, the fair value of asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss shall be reversed to the extent of the amount of the amortized cost that would have been recognized at the date the impairment is reversed.

10) Allowance for doubtful accounts/provision for loss on bad debts

Allowance for doubtful accounts is provided according to the evaluation of the collectibility of the ending balances of margin loans receivable, receivables from refinance guaranty, margins receivable for futures transactions, notes receivable, accounts receivable, other receivables and overdue accounts. In addition, the Group provided an allowance for doubtful accounts for the increased gain arising from reduction of business tax rate starting from July 1, 1999 up to July 1, 2003 in accordance with the Tai-Tsai-Cheng Letter (2) No.82416 and Tai-Tsai-Cheng Letter (7) No.91625, respectively, of the Securities and Futures Commission, Ministry of Finance, R.O.C., dated September 29, 1999; however, when the amount of receivables was insufficient to offset allowance for doubtful accounts, the allowance for doubtful accounts was recognized under “Provision for loss on bad debts”.

11) Bonds sold under repurchase agreements and bonds purchased under resale agreements

Bonds sold with repurchase or purchased with resale agreements are stated at cost. The variance between the contracted price and the cost is amortized over the period of the transactions.

12) Futures transaction assistance business/ futures transaction

- A. The Group is engaged in the futures transaction assistance business, receiving (paying) commissions from futures commission merchants (securities firms), and recognizing as futures commission revenue (expense) at the futures transaction date.
- B. The security deposits deposited in by the dealing department when undertaking futures transaction are recognized as “Financial assets at fair value through profit or loss- current- futures transaction security deposits- own funds”. The futures transaction security deposits- own funds are adjusted based on the difference between the futures index at the closing-out date and the futures index at balance date. Realized futures transaction income (loss) is recognized at the closing-out date. The unclosing-out position is evaluated at the end of period, and the unrealized futures transaction income (loss) is recognized as “Derivative instruments income (loss)- futures- futures contract income (loss)”.

13) Investments accounted for under the equity method

- A. Long-term equity investments in which the Company holds more than 20% of the investee company’s voting shares or has the ability to exercise significant influence on the investee’s operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized, effective January 1, 2006. Retrospective adjustment of the amount of goodwill amortized in previous year(s) is not required. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to extraordinary gains. However, negative goodwill prior to December 31, 2005 is continuously amortized.

- B. If an investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, then the investment percentage, and therefore the equity in net assets for the investment that an investor company has invested, will be changed. Such difference shall be used to adjust the additional paid-in capital and the long-term investments accounts.

If the adjustment stated above is to debit the additional paid-in capital account and the book balance of additional paid-in capital from long-term investments is not enough to be offset, then the difference shall be debited to the retained earnings account.

- C. Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as “cumulative translation adjustments” under stockholders’ equity.

14) Fixed assets / Idle assets / Rental assets

- A. Fixed assets are stated at cost. Interests incurred on the loans used to bring the asset to the condition and locations for its intended use are capitalized. Depreciation is provided using the straight-line method based on the estimated economic useful lives of the assets plus one year as residual value, except for leasehold improvements which are amortized based on useful lives or the terms of the contract. Fully depreciated assets still in use are depreciated based on the residual value over the re-estimated useful lives. The estimated useful lives of major fixed assets range from 1 to 8 years, except for buildings which are 27 to 55 years.
- B. Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- C. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current operations.
- D. Fixed assets not used for operations are reclassified as idle assets or rental assets and are stated at the lower of net realizable value or book value. Any loss is charged to non-operating expense.

15) Intangible asset

Franchises are stated at cost and amortized over the estimated life of 10 years using the straight-line method. Computer software expenditures are stated at cost and amortized over the estimated life of 3 to 5 years using the straight-line method.

16) Non-current assets held for sale

For non-current assets to be sold (disposal group) in one year, they are measured at the lower of carrying value or net fair value and reclassified to “Current assets”. Depreciation on those assets is no longer provided.

17) Impairment of non-financial assets

Impairment of non-financial assets is recognized when circumstances change or one or more events occur indicating that the carrying amount may not be recoverable. The asset is not recoverable when future cash flows are less than the carrying amount. In such cases, an impairment loss is recognized for the amount the carrying value exceeds the recoverable amount. When the impairment no longer exists, impairment loss recognized in prior years shall be recovered in accordance with R.O.C. SFAS No. 35.

18) Financial institution asset securitization

- A. According to the “Statute for Financial Asset Securitization” and the “Trust Law”, in using special purpose trusts, the Company transfers bonds held as well as related rights and obligations to trustees as the basis for the issuance of beneficiary certificates, and accordingly receives funds raised thereon. Under the transaction structure, the transaction is deemed as a sale since the Company loses control over the transferred assets. On the other hand, the transfer of subordinated bonds is not dealt with as a sale and instead as a long-term investment since those bonds are held for the purpose of assuming the risk for all beneficiary certificates.
- B. Due to the lack of market quotes for subordinated bonds or seller-side beneficiary certificates, the Company adopts the expected reset interest rates and residual cash flow discount rate as the basis for estimating fair market values.
- C. Seller-side beneficiary certificates are evaluated based on the discounted future cash flows at the balance sheet date. The loss from revaluation is charged against the book value of available-for-sale financial assets.

19) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, and expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

20) Revenues and expenses

Revenues and expenses are recorded as follows:

- A. Gains (losses) on sale of securities, securities brokerage fees, and commissions on brokerage and trading are recognized on the transaction date.
- B. Interest revenues on margin loans are recognized and accrued over the loan period. Interest expense on short selling is recognized and accrued over the short selling period.
- C. Underwriting fees and related service charges: application fees are recognized when collected; underwriting fees revenue and service charges expenditures are recognized when the contract is completed.
- D. Stock custodian income is recognized monthly based on the terms of the contract.
- E. Commission income – Futures is recognized over the transaction date. The Company assists in futures transactions and fees collection.
- F. Gain (losses) on future contracts: The margin of futures transactions is recognized as cost. Costs and expenses are recognized as incurred.
- G. Options transaction income (loss): The margin of options transaction is recognized as cost. The options are evaluated monthly based on the market value. Options transaction income (loss) arising from settlement is recognized in current period's profit or loss.

21) Income tax

- A. Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carry forward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years' income tax liabilities is included in current year's income tax.

- B. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. According to Article 49 of the Financial Holding Company Act and Income Tax Act, the Company elects its parent company, Yuanta Financial Holding Co., Ltd., as the taxpayer to file the consolidated profit-seeking enterprise income tax returns. In addition to the consolidated income tax returns, the Company has to compute its income tax on an individual filing basis pursuant to the R.O.C SFAS No. 22, "Accounting for Income Taxes", and records the tax receipts and tax payments arising from the consolidated income tax returns in current period's deferred income tax assets (liabilities), income tax payable (income tax return receivable) and other receivables (payables) - affiliates of the Company's financial statements.

22) Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.

23) Foreign currency transactions

- A. The Group maintains their accounts in New Taiwan dollars and their respective functional currencies. Transactions denominated in foreign currencies are translated into New Taiwan dollars and the respective functional currencies at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the date of actual receipt and payment are recognized in current year's profit or loss.
- B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.
- C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

24) Classification of current and non-current assets and liabilities

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- a. Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
- b. Assets held mainly for trading purposes;
- c. Assets that are expected to be realized within twelve months from the balance sheet date; and
- d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- a. Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
- b. Liabilities arising mainly from trading activities;
- c. Liabilities that are to be paid off within twelve months from the balance sheet date; and
- d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

25) Settlement date accounting

When settlement date accounting is used, any change in the fair value of the asset during the period between the trade date and the settlement date is not recognized for assets carried at cost or amortized cost. For financial assets and financial liabilities at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

26) Merger accounting

The merger among affiliated companies is due to the Group's reorganization. In accordance with EITF91-244 and EITF95-141, as prescribed by the R.O.C. Accounting Research and Development Foundation, the carrying value of the dissolved company's net assets is stated as the acquisition cost. The related accounts to the dissolved company's net assets under the stockholders' equity are reclassified based on their original amount. Since the merger among subsidiaries is due to a reorganization and no minority interest is held by third parties, the current period's income and loss of the dissolved company prior to the merger shall be included in the financial statements of the Company.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

1) Financial instruments

- A. Effective January 1, 2006, the Group adopted the R.O.C. SFAS No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments". The Group has reclassified certain accounts as of December 31, 2005 in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and such standards.
- B. As a result of the adoption of SFAS No. 34 and No. 36, total net assets increased by \$4,642 as of December 31, 2007, and the impact on net income was as follows:

	<u>Amount</u>	<u>EPS (in dollars)</u>
Income before income tax	\$ 74,285	\$ 0.07
Income tax expense	<u>-</u>	<u>-</u>
Income before cumulative effect of changes in accounting principles	74,285	0.07
Cumulative effect of changes in accounting principles	<u>113,682</u>	<u>0.11</u>
Net income	<u>\$ 187,967</u>	<u>\$ 0.18</u>

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) CASH AND CASH EQUIVALENTS

	December 31,	
	2007	2006
Petty Cash	\$ 5,556	\$ 2,735
Demand deposits	95,010	115,518
Time deposits	3,612,149	98,600
Foreign currency deposits	240,266	679,853
	3,952,981	896,706
Cash equivalents - commercial paper (expiring within three months)	3,892,837	1,835,922
	<u>\$ 7,845,818</u>	<u>\$ 2,732,628</u>

2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A. Details of financial assets at fair value through profit or loss as follows:

	December 31	
	2007	2006
Current items:		
Financial assets held for trading:		
<u>Open-end mutual funds beneficiary certificates</u> <u>and money market instruments</u>		
Open-end mutual funds beneficiary certificates	\$ 6,840,656	\$ 2,769,136
Overseas corporate bond	308,871	-
	7,149,527	2,769,136
Adjustment of open-end mutual funds beneficiary certificates	173,305	22,605
	<u>7,322,832</u>	<u>2,791,741</u>
<u>Trading securities - dealer</u>		
Government bonds	3,626,407	3,437,669
Corporate bonds	19,730,952	2,931,069
International financial bonds	2,945,780	678,696
Listed (TSE and OTC) stocks	7,739,108	670,918
Convertible corporate bonds	1,193,670	391,579
Foreign securities	137,775	-
Emerging stocks	1,434,354	85,742
	36,808,046	8,195,673
Adjustment of trading securities - dealer	1,917,321	68,865
	<u>38,725,367</u>	<u>8,264,538</u>

	December 31,	
	2007	2006
<u>Trading securities - underwriter</u>		
Listed (TSE and OTC) stocks	\$ 590,457	\$ 112,482
Convertible corporate bonds	1,358,736	369,100
	1,949,193	481,582
Adjustment of trading securities - underwriter	(119,987)	50,279
	1,829,206	531,861
<u>Trading securities - hedging</u>		
Listed (TSE and OTC) stocks	960,506	708,374
Convertible corporate bonds	113,288	-
Warrants	22,183	-
	1,095,977	708,374
Adjustment of trading securities - hedging	10,872	36,240
	1,106,849	744,614
<u>Derivatives</u>		
Bought Options	280	356
Futures guarantee deposits receivable	71,072	117,831
Derivative financial instrument assets - OTC	131,378	114,479
	202,730	232,666
Designated as at fair value through profit or loss:		
Structured notes	530,000	-
Adjustment of financial assets designated as at fair value through profit or loss	2,080	-
	532,080	-
Total	\$ 49,719,064	\$ 12,565,420
Noncurrent items:		
<u>Financial assets at fair value through profit or loss</u>		
Government bonds	\$ 469,108	\$ -
Adjustment of financial assets designated as at fair value through profit or loss	279	-
Total	\$ 469,387	\$ -

B. Changes in financial assets at fair value through profit or loss as follows:

		For the year ended December 31, 2007	
		Gain/Loss on disposal	Gain/Loss on valuation
Open-end mutual funds beneficiary certificates	\$	175,261	\$ 71,032
Overseas corporate bond		27,824	(23,032)
Trading securities - dealer		949,427	1,544,202
Trading securities - underwriter		386,070	(394,956)
Trading securities - hedging	(	440,040)	24,417
Total	\$	<u>1,098,542</u>	<u>\$ 1,221,663</u>

		For the year ended December 31, 2006	
		Gain/Loss on disposal	Gain/Loss on valuation
Open-end mutual funds beneficiary certificates	\$	44,424	\$ 13,934
Trading securities - dealer		388,037	7,553
Trading securities - underwriter		39,227	20,349
Trading securities - hedging	(	123,671)	2,071
Total	\$	<u>348,017</u>	<u>\$ 43,907</u>

For derivatives, please refer to Note 10(5).

3) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Items	December 31,			
	2007		2006	
	Amount	Percentage of ownership	Amount	Percentage of ownership
Noncurrent:				
Unlisted stocks				
Taiwan Securities Central Custody Depository Co., Ltd.	\$ 176,288	4.03%	\$ 27,622	0.58%
Taiwan Stock Exchange Corporation	1,170,440	5.84%	297,855	1.15%
Taiwan Futures Exchange	175,548	8.18%	51,193	2.24%
Top Taiwan II Venture Capital Co., Ltd.	200,000	17.39%	100,000	8.70%
Prudence Venture Investment Corp.	160,000	8.00%	60,000	3.00%
Shengtung Venture Capital Co., Ltd.	60,000	9.23%	60,000	9.23%
Huacheng Venture Investment Co., Ltd.	85,000	4.00%	-	-
Global Securities Finance Corporation	100,000	4.35%	100,000	4.35%
Top Taiwan VI Venture Capital Co., Ltd.	50,980	0.77%	-	-
CDIB Bio Science Ventures I, Inc.	70,000	7.00%	-	-
Huawei Development Consultory Inc.	100,000	10.00%	-	-
Hua Vi Venture Capital Corporation	90,000	8.70%	-	-
Shin Sheng Venture Capital Investment Corp.	70,000	6.60%	-	-
Harbinger III Venture Management	100,000	10.00%	-	-
The First Securities Joint Stock Company Ltd.	385,726	43.84%	-	-
Others	314,938	-	56,692	-
	<u>3,308,920</u>		<u>753,362</u>	
Convertible preferred stocks:				
Taiwan High Speed Rail Corporation - 92 convertible preferred stocks	500,000	-	-	-
Others				
Government Bond 95A1	494,217	-	492,371	-
China Coal and Coke Investment Fund	291,780	-	-	-
Asia Pacific Networks Value Investment Ltd.	162,100	-	-	-
Asia Tech Taiwan Venture Fund Ltd.	84,828	-	-	-
Asia Pacific Venture Investment Ltd.	64,840	-	-	-
Global Strategic Investment Fund	48,630	-	-	-
Alpha Notes	32,420	-	-	-
Sapphire Cdo Limited	162,100	-	-	-
Sapphire Cdo II	291,780	-	-	-
Far East CDO	162,100	-	-	-
LLOYDS TSB	32,420	-	-	-

Items	December 31,			
	2007		2006	
	Amount	Percentage of ownership	Amount	Percentage of ownership
Noncurrent:				
KOREA DEV	31,630	-	-	-
WOORI BANK	31,719	-	-	-
EXP-IMP BK	31,919	-	-	-
Subordinated beneficiary securities	379,917	-	-	-
Seller beneficiary securities	196,233	-	-	-
	<u>2,498,633</u>		<u>492,371</u>	
Subtotal	6,307,553		1,245,733	
Accumulated impairment	(16,677)	-	-	-
Valuation allowance	(119,371)	-	4,642	-
Total	<u>\$ 6,171,505</u>		<u>\$ 1,250,375</u>	

- A. For subordinated beneficiary certificates and seller beneficiary certificates held by Yuanta Core Pacific Securities Co., Ltd. due to asset securitization transactions, please refer to Note 4(10) for additional disclosures.
- B. The Company holds more than 5% of the Taiwan Futures Exchange Corporation's paid-in capital due to the merger with Yuanta Core Pacific Securities Co., Ltd. Accordingly, the Company had obtained approval through Gin-Gwen-Shun Letter No. 0960056710 of the Financial Supervisory Commission, Executive Yuan, R.O.C..
- C. The Company holds more than 5% of the Taiwan Stock Exchange Corporation's paid-in capital due to merger with Yuanta Core Pacific Securities Co., Ltd. According to the Gin-Gwen-Shun Letter No. 09600259123 of the Financial Supervisory Commission, Executive Yuan, R.O.C., the Company is not required to report on this event.

4) HELD-TO-MATURITY FINANCIAL ASSETS

	December 31,	
	2007	2006
Noncurrent:		
Government bonds	<u>\$ 899,624</u>	<u>\$ -</u>

5) BONDS PURCHASED UNDER RESALE AGREEMENTS

As of December 31, 2007 and 2006, bonds purchased under resale agreements were due within one year with annual interest rates ranging from 1.965% to 2.25% and 1.625% to 1.74%, respectively.

6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

<u>Investments accounted for under the equity method</u>	<u>December 31,</u>	
	<u>2007</u>	
	<u>Amount</u>	<u>Percentage of ownership</u>
Grand Asia Asset Management Ltd.	\$ 33,760	50.00%
Kim Eng Holdings Limited	5,924,033	28.88%
	<u>\$ 5,957,793</u>	

The investment income accounted for under the equity method for the year ended December 31, 2007 was \$754,523 which was accounted for based on the investees' audited financial statements.

7) NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31,</u>	
	<u>2007</u>	
Land	\$ 152,732	
Buildings	422,742	
	<u>\$ 575,474</u>	

The Company entered into a sales agreement with NANSHAN Life Insurance Co., Ltd. on September 14, 2007 for the sale of real estate located at Chung-Hsiao W. Road, Taipei in the amount of \$816,530. As of December 31, 2007, the Company had received 20% of the total contract amount. Pursuant to the contract, the title transfer of the real estate shall be completed within one year from the date the contract is signed.

8) IMPAIRMENT OF NON-FINANCIAL ASSETS (For the year ended December 31, 2006: None)

A. Changes in accumulated impairment for the year ended December 31, 2007 as follows:

	For the year ended December 31, 2007				
	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Long-term investments accounted for under the equity method (Note 1)	\$ -	\$ -	\$ -	\$ 284,527	\$ 284,527
Fixed assets - land	-	-	-	13,824	13,824
Fixed assets - buildings	-	-	-	4,561	4,561
Rental assets - land	-	137,416	(350,179)	229,592	16,829
Rental assets - buildings	-	180,398	(180,398)	17,811	17,811
Idle assets - land (Note 2)	-	27,017	-	-	27,017
Idle assets - buildings	-	32,115	(32,115)	-	-
	<u>\$ -</u>	<u>\$ 376,946</u>	<u>(\$ 562,692)</u>	<u>\$ 550,315</u>	<u>\$ 364,569</u>

(Note 1) : Effective January 1, 2006, Yuanta Core Securities Co., Ltd. adopted R.O.C. SFAS No. 5 and No. 35, and accordingly discontinued the amortization of goodwill. An impairment loss of \$284,527 was recognized (recorded as non-operating expenses).

(Note 2) : Resulted from the sale of assets.

B. The amounts of impairment loss recognized in the income statement are as follows:

	For the year ended December 31, 2007
Idle assets (recorded as non - operating expenses)	\$ 59,132
Assets leased to others (recorded as non-operating expenses)	317,814
	<u>\$ 376,946</u>

9) FIXED ASSETS (For the year ended December 31, 2006: None)

Interest capitalized for the year ended December 31, 2007 was \$62,044.

10) ASSET SECURITIZATION

A. Summary of major terms

On September 5, 2005, Yuanta Core Securities Co., Ltd. sold bonds totaling \$9,562,268 to a financial institution under asset securitization for issuance of beneficiary certificates in the amount of \$10,000,000. Details of beneficiary certificates issued are as follows:

- a. Principal only pass-through beneficiary certificates – type A: Par value of \$7,300,000, with a maturity date of September 5, 2009

- b. Principal only pass-through beneficiary certificates – type B: Par value of \$1,300,000, with a maturity date of September 16, 2010
- c. Principal only pass-through beneficiary certificates – type C: Par value of \$1,000,000, with a maturity date of March 15, 2011
- d. Subordinated beneficiary certificates: Par value of \$400,000, with a maturity date of March 15, 2011

The Company acquired a subordinated beneficiary certificate listed above at a cost of \$366,107 to enhance the credit of the beneficiary certificates. In the event of default, the investors and the trustees have no recourse against the Company except for the bonds security.

B. Major assumptions used to measure rights retained:

As of December 31, 2007, the major assumptions used to measure the rights retained are as follows:

	December 31, 2007	
	Subordinated beneficiary certificate	Seller's beneficiary certificate
Expected weighted-average years	3.21 years	1.48 years
Expected credit loss rate	-	-
Discount rate	2.45%	2.43%

C. Sensitivity analysis:

As of December 31, 2007 and 2006, the sensitivity of fair value of the residual cash flows is as follows if the discount rates change unfavorably:

	December 31, 2007	
	Subordinated beneficiary certificate	Seller's beneficiary certificate
Book value of rights kept	\$ 370,181	\$ 169,789
Expected weighted-average years	3.21 years	1.48 years
Discount rate	2.45%	2.43%
Impact results of 10% unfavorable change	(2,819)	(591)
Impact results of 20% unfavorable change	(5,610)	(1,178)

D. Expected loss rates of static groups:

During the year ended December 31, 2007, the expected and actual credit loss rates were 0%.

E. Cash flows

The cash flows received from and used in securitization trust are summarized as follows:

	For the year ended December 31, 2007
Cash received from securitization	\$ -
Cash received from other cash flows of rights retained	31,906
	<u>\$ 31,906</u>

11) BONDS SOLD UNDER REPURCHASE AGREEMENTS

As of December 31, 2007 and 2006, bonds sold under repurchase agreements were due within one year with annual interest rates ranging from 1.6% to 5.2% and 1.35% to 5.8%, respectively.

12) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2007	2006
Warrants:		
Proceeds received from issuance of warrants	\$ 8,699,343	\$ 719,330
Gain on price fluctuation (including deferred loss)	(5,620,027)	(218,230)
Market value (A)	3,079,316	501,100
Repurchase of warrants	4,762,123	344,435
Gain (loss) on price fluctuation	(1,912,764)	(12,795)
Market value (B)	2,849,359	331,640
Warrants - net (A-B)	229,957	169,460
Derivative financial instrument liabilities - OTC	562,442	97,761
Sold options	320	-
Security lending payable - hedging	2120	-
Security lending payable - adjustment of valuation on hedging	50	-
	2,170	-
Total	<u>\$ 794,889</u>	<u>\$ 267,221</u>

A. For derivative financial instruments, please refer to Note 10(5).

B. The warrants assumed by the Company from Yuanta Core Pacific Securities Co., Ltd. are all American-style warrants. Warrants are stated as liabilities for issuance of warrants at issuance price prior to expiration. Upon repurchasing warrants after issuance, the amounts of repurchase are recognized as repurchase of warrants and used as a deduction of liabilities for issuance of warrants. The warrants have six months to one year exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery. The details of warrants as of December 31, 2007 are as follows:

Warrants	Units Issued	Strike Price	Warrants (in NT Dollars)			
			Issuance Date	Issuance Price	Strike Price	Market Value
YUANTA CORE EL	20,000	SEEC	2007/5/22	3.398	47.77	0.30
YUANTA CORE EM	20,000	RUENTEX IND.LTD	2007/5/22	1.754	30.60	2.80
YUANTA CORE EN	20,000	MSI	2007/5/29	1.555	35.70	0.60
YUANTA CORE EP	20,000	QCI	2007/5/29	2.780	75.90	0.03
YUANTA CORE EQ	20,000	UNIMICRON	2007/6/5	3.040	71.55	2.95
YUANTA CORE ER	20,000	N.P.C	2007/6/5	1.904	282.00	1.63
YUANTA CORE ES	20,000	KINIK	2007/6/6	1.883	180.75	0.01
YUANTA CORE ET	20,000	CATCHER	2007/6/6	3.560	480.75	0.02
YUANTA CORE EU	30,000	LARGAN	2007/6/8	0.648	631.50	0.02
YUANTA CORE EV	20,000	TXC	2007/6/8	0.797	98.70	0.04
YUANTA CORE EW	20,000	EVERLIGHT	2007/6/13	1.734	192.75	0.27
YUANTA CORE EX	20,000	SUNPLUS	2007/6/13	1.206	116.10	0.01
YUANTA CORE EY	20,000	GTK	2007/6/13	2.791	81.75	0.13
YUANTA CORE EZ	20,000	ATEN	2007/6/13	1.963	204.00	0.01
FUHWASIT CORE 61	20,000	PPt	2007/6/21	1.773	58.20	0.01
FUHWASIT CORE 62	20,000	AUO	2007/6/21	2.219	87.60	0.40
FUHWASIT CORE 63	20,000	KYEC	2007/6/22	1.752	41.92	0.01
FUHWASIT CORE 64	20,000	WINTEK CORP.	2007/6/22	1.426	50.70	1.40
FUHWASIT CORE 65	20,000	CyberTAN	2007/6/23	1.661	128.40	0.01
FUHWASIT CORE 66	20,000	MIC	2007/6/23	1.852	63.00	0.01
FUHWASIT CORE 67	25,000	YAGEO	2007/6/25	1.287	23.10	0.01
FUHWASIT CORE 68	20,000	ASE	2007/6/25	1.226	65.70	0.01
FUHWASIT CORE 69	20,000	PTI	2007/6/27	1.407	201.00	0.01
FUHWASIT CORE 70	20,000	UNIMICRON	2007/6/27	2.277	74.40	0.38
FUHWASIT CORE 71	20,000	INVENTEC	2007/6/27	1.762	38.25	0.01
FUHWASIT CORE 72	20,000	DELTA	2007/6/27	1.751	189.00	0.01
YUANTA CORE FX	20,000	UMC	2007/6/27	1.116	29.77	0.01
YUANTA CORE FY	20,000	COMPEQ MFG.	2007/6/27	1.345	23.25	0.01
YUANTA CORE FZ	20,000	AMTRAN	2007/6/27	0.857	57.75	0.01

Warrants (in NT Dollars)						
Warrants	Units Issued	Strike Price	Issuance Date	Issuance Price	Strike Price	Market Value
YUANTA CORE GA	40,000	LSC	2007/6/27	0.518	44.32	0.01
YUANTA CORE GB	20,000	INVENTEC	2007/6/28	1.784	38.25	0.01
YUANTA CORE GC	20,000	CHICONY	2007/6/28	0.528	95.25	0.01
YUANTA CORE GD	20,000	SUNREX	2007/6/28	1.644	62.77	0.01
YUANTA CORE GE	20,000	AMBH	2007/6/28	1.206	52.80	0.01
FUHWASIT CORE 73	25,000	COMPEQ MFG.	2007/6/28	1.090	23.55	0.01
FUHWASIT CORE 74	20,000	Inotera	2007/6/28	1.454	62.85	0.01
YUANTA CORE GF	20,000	UPC	2007/7/2	0.967	29.02	0.01
YUANTA CORE GG	20,000	FETL	2007/7/2	2.930	50.47	0.06
YUANTA CORE GH	20,000	D-LINK	2007/7/2	1.555	117.00	0.01
YUANTA CORE GJ	20,000	Inotera	2007/7/2	2.621	62.32	0.01
YUANTA CORE GK	20,000	CyberLink	2007/7/2	1.545	200.25	0.02
YUANTA CORE GL	20,000	KENDA	2007/7/3	3.090	46.12	0.01
YUANTA CORE GM	20,000	RITEK	2007/7/3	0.887	15.15	0.01
YUANTA CORE GN	20,000	AVERMEDIA	2007/7/3	2.552	82.50	0.25
YUANTA CORE GP	20,000	PHIHONG	2007/7/3	3.667	51.75	0.01
FUHWASIT CORE 75	20,000	PTI	2007/7/4	2.911	469.50	0.01
FUHWASIT CORE 76	20,000	Faraday	2007/7/4	1.714	204.00	0.01
YUANTA CORE GQ	20,000	TAIWAN KOLIN CO	2007/7/4	1.316	20.70	0.02
YUANTA CORE GR	20,000	PIHSIANG	2007/7/4	1.465	121.50	0.01
YUANTA CORE GS	20,000	L & K	2007/7/4	0.847	89.40	0.01
YUANTA QM	5,000	SOLARTECH	2007/7/16	4.805	439.50	0.01
YUANTA QN	8,000	KENTINGTON	2007/7/16	1.425	39.22	0.10
YUANTA QP	8,000	CIPHERLAB	2007/7/16	0.927	148.95	0.04
YUANTA QQ	10,000	TS	2007/7/27	6.775	111.75	0.96
YUANTA QR	10,000	KSEO	2007/7/27	1.804	43.42	0.10
YUANTA QS	10,000	IUNPAQ	2007/7/27	2.013	110.70	0.02
YUANTA QT	10,000	PIXART	2007/8/6	0.787	588.00	0.05
YUANTA QU	15,000	YUFO	2007/8/6	0.787	107.10	0.04
YUANTA QV	20,000	SIMPLO	2007/8/8	2.733	299.25	0.05
YUANTA QW	10,000	AEROCHAMBER	2007/8/10	1.365	32.70	0.14
YUANTA QX	10,000	PTTC	2007/8/15	2.192	101.10	0.01
YUANTA QY	10,000	EPISIL	2007/9/17	3.896	60.90	0.26
YUANTA QZ	5,000	PIXART	2007/10/8	4.744	447.00	1.32
YUANTA RA	20,000	PSC	2007/10/8	1.604	23.55	0.57
YUANTA RB	8,000	HODGEN	2007/10/8	3.897	317.25	1.45
YUANTA RC	8,000	PHISON	2007/10/8	6.627	541.50	1.25
YUANTA QB	12,000	ITEQ	2007/7/9	2.422	62.70	0.01
YUANTA QC	20,000	WELLYPOWER	2007/7/10	1.993	158.25	0.01

Warrants (in NT Dollars)						
Warrants	Units Issued	Strike Price	Issuance Date	Issuance Price	Strike Price	Market Value
YUANTA QD	20,000	KEMNEC	2007/7/10	2.193	78.30	0.18
YUANTA QE	20,000	YTEC	2007/7/10	1.116	173.25	0.01
YUANTA QF	12,000	TUC	2007/7/10	1.575	30.15	0.01
YUANTA QG	12,000	YUFO	2007/7/12	0.538	103.80	0.03
YUANTA QH	12,000	CMEDIA	2007/7/12	3.738	393.00	0.01
YUANTA QJ	12,000	ICPLUS	2007/7/12	2.561	176.25	0.01
YUANTA QK	12,000	ACTRON	2007/7/12	3.180	453.00	0.01
FUHWASIT CORE Q7	25,000	PSC	2007/7/13	1.089	32.02	0.01
YUANTA QL	8,000	SYNCMOLD	2007/7/16	2.890	324.00	0.01
YUANTA PY	20,000	TTY	2007/7/9	1.644	89.40	0.01
YUANTA PZ	12,000	FARGLORY	2007/7/9	1.505	100.50	0.30
YUANTA QA	12,000	PESI	2007/7/9	3.649	79.05	0.13
YUANTA CORE GT	20,000	MIC	2007/7/4	3.110	92.85	0.01
YUANTA CORE GU	20,000	GREATWALL	2007/7/5	2.332	55.42	0.08
YUANTA CORE GV	20,000	LCYCIC	2007/7/5	2.293	46.87	0.11
YUANTA CORE GW	20,000	CST	2007/7/5	1.684	67.20	0.64
YUANTA CORE GX	20,000	TATUNG CO.	2007/7/5	1.465	24.37	0.01
YUANTA CORE GY	20,000	ky	2007/7/6	1.964	42.00	0.01
YUANTA CORE GZ	20,000	FSC	2007/7/6	0.827	89.85	0.58
YUANTA CORE HA	20,000	FORHOUSE	2007/7/6	2.023	64.50	0.01
YUANTA CORE HB	20,000	NIEN MADE	2007/7/6	1.435	60.15	0.09
YUANTA CORE HC	20,000	CMP	2007/7/11	0.678	92.40	0.01
YUANTA CORE HD	20,000	MVI	2007/7/11	1.355	76.95	0.01
YUANTA CORE HE	20,000	ABILITY	2007/7/13	1.196	85.50	0.03
YUANTA CORE HH	20,000	SONIX	2007/7/13	1.386	189.00	0.01
YUANTA CORE HF	20,000	GIGABYTE	2007/7/13	0.847	38.40	0.02
YUANTA CORE HG	20,000	KYEC	2007/7/13	0.857	43.42	0.01
FUHWASIT CORE 77	20,000	CMO	2007/7/18	2.160	58.57	2.60
YUANTA CORE HJ	20,000	Makalot	2007/7/23	1.026	144.90	0.01
YUANTA CORE HK	20,000	CHIN-POON	2007/7/23	1.405	45.75	0.01
YUANTA CORE HL	20,000	Synnex	2007/7/24	1.355	94.20	1.62
YUANTA CORE HM	20,000	ASIA	2007/7/24	1.295	228.00	0.02
YUANTA CORE HN	20,000	CHUNG HUNG	2007/7/25	1.355	25.42	0.67
YUANTA CORE HP	20,000	YP	2007/7/25	0.478	25.20	0.05
YUANTA CORE HQ	20,000	AUO	2007/7/25	1.754	81.60	1.87
YUANTA CORE HR	20,000	RT	2007/7/26	2.611	306.00	0.01
YUANTA CORE HS	20,000	WINTEK CORP.	2007/7/26	2.661	70.20	1.24
YUANTA CORE HT	20,000	Altek	2007/7/26	3.229	124.20	0.21
YUANTA CORE HU	20,000	TAINAN SPINNING	2007/7/30	1.435	24.15	0.09

Warrants (in NT Dollars)						
Warrants	Units Issued	Strike Price	Issuance Date	Issuance Price	Strike Price	Market Value
YUANTA CORE HV	20,000	ACCTON	2007/7/30	1.345	30.75	0.23
YUANTA CORE HW	20,000	HTC	2007/8/1	0.787	901.50	1.23
YUANTA CORE HX	20,000	Taiwan Life	2007/8/1	1.495	99.00	0.28
YUANTA CORE HY	20,000	KYEC	2007/8/3	1.495	90.00	0.21
YUANTA CORE HZ	20,000	SPRINGSOFT	2007/8/3	1.505	89.70	0.25
YUANTA CORE JA	35,000	YL	2007/8/9	0.807	60.15	0.06
YUANTA CORE JB	20,000	ESMT	2007/8/14	2.232	177.00	0.95
YUANTA CORE JC	20,000	PCC	2007/8/14	1.425	54.15	0.15
YUANTA CORE JD(P)	20,000	KYEC	2007/9/14	0.857	9.25	1.21
YUANTA CORE JE	20,000	ACER	2007/8/29	2.212	88.80	1.30
YUANTA CORE JF	20,000	PPt	2007/8/29	2.093	57.22	0.13
YUANTA CORE JG	20,000	EPISTAR	2007/8/31	1.873	225.00	0.58
YUANTA CORE JH	20,000	NOVATEK	2007/8/31	1.575	195.75	0.10
YUANTA CORE JJ	20,000	FTC	2007/9/13	4.633	518.25	0.50
YUANTA CORE JK	20,000	MTK	2007/9/13	7.670	885.00	0.50
YUANTA CORE JL	20,000	ZINWELL	2007/9/13	2.830	238.50	0.27
YUANTA CORE JM	20,000	HON HAI	2007/9/14	2.173	354.75	0.35
YUANTA CORE JN	20,000	USI	2007/9/14	1.545	34.57	0.30
YUANTA CORE JP	20,000	KINSUS	2007/9/14	1.475	163.50	0.55
YUANTA CORE JQ	20,000	WISTRON	2007/9/20	3.199	86.25	1.84
YUANTA CORE JR	20,000	RICHTEK	2007/9/20	0.508	468.00	0.12
YUANTA CORE JS	20,000	WPG	2007/9/21	3.069	63.52	1.70
YUANTA AA	20,000	TSMC	2007/9/28	2.541	95.40	0.90
YUANTA AB(P)	20,000	TSMC	2007/9/28	2.362	31.80	2.00
YUANTA AC	20,000	CSC	2007/10/1	1.106	72.22	0.31
YUANTA AD	20,000	SINCERE	2007/10/1	2.033	113.40	0.50
YUANTA AE	20,000	UMING	2007/10/1	1.664	165.75	0.51
YUANTA AF	20,000	FENGHSIN	2007/10/3	2.760	83.70	2.05
YUANTA AG	20,000	ADVANTECH	2007/10/3	1.873	142.35	0.22
YUANTA AH	20,000	WANHAI	2007/10/3	3.438	41.92	1.87
YUANTA AJ	20,000	FRG	2007/10/4	2.641	33.15	0.66
YUANTA AK	20,000	TAIWANLINE	2007/10/4	2.442	114.30	0.24
YUANTA AL(P)	20,000	TAIWANLINE	2007/10/4	1.694	38.10	5.30
YUANTA AM	20,000	ICP	2007/10/4	2.232	110.70	0.52
YUANTA AN	20,000	THS	2007/10/5	2.989	78.75	2.48
YUANTA AP(P)	20,000	THS	2007/10/5	1.176	26.25	0.58
YUANTA AQ	20,000	ECS	2007/10/5	3.039	31.72	0.55
YUANTA AR	20,000	ITE	2007/10/5	2.691	192.00	1.13
YUANTA AS	20,000	UNIMICRON	2007/10/5	3.189	96.30	1.92

Warrants	Units Issued	Warrants (in NT Dollars)				
		Strike Price	Issuance Date	Issuance Price	Strike Price	Market Value
YUANTA AT	20,000	UNI-PRESIDENT	2007/10/9	1.923	77.10	0.75
YUANTA AU	20,000	KINIK	2007/10/9	1.186	125.40	0.30
YUANTA AV	20,000	GCE	2007/10/9	1.794	42.90	1.35
YUANTA AW	20,000	CHINATRUST	2007/10/9	1.634	37.87	0.80
YUANTA AX	20,000	SINOPAC	2007/10/11	1.734	24.07	0.36
YUANTA AY	20,000	Bright Led	2007/10/11	1.594	126.75	1.28
YUANTA AZ	20,000	GIANTPLUS	2007/10/11	2.202	72.52	1.50
YUANTA BA	20,000	TMICL	2007/10/11	2.471	112.35	0.62
YUANTA BB	20,000	TAIWANCEMENT	2007/10/15	4.294	81.75	1.97
YUANTA BC	20,000	SHINKONG	2007/10/15	1.883	18.30	0.60
YUANTA BD	20,000	YFY	2007/10/15	2.362	23.77	0.50
YUANTA BE	20,000	USIFE	2007/10/16	2.003	34.65	1.13
YUANTA BF	20,000	CMFC	2007/10/16	1.375	22.65	0.31
YUANTA BG	20,000	TYNTEK	2007/10/17	1.505	65.25	0.07
YUANTA BH	20,000	GDC	2007/10/17	1.614	30.90	0.32
YUANTA BJ	20,000	CEC	2007/10/17	1.066	29.85	0.45
YUANTA BK	20,000	TAISHINBANK	2007/10/17	1.455	24.75	0.17
YUANTA BL	20,000	TECO	2007/10/18	2.192	27.30	0.96
YUANTA BM	20,000	ASUS	2007/10/18	2.969	147.75	2.08
YUANTA BN	20,000	ENERGREEN	2007/10/18	1.903	48.75	1.38
YUANTA BP	20,000	RUENTEX	2007/10/18	1.595	39.90	0.92
YUANTA BQ	20,000	SEEC	2007/10/19	1.515	51.67	1.28
YUANTA BR	20,000	ASEGLOBAL	2007/10/19	2.471	55.80	0.89
YUANTA BS	20,000	REALTEK	2007/10/19	2.551	216.00	0.84
YUANTA BT	20,000	NYPCB	2007/10/19	2.243	327.00	1.74
YUANTA BU	20,000	DAILY-POLYMER	2007/10/25	7.075	607.50	6.95
YUANTA BV	20,000	NOVATEK	2007/10/25	4.215	214.50	1.11
YUANTA BW	20,000	OPTO	2007/10/29	3.368	60.07	1.08
YUANTA BX	20,000	SILITECH	2007/10/29	2.142	230.25	0.74
YUANTA BY	20,000	CHP	2007/10/30	1.634	36.82	0.78
YUANTA BZ	20,000	EPISTAR	2007/10/30	2.053	222.75	1.82
YUANTA CA	20,000	HTC	2007/10/30	8.866	1,021.50	6.30
YUANTA CB	20,000	TBB	2007/10/30	0.628	15.00	0.45
YUANTA CC	20,000	TYG	2007/10/31	1.973	51.00	0.75
YUANTA CD	20,000	TAIFER	2007/10/31	2.371	126.30	1.99
YUANTA CE	20,000	LITEON	2007/10/31	3.488	91.80	2.70
YUANTA CF	20,000	COMPAL	2007/10/31	2.720	64.50	1.45
YUANTA CG	20,000	NANKANG	2007/11/9	2.112	63.00	1.00
YUANTA CH	20,000	SYM	2007/11/9	2.043	33.90	0.44

Warrants (in NT Dollars)						
Warrants	Units Issued	Strike Price	Issuance Date	Issuance Price	Strike Price	Market Value
YUANTA CJ	20,000	MERRY	2007/11/9	1.584	169.50	0.64
YUANTA CK	20,000	FARADAY	2007/11/9	1.445	117.90	0.93
YUANTA CL	20,000	TAISHINBANK	2007/11/26	1.315	20.85	0.89
YUANTA CM	20,000	TCB	2007/11/26	2.341	34.42	1.48
YUANTA CN	20,000	MXIC	2007/11/27	2.162	24.45	1.56
YUANTA CP	20,000	AUO	2007/11/27	4.164	93.00	3.42
YUANTA CQ(P)	20,000	AUO	2007/11/27	2.789	31.00	2.92
YUANTA CR	20,000	ASIACEMENT	2007/11/28	1.265	64.50	1.20
YUANTA CS	20,000	TSRC	2007/11/28	1.076	63.00	0.97
YUANTA CT	20,000	CATHAYHOLDING	2007/11/28	1.654	102.45	1.00
YUANTA CU	20,000	MITAC	2007/12/12	2.032	51.30	2.39
YUANTA CV	20,000	EVERGREEN MARINE	2007/12/12	1.006	24.67	1.08
YUANTA CW	20,000	ABICO	2007/12/13	1.514	77.55	1.70
YUANTA CX	20,000	QUANTA	2007/12/13	2.600	72.00	2.56
YUANTA CY	20,000	CHINA-AIRLINES	2007/12/20	1.056	20.55	0.95
YUANTA CZ	20,000	EVA AIR	2007/12/20	1.006	18.75	0.96
YUANTA DA	20,000	TACHEN	2007/12/21	1.444	52.80	1.45
YUANTA DB	20,000	MOSEL	2007/12/21	1.614	35.25	1.62
YUANTA DC	20,000	INVENTEC	2007/12/21	1.474	25.27	1.55
YUANTA DD	20,000	INNOLUX	2007/12/21	1.265	80.25	1.27
YUANTA PB	10,000	FFG	2007/6/1	1.744	39.00	0.28
YUANTA PC	10,000	GPM	2007/6/1	2.631	45.00	0.01
YUANTA PD	20,000	CORETRONIC	2007/6/7	3.648	80.25	0.07
YUANTA PE	20,000	QSITW	2007/6/7	3.549	80.10	0.01
YUANTA PF	20,000	DYNAPACK	2007/6/12	1.793	104.25	8.20
YUANTA PG	20,000	MOTECH	2007/6/12	6.131	621.00	0.02
YUANTA PH	20,000	FOXLINK	2007/6/12	4.128	79.20	0.01
FUHWASIT CORE Q5	5,000	DYNAPACK	2007/6/14	1.008	102.15	4.00
FUHWASIT CORE Q6	6,000	EPISIL	2007/6/14	1.119	53.10	0.01
YUANTA PQ	20,000	ADATA	2007/6/23	1.246	201.00	0.01
YUANTA PR	20,000	IGS	2007/6/23	4.304	509.25	0.03
YUANTA PS	15,000	RBD	2007/6/23	1.256	33.30	0.01
YUANTA PT	15,000	GAMANIA	2007/6/23	2.402	56.40	0.01
YUANTA PU	20,000	SZS	2007/6/29	2.282	363.00	0.01
YUANTA PV	20,000	PSC	2007/6/29	1.275	30.07	0.01
YUANTA PW	12,000	ETRON	2007/6/29	3.888	54.00	0.01
YUANTA PX	20,000	PROMOS	2007/6/29	1.475	20.70	0.01

13) OTHER PAYABLES

	December 31,	
	2007	2006
Related parties		
Consolidated income tax payable	\$ 1,236,280	\$ 700,182
Others	290	-
Non-related parties		
Income tax payable	8,496,742	79,066
Salaries and wages payable	607,636	-
Others	813,103	341,845
	<u>\$ 11,154,051</u>	<u>\$ 1,121,093</u>

14) RESERVE FOR DEFAULT

- A. In accordance with the Rules Governing the Administration of Securities Firms, the Company provides a monthly default reserve at 0.0028% of the settlement value.
- B. The above reserve shall be used only to offset against actual loss resulting from customers' default on securities transactions or other losses approved by the Securities and Futures Commission (SFC).

15) RESERVE FOR TRADING LOSS

In accordance with the Rules Governing the Administration of Securities Firms and the Rules Governing Futures Commission Merchants, the Company provides a monthly reserve for trading loss on realized gain of Future Department at 10% of the net gain from trading of securities. This reserve shall only be used to offset actual loss on securities trading.

16) PENSION PLAN

- A. The Company and its domestic subsidiaries have a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and other domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to an independent fund with the Bank of Taiwan, the trustee. The Company and its domestic subsidiaries recognized the pension costs under the defined contribution pension plan for the years ended December 31, 2007 and 2006 in the amount of \$57,975 and \$22,027, respectively. The fund balances were \$423,621 and \$81,635 as of December 31, 2007 and 2006, respectively. Additionally, the original Yuanta Core Pacific Securities Co., Ltd. and its subsidiary, Yuanta Securities Investment Trust Company, contributed an extra amount of \$233,053 to the retirement fund under the name of the Employee Retirement Fund Committee as at December 31, 2007.
- B. Effective July 1, 2005, the Company and its domestic subsidiaries established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employees are terminated. The Company and domestic subsidiaries totally recognized the pension costs under the New Plan for the years ended December 31, 2007 and 2006 in the amount of \$130,723 and \$47,199, respectively.
- C. The pension plan for consolidated overseas subsidiaries:
- a. Fuhwa Securities (Hong Kong) Co., Ltd. and Yuanta Securities (Hong Kong) Co., Ltd. has established a funded defined contribution pension plan pursuant to the legislation in Hong Kong.
 - b. Yuanta Securities Asia Financial Services Ltd. and Fuhwa Holdings Ltd. (Virgin Islands) are not obligated to have an employee pension plan pursuant to the local legislation.

c. Except that Yuanta Securities (Hong Kong) Ltd. recognized the pension costs under defined contribution pension plan for the years ended December 31, 2007 and 2006 both in the amount of \$614, no pension costs were recognized by other consolidated overseas subsidiaries due to no person being employed by those subsidiaries.

d. Except for the above, no pension plan is established for other consolidated overseas subsidiaries.

D. The following sets forth the pension information based on the actuarial report:

a. Reconciliation of the plan funded status:

	December 31, 2007	December 31, 2006
Benefit obligation		
Vested benefit obligation	(\$ 72,510)	(\$ 3,707)
Non-vested benefit obligation	(1,192,404)	(205,258)
Accumulated benefit obligation	(1,264,914)	(208,965)
Effect of future salary increases	(400,571)	(53,716)
Projected benefit obligation	(1,665,485)	(262,681)
Fair value of plan assets	656,674	81,635
Funded status	(1,008,811)	(181,046)
Unrealized transition obligation	(48,016)	6,303
Unrealized prior service cost	34,279	25,805
Unrealized pension income	313,788	(1,667)
Accrued pension liability	(\$ 708,760)	(\$ 150,605)
Vested benefit	\$ 82,665	\$ 3,883

b. Net periodic pension cost is as follows:

	2007	2006
Service cost	\$ 62,494	\$ 15,542
Interest cost	37,065	6,602
Expected return on plan assets	(18,244)	(2,019)
Amortization of unrecognized net transition obligation	(6,187)	-
Amortization of unrecognized prior service cost	2,886	1,902
Amortization of unrecognized pension income	(14,501)	-
Net periodic pension cost	\$ 63,513	\$ 22,027

c. Actuarial assumptions:

	2007	2006
Discount rate	3.50%	2.50%
Expected return rate on plan assets	3.00%	1.50%
Rate of salary increase	2.75%	2.50%

17) COMMON STOCK

- A. The Company's Board of Directors on January 17, 2006 adopted a resolution to raise additional cash through private placement in the amount of \$1,500,000 (150,000 thousand shares of common stock) with a par value of \$10 (in dollars) per share. The issuing capital was \$10,402,938 after this capital increase. As of December 31, 2006, the amount of capital raised through the private placement had been registered. The Company had issued 373,889 thousand shares of common stock through private placement (including distribution of shares after ex-rights) through the years till December 31, 2007. Pursuant to the Securities and Exchange Law, the common shares raised through the private placement are subject to certain transfer restrictions. Other than these restrictions, the rights and obligations of the common shares raised through the private placement are the same with the other issued common shares.
- B. In accordance with the resolution adopted by the Board of Directors on April 10, 2007, the Company decided to merge with Yuanta Core Pacific Securities Co., Ltd. with the merger date set on September 23, 2007. Yuanta Core Pacific Securities Co., Ltd. was the dissolved company. The 5,927,645 thousand shares of new common stock totaling \$59,276,450 with a par value of \$10 (in dollars) per share were issued for the merger. In addition, the Company's Board of Directors on August 21, 2007 adopted a resolution to reduce capital of \$16,000,000 (1,600,000 thousand shares) in response to the parent company's capital plan and arrangement, with the effective date set on September 25, 2007. The above-mentioned capital increase and capital reduction had both been registered on October 23, 2007.
- C. As of December 31, 2007 and 2006, the Company's authorized capital was \$54,000,000 and \$10,500,000, respectively, and the paid-in capital was \$53,679,390 (including \$288,036 through private placement) and \$1,040,294 (including \$373,889 through private placement), respectively, with a par value of \$10 (in dollars) per share after the capital increase and capital reduction mentioned above.

18) CAPITAL RESERVE

The R.O.C. Securities and Exchange Law requires that capital reserve shall be exclusively used to cover accumulated deficits or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficits and the amount to be capitalized does not exceed 10% of the paid-in capital.

19) LEGAL RESERVE

As required by the Company Law, 10% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve until the cumulative balance equals the total amount of paid-in capital. The legal reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company has already accumulated a legal reserve of at least fifty percent of its paid-in capital, and only half of such legal reserve may be capitalized.

20) SPECIAL RESERVE

According to the Rules Governing the Administration of Securities Firms, 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company has already accumulated a special reserve of at least fifty percent of its paid-in capital and only half of such special reserve may be capitalized.

21) UNAPPROPRIATED EARNINGS

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% and 20% of the remaining amount shall be set aside as legal reserve and special reserve, respectively. Bonus distributed to the employees and remuneration paid to the directors and supervisors should account for 0.5%~1.5% and 0.5%~1%, respectively, of the total distributed amount. Appropriation of the remainder and the prior year's unappropriated earnings shall be proposed by the Board of Directors and resolved by the stockholders.

- B. After the Company became the subsidiary of Fuhwa Financial Holding Co., Ltd., the authority for exercising the duties of the stockholders' meeting was transferred to the Board of Directors based on related laws.
- C. The shareholders at their 2007 annual meeting adopted a resolution to distribute cash dividends of NT\$0.4563 (in dollars) per share.
- D. As of February 21, 2008, the appropriation of 2007 earnings had not been resolved by the Board of Directors. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- E. Details of the appropriation of 2006 earnings are summarized below:

a. Appropriation of 2006 earnings:

Employees' bonus	\$ <u>4,795</u>
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b. Earnings per share (in dollars):

a) Original earnings per share	\$ <u>0.682</u>
b) Estimated earnings per share	\$ <u>0.677</u>

22) INCOME TAX

A. Income tax expense and payable

	For the years ended December 31,	
	2007	2006
Income tax payable	\$ 8,496,742	\$ 79,066
Consolidated income tax payable for the parent company	1,236,280	700,182
Estimated accrued income tax before merger with Yuanta Core Pacific Securities Co., Ltd	(137,258)	-
Estimated accrued income tax before consolidation of subsidiaries	(21,493)	-
Estimated income tax expenses of disposal subsidiaries	38,284	-
Net change in deferred income tax assets and liabilities - temporary differences	(98,003)	(5,282)
Over provision of prior year's income tax	(775)	38,466
Unpaid income tax in prior year	(8,870,181)	(451,528)
Tax on separately taxed income	86,515	4,765
Prepaid income tax	40,037	12,467
Income tax expense	<u>\$ 770,148</u>	<u>\$ 378,136</u>
Income tax expense - current	\$ 770,148	\$ 378,136
Retention tax (10%) on unappropriated earnings	-	-
Income tax expense	<u>\$ 770,148</u>	<u>\$ 378,136</u>

B. Details of deferred tax assets (liabilities) are as follows:

	December 31, 2007		December 31, 2006	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets (liabilities)				
- current:				
Gain on valuation of financial instruments	(\$ 33,838)	(\$ 8,460)	\$ -	\$ -
Unrealized lawsuit loss	41,000	10,250	-	-
		<u>\$ 1,790</u>		<u>\$ -</u>
Deferred income tax assets - noncurrent:				
Reserve for default	\$ 200,000	\$ 50,000	\$ 200,000	\$ 50,000
Accrued pension liability	684,188	171,047	150,605	37,651
Reserve for loss on doubtful accounts	213,616	53,403	218,259	54,565
Impairments loss on accrual bonds	118,724	29,681	-	-
Impairment loss - building	109,079	27,270	-	-
Financial and tax difference for depreciation of fixed assets	(452,654)	(113,163)	5,728	1,432
		218,238		143,648
		(83,510)		(104,565)
		<u>\$ 134,728</u>		<u>\$ 39,083</u>

- C. The Company's unappropriated earnings represent earnings generated since 1998.

	December 31,	
	2007	2006
Balance of imputation credit account (Note)	\$ 653,044	\$ 14,073
	2006	2005
Estimated/actual rate of imputation credit account	7.59% (Note2)	2.81% (Note1)

(Note 1) : Actual rate

(Note 2) : Expected rate

- D. As of December 31, 2007, the Company's income tax returns through 2003 have been assessed and approved by the Tax Authority. The income tax returns through 2004 of Yuanta Insurance Brokers Co., Ltd. and Yuanta Securities investment Consulting Co., Ltd. have been assessed and approved by the Tax Authority. Fuhwa Futures Management Co., Ltd. had been liquidated on June 15, 2007 and its income tax returns through 2006 have been assessed and approved by the Tax Authority.
- E. The Tax Authority has assessed additional income tax of \$228,915. The Company has filed appeals with the Ministry of Finance; however, the Company has accrued these assessments in the financial statements.
- F. The Tax Authority has assessed an additional income tax of \$6,571,995 on Yuanta Core Securities, Co., Ltd. (the dissolved company after the merger). The Company has filed appeals with the Ministry of Finance; however, the Company has accrued these assessments in the financial statements.
- G. According to the Article 24, Item 2 of Income Tax Act, passed by the Executive Yuan, R.O.C. on June 14, 2007, the transaction income (loss) on securities and derivative instruments, which are issued under the approval of the Authorities concerned, shall be included in the taxable income of warrants issuance. The Company's income tax payable for the year ended December 31, 2007 had included the tax levied on warrants with maturity in 2007.

23) EARNINGS PER SHARE

The basic earnings per share for the years ended December 31, 2007 and 2006 are calculated based on the weighted-average outstanding common stock of 5,086,028 thousand shares and 1,003,718 thousand shares, respectively.

24) SECURITIES BROKERAGE ACCOUNTS - NET

	December 31,	
	2007	2006
Debits:		
Cash in bank - settlement	\$ 68,279	\$ 6,000
Accounts receivable - customers' purchases - TAIEX and OTC	12,016,357	5,251,973
Accounts receivable - settlement	11,451,134	4,188,780
Net exchange clearing receivable	1,510,308	-
Credit transaction	1,324,291	829,814
	<u>26,370,369</u>	<u>10,276,567</u>
Credits:		
Accounts payable - customers' purchases - TAIEX and OTC	(12,905,533)	(6,141,919)
Accounts payable - settlement	(11,018,536)	(3,498,781)
Net exchange clearing payable	(2,241,719)	(601,483)
Credit transaction	(42,549)	-
	<u>(26,208,337)</u>	<u>(10,242,183)</u>
Securities brokerage accounts - net	<u>\$ 162,032</u>	<u>\$ 34,384</u>

25) PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Nature/ Function	For the year ended December 31, 2007		
	Securities	Others	Total
Personnel Expenses			
Salaries	\$ 4,270,438	\$ 291,573	\$ 4,562,011
Insurance	190,677	9,592	200,269
Pension	178,148	11,164	189,312
Others	150,858	6,250	157,108
Depreciation (Note)	252,986	11,386	264,372
Amortization	112,628	-	112,628
Nature/ Function	For the year ended December 31, 2006		
	Securities	Others	Total
Personnel Expenses			
Salaries	\$ 1,438,774	\$ 3,171	\$ 1,441,945
Insurance	78,407	109	78,516
Pension	69,076	150	69,226
Others	53,265	2,216	55,481
Depreciation (Note)	119,936	482	120,418
Amortization	102,157	375	102,532

Note : Depreciation of rental assets and idle assets, recorded as “non-operating expenses” is included in the Administrative Department. For the years ended December 31, 2007 and 2006, the amounts were \$6,116 and \$7,575, respectively.

5. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Yuanta Financial Holdings Co., Ltd. (Formerly Fuhwa Financial Holdings Co., Ltd.)	Parent company
Yuanta Futures Co., Ltd. (the surviving company after the merger effective on September 23, 2007)	Affiliated company
Yuanta Securities Investment Consulting Co., Ltd.	Affiliated company
Yuanta Futures Management Co., Ltd.	Affiliated company
Yuanta Securities Investment Trust Co., Ltd. (Y.S.I.T. Co.)	Affiliated company
Yuanta Securities Finance Co., Ltd. (Formerly Fuhwa Securities Finance Co., Ltd.) (Y.S.F. Co.)	Affiliated company
Fuhwa Securities Investment Trust Co., Ltd. (F.H.S.I.T. Co.)	Affiliated company
Yuanta Financial Consulting Co., Ltd. (Formerly Fuhwa Financial Consulting Co., Ltd.)	Affiliated company
Yuanta Commercial Bank (Formerly Fuhwa Commercial Bank) (Y.C.B.)	Affiliated company
Fuhwa Securities Investment Consulting Co., Ltd.	Affiliated company

Names of related parties	Relationship with the Company
Fuhwa Futures Management Co., Ltd.	A majority-owned subsidiary (dissolved on June 15, 2007)
Yuanta Construction Development Co., Ltd.	Affiliated company
YuanDing International Development Ltd.	Affiliated company
HannStar Display Co., Ltd.	Affiliated company
Yuanta I Venture Capital Co., Ltd. (Formerly Fuhwa I Venture Capital Co., Ltd.)	Affiliated company
Fuhwa Futures Co., Ltd.	Affiliated company (merged with Yuanta Futures Co., Ltd, on September 23, 2007)
Yuanta Life Insurance Agent Co., Ltd. (Formerly Fuhwa Life Insurance Agent Co., Ltd.)	Affiliated company
Yuanta Property Insurance Agent Co., Ltd. (Formerly Fuhwa Property Insurance Agent Co., Ltd.)	Affiliated company
Fuhwa (BVI) Investment Management Ltd.	Indirect subsidiary of the Company (dissolved on November 21, 2006)
Bank of Taiwan	Director of the parent company of the Company (resigned on June 29, 2007)
Land Bank	Supervisor of the parent company of the Company (resigned on June 29, 2007)
Grand Asia Assets Management Ltd.	An investee accounted for under the equity method
Kim Eng Holdings Limited	An investee accounted for under the equity method
Fund of F.H.S.I.T. Co.	Fund managed by the affiliated company
Fund of Y.S.I.T. Co.	Fund managed by the affiliated company
Yuanta Educational Foundation (Formerly Fuhwa Educational Foundation)	The president of the foundation is the president of the parent company.

2) Significant related party transactions and balances

- A. For transactions between the Company and YuanDing International Development Ltd. and between the Company and Yuanta Construction Development Ltd. during the year ended December 31, 2007, please refer to Notes 7(2) and 7(3), respectively.
- B. The futures commission income and futures guarantee deposits-own capital and commission income receivable generated from entering into futures transactions on behalf of related parties are as follows:

For the year ended December 31, 2007			
Related Party	Commission income-futures	Commission income receivable	Futures guarantee deposits receivable
Yuanta Futures Co., Ltd.	\$ -	\$ 17,851	\$ 54,138

For the year ended December 31, 2006			
Related Party	Commission income-futures	Commission income receivable	Futures guarantee deposits receivable
Fuhwa Futures Co., Ltd.	\$ 82,414	\$ 4,929	\$ 117,831

The Company received the futures commission income in accordance with the contract prices.

- C. Bank deposits, interest income and interest receivables:

a.

For the year ended December 31, 2007			
Related Party	Ending balance of bank deposits	Interest income (Note)	Interest receivable (Note)
Yuanta Commercial Bank	\$ 308,352	\$ 13,679	\$ 1,273

For the year ended December 31, 2006			
Related Party	Ending balance of bank deposits	Interest income (Note)	Interest receivable (Note)
Yuanta Commercial Bank	\$ 304,591	\$ 7,088	\$ 933

Note : Including the interest of demand deposits and time deposits.

- b. As of December 31, 2007 and 2006, the Company provided the Bank of Taiwan with time deposits of \$100,000 as a guarantee for settlement (recognized in "Restricted Assets-current").

- D. Revenues generated from entering into margin loans and short sales on behalf of related parties are as follows: (recognized in “Other operating income” and “Other receivables-related parties” for custody income receivables)

Related Parties	For the year ended December 31, 2007	
	Commission revenue	Commission receivable
Yuanta Securities Finance Co., Ltd.	<u>\$ 1,284,684</u>	<u>\$ 166,475</u>

Related Parties	For the year ended December 31, 2006	
	Commission revenue	Commission receivable
Yuanta Securities Finance Co., Ltd.	<u>\$ 158,887</u>	<u>\$ 16,397</u>

The terms of the above transactions are not significantly different from those to third parties.

- E. Income tax receivable/payable resulting from the consolidated income tax return: (recognized in “Other receivables/payables”)

Related Parties	December 31,			
	2007		2006	
	Amount	%	Amount	%
Income tax receivable				
Yuanta Financial Holdings Co., Ltd.	<u>\$ 53,410</u>	<u>-</u>	<u>\$ 53,410</u>	<u>22</u>
Income tax payable				
Yuanta Financial Holdings Co., Ltd.	<u>\$ 1,236,280</u>	<u>6</u>	<u>\$ 700,182</u>	<u>62</u>

- F. Open-end mutual funds beneficiary certificates and money market instruments:

Related Parties	December 31,			
	2007		2006	
	Cost	%	Cost	%
Fund of F.H.S.I.T. Co.	<u>\$ 3,129,623</u>	<u>45</u>	<u>\$ 500,000</u>	<u>37</u>
Fund of Y.S.I.T. Co.	<u>1,101,223</u>	<u>17</u>	<u>330,000</u>	<u>25</u>
	<u>\$ 4,230,846</u>	<u>62</u>	<u>\$ 830,000</u>	<u>62</u>

G. Purchases of trading securities - dealer (For the year ended December 31, 2006: None)

	For the year ended December 31, 2007		
	Balance	Gain/Loss	Gain on valuation
HannerStar Display Co., Ltd.	\$ 144	(\$ 111,758)	-
Yuanta Financial Holding Co.,Ltd.	4,270,404	29,732	1,980,008
	<u>\$ 4,270,548</u>	<u>(\$ 82,026)</u>	<u>1,980,008</u>

H. As of December 31, 2007 and 2006, the Company provided negotiable certificates of deposit and time deposits in the bank listed below as a guarantee for issuing warrants (recognized in “Restricted Assets-current”).

Related Parties	December 31,	
	2007	2006
Yuanta Commercial Bank	<u>\$ 500,000</u>	<u>\$ 470,000</u>

I. Business security deposits

The Company deposited time deposits in the banks listed below as business security deposits for entering into securities and futures business.

Related Parties	December 31,	
	2007	2006
Yuanta Commercial Bank	\$ 589,000	\$ -
Bank of Taiwan	-	130,000
	<u>\$ 589,000</u>	<u>\$ 130,000</u>

J. Property transactions

a. Bonds purchased under resale agreements

For the year ended December 31, 2007				
	Maximum balance	Ending balance	Range	Interest Income
Y.C.B.	\$ 2,204,913	<u>\$ 1,750,000</u>	1.7%~3.1%	<u>\$ 21,957</u>

For the year ended December 31, 2006				
	Maximum balance	Ending balance	Range	Interest Income
Y.S.F. Co.	\$ 2,074,004	\$ 1,230,621	1.39%~1.635%	\$ 15,737
F.H.S.I.T. Co.	1,800,000	1,300,000	1.65%~1.74%	6,692
Y.C.B.	4,906,705	541,972	1.40%~1.645%	28,060
		<u>\$ 3,072,593</u>		<u>\$ 50,489</u>

b. Bonds sold under repurchase agreements

For the year ended December 31, 2007				
	Maximum balance	Ending balance	Range	Interest Income
Fund of Y.S.I.T. Co.	\$ 5,761,571	\$ 4,172,861	1.5%~2.9%	\$ 46,369
Fund of F.H.S.I.T. Co.	2,516,868	570,391	1.675%~2.4%	20,000
		<u>\$ 4,743,252</u>		<u>\$ 66,369</u>

For the year ended December 31, 2006				
	Maximum balance	Ending balance	Range	Interest Income
Fund of Y.S.I.T. Co.	\$ 1,596,224	\$ 402,982	1.38%~1.62%	\$ 6,731
Fund of F.H.S.I.T. Co.	5,470,649	1,567,400	1.375%~1.64%	34,073
		<u>\$ 1,970,382</u>		<u>\$ 40,804</u>

c. Bonds sold and purchased

For the year ended December 31, 2007		
Related Parties	Bonds Purchased	Bonds Sold
Bank of Taiwan	\$ -	\$ 47,242
Land Bank	-	95,285
Y.S.F. Co.	3,458,782	-
Y.C.B.	2,380,663	2,522,017
Y.H.S.I.T. Co.	776,010	-
F.H.S.I.T. Co.	1,379,919	-
Fund of Y.S.I.T. Co.	2,127,640	-
Fund of F.H.S.I.T. Co.	2,996,078	-
	<u>\$ 13,119,092</u>	<u>\$ 2,664,544</u>

For the year ended December 31, 2006		
Related Parties	Bonds Purchased	Bonds Sold
Y.S.F. Co.	\$ 393,783	\$ 734,411
Y.C.B.	2,358,622	2,363,629
F.H.S.I.T. Co.	1,099,327	503,549
Fund of Y.S.I.T. Co.	1,465,839	-
Fund of F.H.S.I.T. Co.	3,727,178	-
	<u>\$ 9,044,749</u>	<u>\$ 3,601,589</u>

The above bond transactions were matched by the Electronic Bond Trading System of GreTai Securities Market.

K. Convertible bond asset swap- fixed income (For the year ended December 31, 2007: None)

The conditions of convertible bond asset swap undertaken by the Company with Yuanta Commercial Bank Co., Ltd. for the year ended December 31, 2006 are shown below:

Swap for	Term	For the year ended December 31, 2006		
		Principal	Interest rate	Interest expense
Test - Serv 1	2004.04.07 ~2006.04.06	\$ 140,000	1.75%	\$ 461

L. Subsidy revenue

The subsidy revenues coming from related party using the Company's office space are shown below: (recognized in "Non-operating income" and "Accounts receivable" for subsidy revenue receivable at the end of period)

Related Parties	For the year ended December 31, 2007	
	Subsidy revenue	Receivable
Yuanta Commercial Bank	\$ 332,450	\$ 22,170

Related Parties	For the year ended December 31, 2006	
	Subsidy revenue	Receivable
Yuanta Commercial Bank	\$ 109,056	\$ 10,176

M. Securities brokerage fees

The related parties committed the Company to purchase and sell securities. The securities brokerage fees generated from those transactions are shown below:

Related Parties	For the years ended December 31,	
	2007	2006
Y.S.F. Co.	\$ 6,220	\$ 6,561
Y.C.B.	18,914	12,206
Fund of Y.S.I.T. Co.	142,956	56,243
Fund of F.H.S.I.T. Co.	5,536	6,158
Others	1,896	5,352
	\$ 175,522	\$ 86,520

N. Other

- a. The Company provided Yuanta Commercial Bank Co., Ltd. with beneficiary certificates of \$508,294 and \$1,422,418 as well as land and buildings of \$2,938,526 and \$1,432,330 as collateral to secure loan ceiling of \$1,396,000 and \$1,870,000 for the years ended December 31, 2007 and 2006, respectively. Please refer to Note 6 for information on pledged assets.
- b. The Company made a donation of \$5,000 to the Yuanta Educational Foundation in 2007. The amount was recognized as “operating expenses - donation”.
- c. In June 2007, the Company entered into an agreement with Yuanta Securities Finance Co., Ltd. relating to the transfer of the right of claim on margin loans and short sales. The Company transferred the right of claim on margin loans and short sales to Yuanta Securities Finance Co., Ltd, with the effective date set on July 1, 2007. All debts, tax duties, disputes with customers and compensation payable occurred prior to the transfer effective date belong to the Company and those occurred after the transfer effective date belong to Yuanta Securities Finance Co., Ltd. The contract amount of the transfer of the right of claim on margin loans and short sales was \$35,923,470. As of December 31, 2007, the Company had received \$22,000,000 of the contract amount and therefore, recognized interest compensation receivable of \$262,246. The Company’s Board of Directors on October 25, 2007 resolved to sign a supplementary contract with Yuanta Securities Finance Co., Ltd. to agree to extend the payment date for unpaid amount including interest compensation of \$340,000.
- d. During 2007, the Company subscribed for \$1,500,000 of unsecured convertible bonds at par value issued by Yuanta Securities Finance Co., Ltd., and disposed of them all in the same year. As such, interest revenue and disposal loss were recognized of \$7,158 and \$24,362, respectively, for the year ended December 31, 2007.
- e. To simplify the interest holdings in aid of the Company’s management, the Company fully sold 34% shareholding of Yuanta Futures Management Co., Ltd. (6,800,000 shares) to its subsidiary, Yuanta Futures Co., Ltd., in the amount of \$57,120 with \$8.4 per share (in dollars), which was based on the net worth per share in the financial statements of Yuanta Futures Management Co., Ltd.as of October 31, 2007. Accordingly, Yuanta Futures Co., Ltd. holds 100% equity interest in Yuanta Futures Management Co., Ltd.

- f. In coordination with the Yuanta Financial Holding Group's reorganization as well as business developments, the Company sold 100% shareholding of Yuanta Futures Co., Ltd., (80,000,000 shares) to Yuanta Financial Holding Co., Ltd. in the amount of \$1,343,200 with \$16.79 per share (in dollars).
- g. In coordination with the Yuanta Financial Holding Group's reorganization as well as business developments, the Company sold 100% shareholding of Yuanta Securities Investment Consulting Co., Ltd. (30,000,000 shares) to Yuanta Financial Holding Co., Ltd. in the amount of \$338,100 with \$11.27 per share (in dollars), which was based on the net worth per share in the financial statements of Yuanta Securities Investment Consulting Co., Ltd. as of October 31, 2007.

6. PLEDGED ASSETS

As of December 31, 2007, assets pledged or restricted for use were as follows:

Asset items	December 31,		Purpose
	2007	2006	
<u>Restricted assets</u>			
Time deposits	\$ 979,000	\$ 470,000	Security for settlement limit and issuance of warrants
Time deposits	454,000	440,000	Security for settlement limit,Deposits for short-term loans and commercial papers payable
Restricted passbook deposits	-	65,224	Funds for subscription of shares collected for an underwriter
Structured notes	10,322	-	Structured notes
<u>Financial assets at fair value through profit or loss - current:</u>			
Open - end mutual funds beneficiary certificates	508,294	1,422,418	Security for settlement limit
Trading securities - dealing (par value)	26,568,706	7,062,709	Securities for bonds sold with repurchase agreements
<u>Bonds purchased under resale agreements</u>	-	5,003,280	Securities for bonds sold with repurchase agreements
<u>Funds and investments</u>			
Financial assets at fair value through profit or loss - noncurrent (Note 1 and 2)	469,387	-	Security for sale of assets and General business security
Available-for-sale financial assets - noncurrent (Note 2)	490,472	497,103	General business security
Held-to-maturity financial assets - noncurrent (Note 2)	899,624	-	General business security
<u>Fixed assets (including rental and idle assets)</u>	2,938,526	1,432,330	Deposits for short-term loans, commercial papers payable
<u>Non-current assets held for sale</u>	575,474	-	Deposits for short-term loans
<u>Other assets</u>			
Operating guarantee deposits	595,000	465,000	General business security
Deposits-out	174,950	-	Security for income tax assessment and General business security

Note 1 : For more details of security for sale of assets, please refer to Note 7(2).

Note 2 : As of December 31, 2007 and 2006, the Company provided financial bonds with par value of \$1,450,000 and \$500,000, respectively, which are certified by the Central Bank of China to Cathay United Bank, as general business security.

7. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

- 1) The Company entered into various operating lease agreements and the future minimum rental commitments are as follows:

<u>Period</u>	<u>Amount</u>
2008	\$ 209,817
2009	164,004
2010	110,530
2011	53,779
2012	28,081
	<u>\$ 566,211</u>

- 2) For the construction of the enterprise group head office building, the Company acquired land, located on Section Dun-hua, Song-Shan area, Taipei, from Taiwan Seventh-day Adventist Church (the Church) in the amount of \$2,000,000. Under the agreement, the Company will sell back parts of the underground parking lots to the Church in the amount of \$420,000 and provide bonds of \$420,000 as security for sale of assets. The land was registered and transferred on June 1, 2004. In 2004, the Company entered into construction contracts and comprehensive planning contracts of the enterprise headquarter with Shimzu and YuanDing International Development Ltd. in the amount of \$1,367,000 and \$65,000, respectively. As of December 31, 2007, the prepayments for building and land amounted to \$1,145,179. In addition, the Company has entered into a building construction agreement with the China Steel Structure Company, Ltd. for a total price of \$173,250. As of December 31, 2007, the prepayments amounted to \$152,407.
- 3) To ensure the quality of construction and the date of completion of the group head office building, the Company also entered into a construction management contract in the amount of \$43,000 with Yuanta Construction Development Ltd. on October 4, 2004. As of December 31, 2007, the prepayments amounted to \$40,000.
- 4) The Company entered into a sales agreement on September 14, 2007 for the sale of real estate located at Chung-Hsiao W. Road, Taipei. Please refer to Note 4(7) for information on non-current assets held for sale.
- 5) As of December 31, 2007, the Company had provided Taiwan Stock Exchange Corporation and GreTai Securities Market with bankers' letters of guarantee in the amount of \$1,060,000 as security for issuance of warrants.
- 6) There were no significant commitments and contingent liabilities for the other subsidiaries as of December 31, 2007.

8. SIGNIFICANT LOSS FROM NATURAL DISASTER:

NONE

9. SIGNIFICANT SUBSEQUENT EVENTS:

NONE

10. OTHERS:

1) The fair values of the financial instruments

	December 31, 2007		
		Fair value	
Financial assets	Book value	Quotations in an active market	Estimated using a valuation
<u>Non-derivative financial instruments</u>			
Financial assets with fair value equal to book value	\$ 29,742,597	\$ -	\$ 29,742,597
Financial assets for trading purpose	48,984,254	48,984,254	-
Available-for-sale financial assets - noncurrent	2,362,585	490,498	1,872,087
Held-to-maturity financial assets - noncurrent	889,624	-	938,110
Financial assets at fair value through profit or loss - noncurrent	469,387	469,387	-
Operating guarantee deposits	595,000	-	595,000
Exchange clearing deposits	771,964	-	771,964
Deposits-out	428,006	-	428,006
<u>Derivative financial instruments</u>			
Bought Options	280	280	-
Futures guarantee deposits receivable	71,072	71,072	-
Financial assets designated as at fair value through profit or loss - current	532,080	-	532,080
Derivative financial instrument assets - OTC	131,378	-	131,378
	\$ 84,978,227	\$ 50,015,491	\$ 35,011,222

December 31, 2007			
Financial liabilities	Book value	Fair value	
		Quotations in an active market	Estimated using a valuation
<u>Non-derivative financial instruments</u>			
Financial liabilities with fair value equal to book value	\$ 38,895,356	\$ -	\$ 38,895,356
<u>Derivative financial instruments</u>			
Sold options	320	320	-
Security lending payable	2,170	2,170	-
Warrants	3,079,316	3,079,316	-
Repurchase of warrants	(2,849,359)	(2,849,359)	-
Derivative financial instrument liabilities - OTC	562,442	-	562,442
	<u>\$ 39,690,245</u>	<u>\$ 232,447</u>	<u>\$ 39,457,798</u>
December 31, 2006			
Financial assets	Book value	Fair value	
		Quotations in an active market	Estimated using a valuation
<u>Non-derivative financial instruments</u>			
Financial assets with fair value equal to book value	\$ 9,115,305	\$ -	\$ 9,115,305
Financial assets for trading purpose	12,332,754	12,332,754	-
Available-for-sale financial assets - noncurrent	497,013	497,013	-
Held-to-maturity financial assets - noncurrent	-	-	-
Financial assets at fair value through profit or loss - noncurrent	-	-	-
Operating guarantee deposits	465,000	-	465,000
Exchange clearing deposits	299,141	-	299,141
Deposits-out	158,022	-	158,022
<u>Derivative financial instruments</u>			
Bought Options	356	356	-
Futures guarantee deposits receivable	117,831	117,831	-
Financial assets designated as at fair value through	-	-	-
Derivative financial instrument assets - OTC	114,479	-	114,479
	<u>\$ 23,099,901</u>	<u>\$ 12,947,954</u>	<u>\$ 10,151,947</u>

	December 31, 2006		
		Fair value	
Financial liabilities	Book value	Quotations in an active market	Estimated using a valuation
<u>Non-derivative financial instruments</u>			
Financial liabilities with fair value equal to book value	\$ 13,869,596	\$ -	\$ 13,869,596
<u>Derivative financial instruments</u>			
Sold options	-	-	-
Security lending payable	-	-	-
Warrants	501,100	501,100	-
Repurchase of warrants	(331,640)	(331,640)	-
Derivative financial instrument liabilities - OTC	97,761	-	97,761
	\$ 14,136,817	\$ 169,460	\$ 13,967,357

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- A. For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to Cash and cash equivalents, Bonds purchased under resale agreements, Margin loans receivable, Notes receivable, Accounts receivable, Other receivables, Allowance for other receivables, Restricted assets, Short – term loans, Commercial papers payable, Bonds sold under repurchase agreements, Deposits on short sales, Short sale proceeds payable, Notes payable, Accounts payable, Other payables, Collections on behalf of third parties, Other current liabilities and Deposits-in.
- B. Financial assets for trading purpose include non-derivatives and derivatives. The fair value of non-derivative financial instruments was based on active quoted market price. The fair value of derivatives was based on active quoted market price if available. When market price was unavailable, fair value was determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.

- C. For available-for-sale financial assets, the fair value was based on active quoted market price. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The discount rates used were the same as those of financial instruments with similar terms and characteristics, including credibility of the debtor, fixed rate covered period, maturity date and contract currency. At the balance sheet date, the Company's discount rates of held-to-maturity financial assets ranged from 2.43% to 2.45%. Unlisted stocks were valued at cost because of the difficulty in obtaining reasonable estimation.
- D. For held-to-maturity financial assets, the fair value was based on active quoted market price. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The discount rates used were the same as those of financial instruments with similar terms and characteristics, including credibility of the debtor, fixed rate covered period, maturity date and contract currency. At the balance sheet date, the Company's discount rates of held-to-maturity financial assets ranged from 2.28% to 2.41%.
- E. The fair values of Operating security deposits, Exchange clearing deposits, and Deposits-out at the balance sheet date were valued at book value since the impact of discount rates were insignificant.
- 2) As of December 31, 2007 and 2006, the financial assets with fair value risk due to the change of interest amounted to \$33,944,855 and \$12,811,393, respectively, the financial liabilities with fair value risk due to the change of interest amounted to \$19 and \$18,832, respectively, and the financial assets with cash flow risk due to the change of interest amounted to \$39,678 and \$0, respectively.
- 3) For available-for-sale financial assets, during the year ended December 31, 2007, the amount of profit recognized directly in equity was \$16,754, and the amount removed from equity and recognized in profit or loss was \$0.

4) Procedure of financial risk control and hedge

A. Financial risk control

Since the risk tolerance is the essence of financial activities, the Group tries to balance the risk and return of its position by employing risk management techniques. By setting a consistent compelling standard, the Group can control all the possible risk within a preset range, actively seek growth in every business scope and attain the objective of maximizing the capital return. The Group believes that the employment of an appropriate risk management system is the key to create stable and high-quality return for shareholders.

The risks faced by the Group include market risk, credit risk, liquidity risk, cash flow risk and operating risk. The risk management system is established to efficiently control the Group's risks. The Group's risk management system includes an independent risk management department and a risk management organizational structure, including the board of directors, audit management committee, risk control office, inspection and audit office, legal affairs section and financial department. Based on different risks and businesses, the Group sets different risk management mechanisms and procedures in accordance with the Group's operating strategies, capital structure and market situation. A risk management information system is also established to promote the employment of risk management and therefore, lowering the Group's risks.

B. Hedging strategies (financial hedging):

The Group's strategy is using derivatives to control the risk of price volatility within a manageable range. According to its capacity of tolerating risk, the Group sets the notional amounts, value at risk and related hedge strategies for each of its businesses. The Group also establishes mechanisms to monitor the changes in hedged positions and principles to treat its over-hedged or under-hedged positions.

a. Equity securities

The Group will bear the risk of value loss while there is an unfavorable change in the price of the target security. The Group uses a complete risk management system and TX futures and options to lower the market risk.

b. Fixed income securities

The major risk associated with fixed income securities results from changes in interest rate. The Group bears market risk when the change in interest rates is unfavorable. The Group uses derivatives such as interest rate swaps, governmental bond futures and bond options to hedge the market risk.

c. Warrants

The major risk associated with warrants results from unfavorable changes in the price of the target security. To lower the risk, the Group acquires the underlying securities as basic position and adjusts the shares of the target securities, the number of convertible bonds held and warrants based on a dynamic hedging model on an ongoing basis.

d. Structured notes

Structured notes are a combination of fixed income securities and asset options. The market risk of structured notes includes risk resulting from changes in interest rates, stock prices and volatility. To lower the market risk resulting from engaging in the business, not only the interest generated from investing in fixed income securities is used to repay the principal due, but also the Group establishes a dynamic hedging position. Hedging positions are usually within a range centered on the theoretical hedge amount.

e. Convertible bond asset swap

The Group detaches options from convertible bonds and sells them to the market separately. This business involves market risk and credit risk of the counterparty. To lower the market risk, the Company sells the fixed income security part and the option part to third parties while credit limit is applied to lower the credit risk from the counterparty.

5) Significant financial risk information

A. Derivative financial instruments

a. Derivative financial instruments were as follows:

	December 31, 2007	
	Derivative Financial Assets	Derivative Financial Liabilities
Interest rate swap contracts	\$ -	\$ 12,676
Cross currency swap contracts	19	-
Asset IRS contracts	-	27,002
Asset swap options	119,196	522,167
Structured notes	11,853	597
ELN	310	-
Nominal amount of structured notes (Note)	-	468,525
	<u>\$ 131,378</u>	<u>\$ 1,030,967</u>

	December 31, 2006	
	Derivative Financial Assets	Derivative Financial Liabilities
Asset IRS contracts	\$ 18,832	\$ -
Asset swap options	95,647	97,761
Equity swap	<u>\$ 114,479</u>	<u>\$ 97,761</u>

Note : Recorded under “Other financial liabilities – noncurrent”

b. Gain (loss) on derivative financial instruments were as follows:

	<u>For the year ended December 31, 2007</u>	
	Gain (loss) on	
	Derivative Financial Assets - OTC	Unrealized gain (loss) included
Interest rate swaps	(\$ 45,168)	\$ 35,313
Interest rate options	- (	4,290)
IRS asset swaps	(4,339)	9,889
Options - asset swaps	(122,890)	(53,739)
Bond options	4,747	234
Structured notes	(34,906)	(29,833)
Equity - linked note	828 (	477)
Cross currency swap contracts (Note)	(1,845)	1,596
	<u>(\$ 203,573)</u>	<u>(\$ 41,307)</u>

	<u>For the year ended December 31, 2006</u>	
	Gain (loss) on	
	Financial Derivative Assets - OTC	Unrealized gain (loss) included
IRS asset swaps	\$ 4,551	\$ 10,286
Options - asset swaps	(8,886)	\$ 2,151
Equity - linked note	(2,253)	-
Bond options - non-hedging	1,209	-
	<u>(\$ 5,379)</u>	<u>\$ 12,437</u>

Note : Recorded under “Other operating income – others”

c. Futures transactions engaged in by the Company:

a) Balances of futures guarantee deposits receivable:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Futures guarantee deposits receivable	<u>\$ 71,072</u>	<u>\$ 117,831</u>
Excess Margin	<u>\$ 36,641</u>	<u>\$ 112,400</u>

b) Gains (losses) on futures

	<u>For the year ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Gains (losses) on futures	<u>\$ 91,679</u>	<u>\$ 6,123</u>

c) Gains (losses) on options

	For the year ended December 31,	
	2007	2006
Gains (Losses) on option	\$ 27,083	\$ 15,856

d) Gains (losses) on warrants are as follows:

	For the years ended December 31,		
	2007	2006	Account
<u>A. Gains (losses) on valuation</u>			
Liabilities of options issued	6,189,624	\$ 1,175,510	Gain (loss) on warrants
Repurchase of options issued	(1,945,293)	(12,795)	Gain (loss) on warrants
Exercise of options issued	511	1,348	Gain (loss) on warrants
Expired of options issued	256,169	632,175	Gain (loss) on warrants
Trading Securities-hedging	(46,548)	2,070	Gain on valuation of trading securities
<u>B. Gains (losses) on sale</u>			
Repurchase of options issued	(3,661,560)	(1,475,752)	Gain on warrants issuance
Trading Securities-hedging	(439,881)	(123,671)	Gains (Losses) on sale of Trading Securities-hedging

B) Information on financial instruments:

a. Futures

The Group engages in the business of futures dealers so futures and futures options are traded for the purpose of efficient employment of capital. As of December 31, 2007 and 2006, TX futures guarantee deposits receivable includes the balance of excess futures guarantee deposits of \$36,641 and \$112,400, respectively.

b. Warrants

For information regarding the issuance of warrants, please refer to Note 4(12).

c. Convertible bond asset swaps and options

The Group engages in the business of asset swaps and options. Under an asset swap, the Company sells convertible bonds to the counterparty and receives proceeds. Over the contract period, the Company exchanges its cash flows with the counterparty and retain the right to buyback the convertible bonds. Under an option transaction, the Company keeps the right to buyback the convertible bonds or the counterparty has the right to buy the convertible bonds. The Company can clear the position by rendering its currently owned bonds. As of December 31, 2007 and 2006, notional amounts of convertible bond options purchased were \$831,630 and \$585,000, respectively; notional principal of convertible bond options sold were \$964,418 and \$590,000, respectively.

d. Interest rate swaps

The purpose of the Company to enter into an interest rate swap contract is to earn the interest gap based on the Company's estimation toward the interest rate trend. The contracts entered with financial institutions are valid for 1~5 years. On settlement date, interest is received and paid according to the production of nominal principal and difference in interest rates. Most of the counterparties are financial institutions. As of December 31, 2007, the nominal principal was \$165,154,555.

e. Structured notes

The Company combines fixed income instruments with call or put options into structured notes, which are further categorized into ELN, PGN and CLN. On trade date, the contracted amounts were collected in full from the counterparties. The payout amount on maturity will depend on the price fluctuation of the instruments linked to these contracts. All the linked products are financial instruments under the supervision of the SFB. As of December 31, 2007, the nominal principal of ELN was \$75,380, the nominal principal of PGN was \$268,678, and the nominal principal of ELN was \$110,000.

C. Information of financial risk

a. Market risk

The Company sets operational limit and VaR (value at risk) limit for each business department as the standard of executing risk management.

The Company measures market risk of each position using the variance – covariance method, which contains after-backtesting one-day VaRs and a confident interval of 99%. The following table shows the VaR data of all positions for the year ended December 31, 2007. In the table, VaRs are classified to equity securities, fixed income securities, derivatives and total amount. Because of the elimination effect resulting from the different classification, the total VaR is less than the sum of all classification. The difference between the total and the sum of individual VaR may be regarded as the achievement resulting from diversification.

	December 31, 2007	VaR		
		Mean	Minimum	Maximum
Equity securities	316,900	218,307	149,091	344,029
Fixed income securities	58,710	64,339	34,015	109,727
Subtotal	375,610	282,646	-	-
Benefits resulting from diversification	(69,748)	(64,646)	-	-
Total VaR	305,862	218,000	158,313	337,632

b. Credit risk

Credit risk occurs when the counterparty defaults. Due to the lack of a generally accepted credit rating system, the Group experiences difficulties in managing credit risk. To manage credit risk, the Group sets credit limit for each issuer and counterparty based on an internal established credit rating system. Moreover, the Group's its subsidiaries's risk control office continuously improve its credit risk management model, which monitors the changes in the credit situation of security issuers. Therefore, the credit risk of the bonds held is dynamically traced and evaluated.

An efficient credit risk management system must rely on a credit rating system, which is maintained by the Company and used to rate the Group's counterparties or security issuers. Each counterparty or issuer will receive one of the eight classes including A, B, C, D, E, F, G and Z. The Company also calculates the default rates for each class based on financial statements and market information. The monitoring, evaluation, and control of credit risk is conducted in a dynamic and continuous way to ensure that the Company manages the credit risk efficiently and actively. The maximum credit exposure is equal to the book value of the Group's financial assets minus allowance. Since the Group does not have significant commitment or guaranty items, no extra credit risk is expected to occur.

c. Liquidity risk

Liquidity risk includes market liquidity risk and cash liquidity risk. Liquidity risk occurs when the volume of transactions is insufficient in the market so that the Company will suffer difficulty when disposing its position within a reasonable time. To lower liquidity risk, the Company sets rules for different businesses and securities and adopts dynamic monitoring to manage the market liquidity risk of its entire positions. The Company also analyzes the characteristics of those financial instruments without sufficient liquidity and sets limit for each item.

Cash liquidity risk refers to the Company's inability to raise sufficient funds at reasonable costs to fulfill its payment obligations at maturity. The Company ensures the safety of its cash flows via cash flow management and controls over the credit line. To ensure the diversification and stability of fund sources, the Company uses common stock, retained earnings, and gains on short-term investment as its fund sources. The Company also applies for bank lines in advance for similar purposes.

d. Fair value risk resulting from changes in interest rate

Fair value risk from changes in interest rates refers to the uncertainty of future cash flows resulting from changes in index interest rates. If the possible risk from interest rate change exceeds the manageable range, the Group use interest swaps to hedge the risk.

6) In accordance with the resolution adopted by the Board of Directors on April 10, 2007, the Company decided to merge with Yuanta Core Pacific Securities Co., Ltd. with the merger date set on September 23, 2007. Yuanta Core Pacific Securities Co., Ltd. was the dissolved company. The conversion ratio of merger was 0.538 shares of Yuanta Core Pacific Securities Co., Ltd. in exchange for one share of the Company. The consolidated balance sheets and income statements of the Company and Yuanta Core Pacific Securities Co., Ltd. are shown below:

A. The respective balance sheets of the Company and Yuanta Core Pacific Securities Co., Ltd, and pro forma consolidated balance sheets as of September 23, 2007 are listed below:

	YUANTA CORE		
	YUANTA	PACIFIC	
	SECURITIES	SECURITIES	PRO FORMA
Assets	CO., LTD.	CO., LTD.	CONSOLIDATED
Current Assets			
Cash and cash equivalents	\$ 314,596	\$ 716,600	\$ 1,031,196
Financial assets at fair value through profit or loss - current	8,217,382	60,236,510	68,453,892
Bonds purchased under resale agreements	-	5,772,673	5,772,673
Receivables from refinance guaranty	-	40,440	40,440
Notes receivable	30,566	30,649	61,215
Accounts receivable	249,853	19,899,957	20,149,810
Prepayments	23,636	42,458	66,094
Other receivables	73,901	685,676	759,577
Restricted Assets - current	540,000	429,150	969,150
Deferred income tax assets - current	-	1,790	1,790
Funds and Investment	1,841,943	19,068,775	20,910,718
Fixed assets	1,010,941	6,791,315	7,802,256
Intangible assets	361,463	1,583	363,046
Other Assets			
Operating security deposits	415,000	630,000	1,045,000
Exchange clearing deposits	300,092	640,992	941,084
Deposits-out	136,136	183,716	319,852
Assets leased to others	178,901	925,669	1,104,570
Idle assets	29,653	74,320	103,973
Deferred income tax assets - noncurrent	42,790	92,754	135,544
Cash and cash equivalents - Funds collected for exercise of warrants	-	5,270	5,270
Cash and cash equivalents - Funds collected for share subscriptions	46,147	204,246	250,393
Securities brokerage debit accounts	79,271	189,112	268,383
Total	<u>\$ 13,892,271</u>	<u>\$ 116,663,655</u>	<u>\$ 130,555,926</u>

	YUANTA CORE		
	YUANTA	PACIFIC	
	SECURITIES	SECURITIES	PRO FORMA
Liabilities and Stockholders' Equity	CO., LTD.	CO., LTD.	CONSOLIDATED
Current Liabilities			
Short-term debt	\$ -	\$ 50,426	\$ 50,426
Bonds sold under repurchase agreements	-	35,843,156	35,843,156
Financial liabilities at fair value through income statement-current	131,988	1,383,906	1,515,894
Notes payable	2,435	84,757	87,192
Accounts payable	88,181	375,006	463,187
Unearned receipts	203,364	66,060	269,424
Receipts under custody	132,643	660,652	793,295
Other payables	935,652	9,954,999	10,890,651
Other financial liabilities-current	-	4,997	4,997
Other Liabilities			
Reserve for default	200,000	200,000	400,000
Reserve for trading loss	-	134,122	134,122
Reserve for bad debts	217,129	-	217,129
Deposits received	3,442	7,254	10,696
Accrued pension liabilities-noncurrent	165,372	535,879	701,251
Funds collected for share subscriptions	46,139	204,165	250,304
Capital-common stock	10,402,938	31,890,730	53,679,388
Additional paid-in capital	83,785	16,841,845	16,508,732
Retained earnings			
Legal reserve	68,503	3,668,635	68,503
Special reserve	137,006	7,300,187	137,006
Retained earnings-unappropriated	1,120,928	6,674,545	7,795,473
Other adjustment items			
Cumulative translation adjustments	(44,615)	739,069	694,454
Unrealized profit or loss on financial instruments	(2,619)	43,265	40,646
Total	\$ 13,892,271	\$ 116,663,655	\$ 130,555,926

B. The respective income statements of the Company and Yuanta Core Pacific Securities Co., Ltd, and pro forma consolidated income statements as of December 31, 2007 are listed below:

	For the year ended December 31, 2007	For the three-month period ended April 1, 2007	For the year ended December 31, 2007
	YUANTA SECURITIES CO., LTD.	YUANTA CORE PACIFIC SECURITIES CO., LTD.	PRO FORMA CONSOLIDATED
Revenues			
Securities brokerage fees	\$ 9,487,347	\$ 1,531,457	\$ 11,018,804
Service fees for security lending	49	-	49
Underwriting fees	278,383	107,068	385,451
Gain on sales of trading securities	1,335,405	623,449	1,958,854
Stock custodial income	170,243	40,274	210,517
Interest income	1,332,782	782,722	2,115,504
Dividend income	298,713	176	298,889
Gain on valuation of trading securities	1,113,644	-	1,113,644
Gain on short covering and trading securities - RS financing covering	7,480	-	7,480
Gain on valuation of short covering and trading securities	-	701	701
Gain on warrants issuance	839,451	371,231	1,210,682
Commission income - futures	178,289	34,459	212,748
Gain on trading of financial instruments - Futures	136,792	-	136,792
Gain on trading of financial instruments - OTC	-	7,680	7,680
Other operating income	1,579,904	4,835	1,584,739
Non-operating income	2,550,039	473,094	3,023,133
	<u>19,308,521</u>	<u>3,977,146</u>	<u>23,285,667</u>
Expenses			
Handling charges - brokerage	(513,964)	(81,929)	(595,893)
Handling charges - dealing	(15,047)	(2,980)	(18,027)
Service charges - refinancing	(203)	(471)	(674)
Service charges - underwriting	(6,468)	(1,139)	(7,607)
Loss on sales of trading securities	(443,628)	-	(443,628)
Interest expense	(616,587)	(173,739)	(790,326)
Loss on valuation of trading securities	-	(372,537)	(372,537)
Loss on short covering and trading securities - RS financing covering	-	(772)	(772)
Loss on short covering and trading securities - Valuation	(50)	(50)	(50)
Warrant issuance expenses	(20,720)	(2,109)	(22,829)
Service charges - exchange clearing	(1,500)	(1,562)	(3,062)
Loss on trading of financial instruments - Futures	(155,397)	(6,703)	(162,100)
Loss on trading of financial instruments - OTC	(73,631)	(319)	(73,950)
Operating expenses	(7,792,877)	(1,768,212)	(9,561,089)
Other operating expenses	(38,079)	(12,768)	(50,847)
Non-operating expenses	(447,774)	(45,686)	(493,460)
	<u>(10,125,925)</u>	<u>(2,470,926)</u>	<u>(12,596,851)</u>
Income before income tax	9,182,596	1,506,220	10,688,816
Income tax	(581,726)	(667,950)	(1,249,676)
Net income	<u>\$ 8,600,870</u>	<u>\$ 838,270</u>	<u>\$ 9,439,140</u>
Basic earnings per share (in dollars)			<u>\$ 1.44</u>

7) THE FINANCIAL RATIO LIMIT IN ACCORDANCE WITH THE FUTURES EXCHANGE LAWS

Regulation compliance: Rules Governing Futures Commission Merchants

Article	Calculating formula	December 31, 2007		December 31, 2006		Criteria	Condition
		Formula	Ratio	Formula	Ratio		
17	Owner's Equity	781,383	=4169%	750,746	=329.25%	>=100%	Meets the criteria
	Total liabilities - Payables to Customers	187		2,276			
	- Reserve for trading loss						
	- Reserve for defaults						
17	Current assets	781,383	=4115%	745,684	=404.82%	>=100%	Meets the criteria
	Current liabilities	187		1,842			
22	Owner's equity	781,386	=195%	750,746	=187.69%	>=60%	Meets the criteria
	Minimum contributed capital	400,000		400,000			
22	Adjusted net capital	776,323	=17414%	737,420	=13580%	>=20%	Meets the criteria
	Total guarantee deposits for current position of customers	4,458		5,430			

8) THE TRANSACTIONS BETWEEN THE COMPANY AND ITS SUBSIDIARIES

A. For the period ended Dec 31, 2007 :

No. (Note 1)	Name	Transaction counterparty	Relationship (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of the consolidated net income and the consolidated assets (Note 3)
0	Yuanta Securities Co., Ltd.	Yuanta Futures Co., Ltd.	1	Futures guarantee deposits receivable	\$ 178,289	Note 4	0.9330%
2	Yuanta Futures Co., Ltd.	Yuanta Securities Co., Ltd.	2	Service charge - futures commissions	(178,289)	Note 4	0.9330%
4	Yuanta Securities Asia Financial Services Co.	Yuanta Securities (Hong Kong) Co., Ltd.	3	Other receivables	778,080	Note 4	0.7330%
5	Yuanta Securities (Hong Kong) Co., Ltd.	Yuanta Securities Asia Financial Services Co.	3	Other payables	778,080	Note 4	0.7330%

B. For the year ended Dec 31, 2006 :

No. (Note 1)	Name	Transaction counterparty	Relationship (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of the consolidated net income and the consolidated assets (Note 3)
0	Yuanta Securities Co., Ltd.	Fuhwa Futures Co., Ltd.	1	Other operating income-rent revenue	\$ 614	Note 4	0.0147%
0	Yuanta Securities Co., Ltd.	Fuhwa Futures Co., Ltd.	1	Deposits-in	154	Note 4	0.0006%
1	Fuhwa Futures Co., Ltd.	Yuanta Securities Co., Ltd.	2	Operating expenses-rent expenses	614	Note 4	0.0147%
2	Fuhwa Futures Co., Ltd.	Yuanta Securities Co., Ltd.	2	Deposits-out	154	Note 4	0.0006%

Note 1 : The Company is marked as 0. The subsidiaries are numbered in sequence from 1.

Note 2 : Relationships are categorized as follows:

- 1.The Company to subsidiaries
- 2.Subsidiaries to the Company
- 3.Subsidiaries to subsidiaries

Note 3 : The percentage computation of the asset and liability accounts are based on the consolidated asset balance at the balance sheet date; the percentage computation of income and loss accounts is based on the consolidated income as of the balance sheet date.

Note 4 : Each revenue described above was accounted for based on the contract price.

9) The followings are disclosures required by "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" Art. 14:

Transactions that have been eliminated between the controlling company and subordinate companies or between subordinate companies:

Transactions	Companies involved and amounts						
	Yuanta Securities Co., Ltd.	Fuhwa Holdings Ltd. (Virgin Islands)	Yuanta Futures Co., Ltd.	Yuanta Securities Asia Financial Services Ltd.	Yuanta Insurance Brokers Co., Ltd.	Yuanta Securities Investment Trust Company	Yuanta Securities (Hong Kong) Ltd.
Elimination of long-term investments and stockholders' equity	(\$ 13,693,309)	\$ 605,795	\$ -	\$ 10,289,875	\$ 8,536	\$ 2,789,103	\$ -
Elimination of claim and debt obligations	-	-	-	(778,080)	-	-	778,080
Elimination of income and loss	(178,289)	-	178,289	-	-	-	-

11. OTHER DISCLOSURE ITEMS

1) Information about significant transactions

A. Lending to others : None.

B. Endorsements and guarantees for others : None.

C. Acquisitions of real estate exceeding NT\$100,000 or 20 percent of contributed capital : None.

D. Disposals of real estate exceeding NT\$100,000 or 20 percent of contributed capital :

Name of the disposal company	Property	Transaction Date	Original Date	Carrying Value	Transaction amount	Situation of payment	Gain or loss on disposal	Name of Transaction company	Relationship	Proposal of disposal	Price reference	Notes
Dissolved company-Yuanta Core Pacific Securities Co., Ltd.	Land and Building - DunNan	96.02.15	89.07.01	\$ 130,226	\$ 139,510	Received fully	\$ 9,284	Polaris MF Global Futures Co , Ltd.	-	-	-	-
Dissolved company-Yuanta Core Pacific Securities Co., Ltd.	Land and Building - DunNan	96.07.31	87.07.15	173,972	240,000	Received fully	66,028	Double Happiness International Limited	-	-	-	-
Yuanta Securities Co., Ltd.	Land and Building - Song Long Rd.	96.07.25	89.04.17	292,941	310,860	Received fully	17,919	Buddhist Compassion Relief Tzu Chi Foundation Taiwan	-	-	-	-
Yuanta Securities Co., Ltd.	Land and Building - ZhongSiao W.Rd.	96.12.28	91.04.08	352,423	361,450	Received fully	9,027	Da-han investment Co , Ltd.	-	-	-	-

E. Purchases or sales transactions discount on Broker's charges with related parties in excess of NT\$5,000 : None.

F. Receivables from related parties exceeding NT\$100,000 or 20 percent of contributed capital :

Overdue accounts receivable—

Name of the company recording receivables	Object of trade	Relationship	Receivables balance—Related parties (note 1)	Turnover Rate	Amount	Method	Receivables - related parties received after balance sheet date	Bad debts provision provided
Yuanta Securities Co., Ltd.	Yuanta Securities Financial Services Co., Ltd.	Affiliated company	14,352,191	Not applicable	-	Not applicable	\$ 166,475	-

2) Related information of investee companies

Name of the investor	Name of the investee company	Area	Major operating activities	Original investment		Period-end holding balance			Net income (loss) of investee company	Investment income (loss) recognized by the Company	Notes
				Balance on December 31, 2007	Balance on December 31, 2006	Thousands of shares	Percentage	Book value			
Yuanta Securities Co., Ltd.	Yuanta Futures Co., Ltd.	ROC	Futures brokerage	\$ -	\$ 809,300	-	-	\$ -	\$ 321,543	\$ 161,067	It had been sold to Yuanta Financial Holding Co., Ltd. on Dec 2007.
	Yuanta Securities Investment Consulting Co., Ltd.	ROC	Securities investment consulting	-	147,318	-	-	-	18,591	14,504	It had been sold to Yuanta Financial Holding Co., Ltd. on Dec 2007.
	Yuanta Securities Asia Financial Services Ltd.	Bermudas Islands	Securities investment and holding	5,630,338	5,630,338	164,670	100.00%	10,289,875	873,501	657,434	Subsidiary of the Company (Note 5)
	Yuanta Insurance Brokers Co., Ltd.	ROC	Insurance brokerage	5,550	5,550	500	100.00%	8,536	2,390	2,208	Subsidiary of the Company (Note 4)
	Yuanta Futures Management Co., Ltd.	ROC	Futures management brokerage	-	68,000	-	-	- (	8,544) (	1,448)	It had been sold to Yuanta Futures Co., Ltd.on Dec 2007.
	Yuanta Securities Investment Trust Company	ROC	Investment Trust	2,997,615	2,997,615	51,523	83.19%	2,789,103	257,029	160,394	Subsidiary of the Company (Note 5)
	Fuhwa Holdings Ltd.(Virgin Islands)	British Virgin Islands	Securities investment and holding	641,479	641,479	18,700	100.00%	605,795	35,656	35,656	Subsidiary of the Company (Note 5)
Yuanta Securities Investment Trust Company	First Global International Asset Management	British Virgin Islands	Securities investment and holding	-	1,361	-	-	- (	98)	-	Indirect subsidiary of the Company (Note 2)
Yuanta Securities Asia Financial Services Ltd.	Grand Asia Asset Management Ltd. Ltd.	British Virgin Islands	Investment brokerage	15,320	15,320	500	50.00%	33,760	25,494	-	Indirect subsidiary of the Company
	Yuanta Securities (Hong Kong) Ltd.	Hong Kong	Securities brokerage, underwriting and consulting	1,409,701	1,409,701	318,133	100.00%	1,271,814 (	101,572)	-	Indirect subsidiary of the Company (Note 1)
	Kim Eng Holdings Ltd.	Singapore	Securities brokerage, underwriting and consulting	2,525,300	2,525,300	168,477	28.88%	5,924,033	3,290,024	-	Indirect subsidiary of the Company
Fuhwa Holdings Ltd.(Virgin Islands)	Fuhwa Securities (Hong Kong) Co., Ltd.	Hong Kong	Securities brokerage, underwriting and consulting	636,649	636,649	18,500	100.00%	612,070	31,118	-	Indirect subsidiary of the Company (Note 3)
Grand Asia Asset Management Ltd.	Grand Asia Capital Services Pte. Ltd.	Singapore	Investment consulting	4,757	4,757	100	100.00%	1,789 (	1,315)	-	Indirect subsidiary of the Company

Note 1 : Original name was Core Securities International Ltd.

Note 2 : First Global International Asset Management Limited. Transact to clear accounts on May 17, 2007

Note 3 : Begin to clear accounts in November , 2005. Up to the present, dissolution process not yet completed.

Note 4 : Net income is recognized based on the current unaudited financial statements.

Note 5 : Net income is recognized based on the current audited financial statements.

A. Lending to others :

NO.	Company as the creditor	Name of the debtor	Accounts used to record lending	Maximum	Ending	Interest rate	Purpose for lending	Amount	Reason for lending	Bad debts provision provided	Collaterals		Credit limit for each borrower	Ceiling
				balance during 2007	balance						Description	Amount		of fund financing for the borrower
1	Yuanta Securities Asia Financial Services Co.	Yuanta Securities (Hong Kong) Co., Ltd.	Other receivables from related parties	\$ 798,720	\$ 778,080	-	Short-term financing	-	Operating turnover	-	-	-	\$ 10,289,875	\$ 12,927,395

Note : The loan amount to any enterprise shall not exceed the debtor's net value and 20% of the creditor's net value.

B. Endorsements and guarantees for others : None.

C. Acquisitions of real estate exceeding NT\$100,000 or 20 percent of contributed capital : None.

D. Disposals of real estate exceeding NT\$100,000 or 20 percent of contributed capital : None.

E. Purchases or sales transactions discount on Broker's charges with related parties in excess of NT\$5,000 : None.

F. Receivables from related parties exceeding NT\$100,000 or 20 percent of contributed capital : None.

G Disclosure required by Ministry of Finance, Ruling No. 0920004507 dated October 31, 2003 :

A) Fuhwa Holdings Ltd.(Virgin Islands)

a. Securities held as of December 31, 2007 :

						In U.S. Dollars
Securities types and name	Number of shares	Carrying value		Fair value		Note
		Price per share	Amounts	Price per share	Amounts	
<u>Long-term equity investments accounted for under the equity method</u>						
Fuhwa Securities (Hong Kong) Ltd.	18,500,000	1.02	<u>\$ 18,879,402</u>	\$1.02	<u>\$ 18,879,402</u>	
Total			<u>\$ 18,879,402</u>		<u>\$ 18,879,402</u>	

In U.S. Dollars

b. Derivative financial instruments transactions and the source of capital : None.

c. Revenue from assets management business, service contents and litigation : None.

d. Balance sheet

Fuhwa Holdings Ltd.(Virgin Islands)

Balance Sheet

December 31, 2007

				In U.S. Dollars	
Assets	Amount	%	Liabilities and Stockholders' Equity	Amount	%
Current Assets			Current Liabilities		
Cash and bank deposits	\$ 49,799	-	Bonds sold under repurchase agreements	\$ 240,000	1
Note receivables	49,442	-	Other payables	2,980	-
Prepayments	5,907	-	Other payables-related parties	6,297	-
Subtotal	105,148	-	Other liabilities	49,441	-
Funds and Investments			Total liabilities	298,718	1
Long-term equity investments accounted for under the equity method	18,879,402	100	Stockholders' Equity		
			Common stock	18,700,000	99
			Cumulative translation adjustment	210,663	1
			Retained earnings	(224,831)	(1)
			Total stockholders' equity	18,685,832	99
Total Assets	\$ 18,984,550	100	Total Liabilities and Stockholders' Equity	\$ 18,984,550	100

e. Income Statement

Fuhwa Holdings Ltd.(Virgin Islands)

Income Statement

For the year ended December 31, 2007

In U.S. Dollars

Accounts	Amount	%
Revenues		
Non-operating income and gain	\$ 1,153,474	100
Total	1,153,474	100
Expenses		
Operating expenses	(25,593)	(2)
Non-operating expenses	(41,871)	(4)
Total	(67,464)	(6)
Net income	\$ 1,086,010	94

B) Yuanta Securities Asia Financial Services Ltd. :

a. Securities held as of December 31, 2007 :

Securities types and name	Number of shares	Carrying value		Fair value		Note
		Price per share	Amount	Price per share	Amount	
<u>Long-term equity investments accounted for under the equity method</u>						
Grand Asia Assets Management Ltd.	500,000	\$ 2.08	\$ 1,041,338	\$ 2.08	\$ 1,041,338	
Yuanta Securities Ltd. (HK)	318,132,525	0.12	39,229,289	0.12	39,229,289	
Kim Eng Holdings Ltd.	168,476,566	1.08	182,727,783	1.56	263,281,039	
<u>Available-for-sale financial assets - noncurrent</u>						
First Securities Joint Stock Company	13,152,600	0.90	11,897,792	0.90	11,897,792	
Global Sstrategic Investment Fund	1,500,000	1.00	1,500,000	1.00	1,500,000	
Sapphire Cdo Lmited	-	-	5,000,000	-	4,801,500	Face value \$5,000,000 issued at 100%
Sapphire Cdo II	-	-	9,000,000	-	8,146,800	Face value \$9,000,000 issued at 100%
Far East CDO	-	-	5,000,000	-	2,661,000	
LLOYDS TSB	-	-	1,000,000	-	950,000	
KOREA DEV	-	-	975,638	-	993,400	
WOORI BANK	-	-	978,384	-	993,210	
EXP-IMP BK	-	-	984,533	-	1,003,100	
PIANO Protected Investment Alpha Notes	-	-	1,000,000	-	1,081,100	
INVESTMENT LTD.	500,000	10.00	5,000,000	10.00	5,000,000	
ASIA TECH TAIWAN VENTURE FUND	2,616,534	1.00	2,616,534	1.00	2,616,534	
ASIA PACIFIC VENTURE INVESTMENT	200,000	10.00	2,000,000	10.00	2,000,000	
CHINA COA LAND COKE INVESTMENT FUND	-	-	9,000,000	-	9,000,000	
Adjustment of available-for-sale financial assets	-	-	(3,308,445)	-	-	
Total			\$ 275,642,846		\$ 356,196,102	

b. Derivative financial instrument transactions and the source of capital : Assets securitization of derivatives undertaken by own capital of \$20,000,000 with the book value of \$16,690,400 as at December 31, 2007.

c. Revenue from assets management business, service contents and litigation : None.

d. Balance sheet

Yuanta Securities Asia Financial Services Ltd.

Balance Sheet

December 31, 2007

In U.S. Dollars

Assets	Amount	%	Liabilities and Stockholders' Equity	Amount	%
Current Assets			Current Liabilities		
Cash and bank deposits	\$ 20,546,052	6	Short-term loans	\$ 2,000,000	1
Prepayments	2,310	-	Other payables	1,011,184	-
Other receivables - related parties	24,000,000	7	Total liabilities	3,011,184	1
Other receivables	208,593	-	Stockholders' Equity		
Subtotal	44,756,955	13	Common stock	164,670,352	51
Funds and Investments			Capital reserve	8,618,417	3
Long-term equity investments accounted for under the equity method	222,998,410	70	Cumulative translation adjustment	28,792,210	9
Available-for-sale financial assets - noncurrent	52,644,436	17	Unrealized profit or loss on financial instruments	3,508,690	1
Subtotal	275,642,846	87	Retained earnings	111,803,148	35
Other Assets	4,200	-	Total stockholders' equity	317,392,817	99
Total Assets	\$ 320,404,001	100	Total Liabilities and Stockholders' Equity	\$ 320,404,001	100

e. Income Statement

Yuanta Securities Asia Financial Services Ltd.

Income Statement

For the year ended December 31, 2007

In U.S. Dollars

Accounts	Amount	%
Revenues		
Non-operating income and gain	\$ 33,453,050	100
Total	33,453,050	100
Expenses		
Operating expenses	(2,778,046)	(8)
Non-operating expenses	(4,069,820)	(12)
Total	(6,847,866)	(20)
Net income	\$ 26,605,184	80

C) Grand Asia Asset Management Ltd.

a. Securities held as of December 31, 2007 :

In U.S. Dollars

Securities types and name	Number of shares	Carrying value		Fair value		Note
		Price per share	Amount	Price per share	Amount	
<u>Financial assets accounted for under the cost method</u>						
Grand Asia Gemini Investment Limited	70,000	\$ 0.21	\$ 15,028	\$ 0.22	\$ 15,100	
Top Fortune Direct Investment Limited	15,000	2.07	31,063	2.02	30,339	
Digital CT Investment Ltd.	10,000	4.98	49,780	2.62	26,246	
Grand Asia Special Innovation Direct Investment	35,000	10.00	350,000	9.13	319,425	
Ocon Inc.	30,000	0.49	14,833	0.49	14,833	
<u>Long-term equity investment accounted for under the equity method</u>						
Grand Asia Capital Services Pte. Ltd.	100,000	0.56	56,016	0.56	56,016	
Total			\$ 516,720		\$ 461,959	

b. Derivative financial instrument transactions and the source of capital : None.

c. Revenue from assets management business, service contents and litigation : Grand Asia Asset Management Ltd. provided consulting services to GAAM Holding Limited and earned revenues of \$88' and the company didn't have any litigation.

d. Balance sheet

Grand Asia Asset Management Ltd.

Balance Sheet

December 31, 2007

			In U.S. Dollars		
Assets	Amount	%	Liabilities and Stockholders' Equity	Amount	%
Current assets			Current liabilities		
Cash and bank deposits	\$ 467,777	21	Accrued expenses	\$ 166,827	8
Accounts receivable	842,103	37	Other payables-related parties	7,397	-
Temporary payments	200,062	9	Total	174,224	8
Total	1,509,942	67	Other liabilities	11,133	-
Funds and investments			Total liabilities	185,357	8
Long-term equity investments accounted for under the equity method	56,016	2	Stockholders' Equity		
Financial assets accounted for under the cost method - noncurrent	460,704	20	Share capital	1,000,000	44
Total	516,720	22	Retained earnings	1,082,675	48
Other assets	241,370	11	Total stockholders' equity	2,082,675	92
Total Assets	<u>\$ 2,268,032</u>	<u>100</u>	Total Liabilities and Stockholders' Equity	<u>\$ 2,268,032</u>	<u>100</u>

e. Income Statement

Grand Asia Asset Management Ltd.
Income Statement
For the year ended December 31, 2007

Accounts	In U.S. Dollars	
	Amount	%
Revenues		
Operating revenues	\$ 888,166	97
Non-operating income and gains	29,190	3
Total	917,356	100
Expenditures		
Operating expenses	(95,548)	(10)
Non-operating expense	(45,308)	(5)
Total	(140,856)	(15)
Net income	\$ 776,500	85

3) Disclosure of investment in Mainland China

Not applicable.

12. SEGMENT FINANCIAL INFORMATION

1) Operating in different industries:

	For the year ended December 31, 2007				
	Securities			Internal transaction eliminated	Total
	Brokerage	Underwriting	Dealings		
Department revenue - external	\$ 11,780,947	\$ 876,770	\$ 4,564,248	\$ 2,065,544	\$ 19,109,220
Administration department income					2,599,412
Subtotal					\$ 21,708,632
Department income (loss)	\$ 5,377,465	\$ 156,045	\$ 2,854,674	\$ 1,112,357	\$ 9,500,541
Management revenues					2,599,412
Financial expenses					(33,974)
Other expenses					(667,880)
Operating expenses					(1,949,047)
Net income before income tax					\$ 9,449,052
Departmental recognizable assets	\$ 7,921,621	\$ 2,131,306	\$ 48,907,770	\$ 4,664,656	\$ 63,625,353
Long-term investments					13,498,309
Administration department assets					29,025,531
Total assets					\$ 106,149,193
Depreciation and amortization expenses	\$ 294,143	\$ 4,459	\$ 2,856	\$ 75,542	
Capital expenditures	\$ 188,332	\$ 8,099	\$ 4,256	\$ -	

For the year ended, December 31, 2006

	Securities			Other departments	Internal transaction eliminated	Total
	Brokerage	Underwriting	Dealings			
Department revenue - external	\$ 2,597,888	\$ 117,149	\$ 1,474,968	\$ 1,023	-	\$ 4,191,028
Administration department income						590,608
Subtotal						\$ 4,781,636
Department income (loss)	\$ 457,482	\$ 33,055	\$ 528,743	\$ 51,737		\$ 1,071,017
Management revenues						590,608
Financial expenses						(2,765)
Other expenses						(94,664)
Operating expenses						(617,125)
Net income before income tax						\$ 947,071
Departmental recognizable assets	\$ 2,285,923	\$ 573,022	\$ 9,284,555	\$ 745,692		\$ 12,889,192
Long-term investments						1,250,375
Administration department assets						11,980,919
Total assets						\$ 26,120,486
Depreciation and amortization expenses	\$ 145,299	\$ 937	\$ 4,051	\$ 72,663		
Capital expenditures	\$ 94,979	\$ 4,205	\$ 4,366	\$ 23,563		

- a. The department revenues described above refer to revenues from customers except department business; however, department revenue do not include non-operating income not related to departments.
- b. Department income (loss) refers to the difference between department revenues and department costs and expenses. So-called department costs and expenses refer to those costs and expenses incurred due to the generating of department income. While cost or expense can not be attributed to a specific department, the Company uses the ratio of relative cost to relative revenue as the basis to allocate.
- If an asset is employed by 2 or more departments, related costs and expenses are allocated according to the usage ratio.

c. Department recognizable assets refers to tangible or intangible assets which can be directly recognized to the department.

- 2) Operations in different geographic areas: the Company and its consolidated subsidiaries did not have foreign revenues or assets in excess of total consolidated revenues or assets respectively in 2007.
- 3) Export sales: the Company had no export sales.
- 4) Information on major customers: there is no single customer from whom the Company generated more than 10% of its revenues.