Cathay Securities Corporation
Financial Statements
Three-Month Periods Ended
March 31, 2007 and 2008
With Independent Auditor's Review Report

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the " Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling", "Criteria Governing the Preparation of Financial Reports by Securities Firms", and the "Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants", and generally accepted accounting principles in the ROC. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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English Translation of Review Report Originally Issued in Chinese

Review report of independent accountants

To: Board of Directors
Cathay Securities Corporation

We have reviewed the accompanying balance sheets of Cathay Securities Corporation (the "Company") as of March 31, 2007 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the three months ended March 31, 2007 and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

We conducted our reviews in accordance with generally accepted auditing standards No.36 "Review of Financial Statements" in the Republic of China ("ROC"). A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with requirements of the "Business Entity Accounting Act" and "Regulation on Business Entity Accounting Handling" with respect to financial accounting standards, "Criteria Governing the Preparation of Financial Reports by Securities Firms", "Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants", and generally accepted accounting principles in the ROC.

Ernst & Young
Taipei, Taiwan
Republic of China
April 11, 2008

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Corporation

Unaudited balance sheets

As of March 31, 2007 and 2008

(Expressed in thousands of dollars)

ASSETS	NOTES	March 31,2007 NT$	March 31,2007 US$	March 31,2008 NT$	March 31,2008 US$
Current assets					
Cash and cash equivalents	2,4(1),5	$679,142	$20,574	$292,977	$9,647
Financial assets at fair value through profit or loss - current	2,4(2),5,10	1,089,459	33,004	1,687,707	55,572
Receivable amount for margin loans	2,4(3)	843,451	25,551	1,143,606	37,656
Securities refinancing margin deposits	2	-	-	752	25
Accounts receivable		-	-	1,348	44
Accounts receivable - related parties	5	766	23	2,960	97
Prepayments		502	15	11,124	366
Other receivables		13,101	397	22,074	727
Other receivables- related parties	5	-	-	957	32
Restricted assets - current	6	600,000	18,176	70,000	2,305
Deferred income tax assets - current	2,4(15)	65	2	2,199	72
Other current assets		119	4	905	30
Total current assets		3,226,605	97,746	3,236,609	106,573
Funds and investments					
Long-term investments under equity method	2,4(4)	718,101	21,754	722,518	23,791
Available-for-sale financial assets - noncurrent	2,4(5)	18	1	18	1
Total funds and investments		718,119	21,755	722,536	23,792
Property and equipment	2,4(6)				
Equipment		90,502	2,742	94,444	3,110
Prepayment for equipment		87	2	372	12
Leasehold improvement		51,853	1,571	53,024	1,746
Less: Accumulated depreciation		(53,243)	(1,613)	(82,016)	(2,701)
Net property and equipment		89,199	2,702	65,824	2,167
Intangible assets					
Other intangible assets	2,4(7)	10,982	333	6,046	199
Other assets					
Operating deposits	4(8)	215,097	6,516	230,097	7,576
Settlement and clearance funds	4(9)	46,260	1,401	51,403	1,693
Guarantee deposits paid	5	28,326	858	125,251	4,124
Deferred income tax assets - noncurrent	2,4(15)	4,955	150	8,054	265
Total other assets		294,638	8,925	414,805	13,658
Total assets		$4,339,543	$131,461	$4,445,820	$146,389

(The exchange rate of March 31, 2007 and 2008 provided by the Federal Reserve Bank of New York was NT$33.01 and NT$30.37 to US$1.00, respectively)

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

(Forward)

English Translation of Financial Statements Originally Issued in Chinese
Cathay Securities Corporation
Unaudited balance sheets
As of March 31, 2007 and 2008
(Expressed in thousands of dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTES	March 31,2007		March 31,2008	
		NT$	US$	NT$	US$
Current liabilities					
Financial liabilities at fair value through profit or loss - current	2,4(11),10	$2,512	$76	$124,840	$4,111
Securities financing guarantee deposits-in	2	7,166	217	26,499	872
Deposit payable for securities financing	2	7,924	240	29,821	982
Accounts payable		8,273	250	48,715	1,604
Accounts payable - related parties	5	188	6	108	4
Receipts under custody		5,672	172	5,475	180
Other payables		10,091	306	8,322	274
Other payables - related parties	2,5	7,664	232	10,961	361
Other financial liabilities - current	2,10	223,045	6,757	100,775	3,318
Other current liabilities		5	-	23	1
Total current liabilities		272,540	8,256	355,539	11,707
Long-term liabilities					
Other long-term liabilities		296	9	442	15
Other liabilities					
Reserve for default losses	2	17,166	520	28,330	933
Reserve for trading losses	2	2,278	69	1,005	33
Guarantee deposits-in		141	4	141	4
Accrued pension liability - noncurrent	2	2,655	81	3,885	128
Total other liabilities		22,240	674	33,361	1,098
Securities brokerage credit accounts - net	4(10)	982	30	14,975	493
Total liabilities		296,058	8,969	404,317	13,313
Stockholders' equity					
Capital stock					
Common stock	4(12)	3,700,000	112,087	3,700,000	121,831
Capital surplus	4(13)	258,434	7,829	258,434	8,510
Retained earnings	4(14)				
Legal reserve		5,690	172	8,310	274
Special reserve		11,380	345	16,619	547
Unappropriated retained earnings		67,981	2,059	58,140	1,914
Total stockholders' equity		4,043,485	122,492	4,041,503	133,076
Total liabilities and stockholders' equity		$4,339,543	$131,461	$4,445,820	$146,389

(The exchange rate of March 31, 2007 and 2008 provided by the Federal Reserve Bank of New York was NT$33.01 and NT$30.37 to US$1.00, respectively)
The accompanying notes are an integral part of these financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Corporation

Unaudited statements of income

For the three months ended March 31, 2007 and 2008

(Expressed in thousands of dollars, except for earnings per share)

ITEMS	NOTES	For the three months ended March 31, 2007 NT$	For the three months ended March 31, 2007 US$	For the three months ended March 31, 2008 NT$	For the three months ended March 31, 2008 US$
Revenue	2,5				
Brokerage commissions		$65,834	$1,994	$60,426	$1,990
Revenue from underwriting commissions		70	2	18	-
Profit from trading securities		2,037	62	-	-
Interest revenue		12,565	381	20,793	685
Gain on valuation of operating securities		-	-	8,865	292
Profit from issuing call (put) warrants	10	1,675	51	-	-
Brokerage commissions for introducing futures contracts		1,759	53	5,403	178
Gain from derivative financial instruments - futures	10	6,072	184	6,850	225
Gain from derivative financial instruments - GreTai (over-the-counter)	10	670	20	-	-
Other operating revenue		595	18	1,393	46
Non-operating revenue and profits		8,106	245	9,022	297
Total revenue		99,383	3,010	112,770	3,713
Expenses	2,4(16),5				
Brokerage securities transaction charges		(6,322)	(191)	(4,908)	(162)
Dealing securities transaction charges		(623)	(19)	(411)	(13)
Refinancing transaction fees		(1)	-	(18)	(1)
Underwriting transaction fees		-	-	(10)	-
Loss from trading securities		-	-	(858)	(28)
Interest expense		(27)	(1)	(82)	(3)
Loss on valuation of operating securities		(1,710)	(52)	-	-
Expenses from issuing call (put) warrants		-	-	(692)	(23)
Loss from issuing call (put) warrants	10	-	-	(14,294)	(471)
Clearing and settlement fees		(182)	(6)	(108)	(3)
Loss from derivative financial instruments - futures	10	(1,358)	(41)	(700)	(23)
Loss from derivative financial instruments - GreTai (over-the-counter)	10	-	-	(441)	(14)
Loss from structured notes transactions		(520)	(16)	-	-
Operating expenses		(83,456)	(2,528)	(94,819)	(3,122)
Non-operating expense and losses		(1,568)	(47)	(56)	(2)
Total expenses		(95,767)	(2,901)	(117,397)	(3,865)
Income from continuing operations before income taxes		3,616	109	(4,627)	(152)
Income tax (expense) benefit	2,4(15)	(1,661)	(50)	3,726	122
Net income (Loss)		$1,955	$59	$(901)	$(30)
Earnings per share (in dollars)	4(17)				
Net income (Loss)		$0.01	$0.0003	$(0.002)	$(0.0001)

(The exchange rate of March 31, 2007 and 2008 provided by the Federal Reserve Bank of New York was NT$33.01 and NT$30.37 to US$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Corporation

Unaudited statements of changes in stockholders' equity

For the three months ended March 31, 2007 and 2008

(Expressed in thousands of dollars)

					Retained earnings							
SUMMARY	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Total	
	(NT$)	(US$)	(NT$)	(US$)	(NT$)	(US$)	(NT$)	(US$)	(NT$)	(US$)	(NT$)	(US$)
Balance on January 1, 2007	$3,700,000	$112,087	$258,434	$7,829	$5,690	$172	$11,380	$345	$66,026	$2,000	$4,041,530	$122,433
Net income for the three months ended March 31, 2007									1,955	59	1,955	59
Balance on March 31, 2007	$3,700,000	$112,087	$258,434	$7,829	$5,690	$172	$11,380	$345	$67,981	$2,059	$4,043,485	$122,492
Balance on January 1, 2008	$3,700,000	$121,831	$258,434	$8,510	$8,310	$274	$16,619	$547	$59,041	$1,944	$4,042,404	$133,106
Net loss for the three months ended March 31, 2008									(901)	(30)	(901)	(30)
Balance on March 31, 2008	$3,700,000	$121,831	$258,434	$8,510	$8,310	$274	$16,619	$547	$58,140	$1,914	$4,041,503	$133,076

(The exchange rate of March 31, 2007 and 2008 provided by the Federal Reserve Bank of New York was NT$33.01 and NT$30.37 to US$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay Securities Corporation
Unaudited statements of cash flows
For the three months ended March 31, 2007 and 2008
(Expressed in thousands of dollars)

ITEMS	For the three months ended March 31, 2007		For the three months ended March 31, 2008	
	NT$	US$	NT$	US$
Cash flows from operating activities				
Net income (Loss)	$1,955	$59	$(901)	$(30)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	7,304	221	7,507	247
Amortization	2,442	74	1,801	59
Loss (gain) on valuation of operating securities	1,710	52	(8,865)	(292)
Gain on valuation of open-end funds and currency market instruments	(890)	(27)	(252)	(8)
Reserve for trading losses	705	21	773	26
Reserve for default losses	3,116	94	2,371	78
Investment income recognized by equity method in excess of cash dividends received	1,568	48	(3,018)	(99)
Changes in assets and liabilities				
Financial assets at fair value through profit or loss - current				
Decrease in operating securities - dealing	105,314	3,190	32,568	1,072
(Increase) decrease in operating securities - hedging	14,883	451	(90,739)	(2,988)
Increase in call options - futures	-	-	(9)	-
Increase in margin for futures trading - own funds	(4,714)	(143)	(6,141)	(202)
Decrease in derivative financial instrument assets - GreTai (over-the-counter)	-	-	640	21
Increase in receivable amount for margin loans	(91,022)	(2,757)	(89,926)	(2,961)
(Increase) decrease in securities refinancing margin deposits	443	13	(752)	(25)
Increase in accounts receivable	-	-	(404)	(13)
(Increase) decrease in accounts receivable - related parties	350	11	(1,840)	(61)
(Increase) decrease in prepayments	412	13	(10,768)	(355)
Increase in other receivables	(3,095)	(94)	(5,691)	(187)
Increase in other receivable - related parties	-	-	(957)	(32)
Increase in other current assets	(33)	(1)	(378)	(12)
Decrease in cash and cash equivalents - funds for subscription of shares collected	-	-	191	6
Financial liabilities at fair value through profit or loss - current				
Increase (decrease) in liabilities for issuance of call (put) warrants	(666)	(20)	111,581	3,674
Increase (decrease) in derivative financial instrument liabilities - GreTai (over-the-counter)	(3,053)	(92)	2,082	69
Decrease in securities financing guarantee deposits-in	(4,541)	(137)	(9,329)	(307)
Decrease in deposit payable for securities financing	(4,951)	(150)	(9,724)	(320)
Increase (decrease) in accounts payable	(8,751)	(265)	37,032	1,219
Increase in accounts payable - related parties	117	4	71	2
Decrease in receipts under custody	(752)	(23)	(805)	(27)
Decrease in other payables	(2,106)	(64)	(2,773)	(91)
Decrease (increase) in other payables - related parties	673	20	(344)	(11)
Decrease (increase) in other financial liabilities - current	47,342	1,434	(58,046)	(1,911)
Decrease in other current liabilities	(7)	-	(192)	(6)
Net change in deferred income tax assets/liabilities	(221)	(7)	(3,456)	(114)
Decrease in other long-term liabilities	(173)	(5)	(427)	(14)
Increase in accrued pension liability	366	11	348	11
Net change in securities brokerage debit/credit accounts - net	8,280	251	29,723	979
Net cash provided by (used in) operating activities	72,005	2,182	(79,049)	(2,603)

(The exchange rate of March 31, 2007 and 2008 provided by the Federal Reserve Bank of New York was NT$33.01 and NT$30.37 to US$1.00, respectively)
The accompanying notes are an integral part of these financial statements.

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Corporation

Unaudited statements of cash flows

For the three months ended December 31, 2007 and 2008

(Expressed in thousands of dollars)

ITEMS	For the three months ended March 31, 2007		For the three months ended March 31, 2008	
	NT$	US$	NT$	US$
Cash flows from investing activities				
Financial assets at fair value through profit or loss - current				
Decrease in open-end funds and currency market instruments	96,782	2,932	238,542	7,855
(Increase) decrease in restricted assets - current	50,000	1,515	(70,000)	(2,305)
Acquisition of property and equipment	(78)	(2)	(1,610)	(53)
Increase in other intangible assets	(348)	(11)	(1,508)	(50)
(Increase) decrease in settlement and clearance funds	475	14	(853)	(28)
(Increase) decrease in guarantee deposits paid	9,913	300	(23,000)	(757)
Net cash provided by investing activities	156,744	4,748	141,571	4,662
Increase in cash and cash equivalents	228,749	6,930	62,522	2,059
Cash and cash equivalents at the beginning of period	450,393	13,644	230,455	7,588
Cash and cash equivalents at the end of period	$679,142	$20,574	$292,977	$9,647
Supplemental disclosure of cash flows information				
Interest paid during the period	$37	$1	$75	$2
Interest paid (excluding capitalized interest)	$37	$1	$75	$2
Income tax paid	$869	$26	$400	$13

(The exchange rate of March 31, 2007 and 2008 provided by the Federal Reserve Bank of New York was NT$33.01 and NT$30.37 to US$1.00, respectively)

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

<u>**English Translation of Financial Statements Originally Issued in Chinese**</u>

Cathay Securities Corporation

Notes to unaudited financial statements

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

As of March 31, 2007 and 2008

1. Organization and business scope

Cathay Securities Corporation (the "Company") was incorporated in Taipei on May 12, 2004, under the provisions of the Company Act (the "Company Act") of the Republic of China ("ROC"). The Company mainly engages in the business of securities dealing, brokerage and underwriting, margin lending and securities lending, dealing and brokerage services related to futures, and other operations approved by the authorities. As of March 31, 2008, the Company had 4 branch offices.

The parent company and ultimate parent company of the Company is Cathay Financial Holdings Co., Ltd. As of March 31, 2007 and 2008, the Company had 165 and 235 employees, respectively.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with requirements of the "Business Entity Accounting Act" and "Regulation on Business Entity Accounting Handling" with respect to financial accounting standards, "Criteria Governing the Preparation of Financial Reports by Securities Firms", "Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants" and generally accepted accounting principles in the ROC. A summary of significant accounting policies is as follows:

(1) Current and noncurrent assets and liabilities

Cash and cash equivalents that are not restricted in use, assets held for the purpose of trading, or assets that will be held on a short-term basis and are expected to be converted to cash within 12 months after the balance sheet date are classified as current assets; otherwise, they are classified as noncurrent assets.

Liabilities that must be fully liquidated within 12 months after the balance sheet date are classified as current liabilities; otherwise, they are classified as noncurrent liabilities.

(2) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted bank deposits, and all highly liquid investments with a maturity of less than three months.

(3) Financial assets and financial liabilities

Pursuant to the Statements of Financial Accounting Standards of the ROC ("ROC SFAS") No. 34 "Accounting for Financial Instruments" and "Criteria Governing the Preparation of Financial Reports by Securities Firms" the Company's financial assets are categorized as "financial assets at fair value through profit or loss", "held-to-maturity financial assets", "derivative financial assets for hedging", "investments in debt securities with no active market" or "available-for-sale financial assets". Financial assets are initially recognized at fair value. Financial liabilities are categorized as "financial liabilities at fair value through profit or loss", "derivative financial liabilities for hedging", or "financial liabilities carried at cost".

All "regular way" purchases and sales of financial assets are recorded as of the trade date (i.e. the date that the Company commits to purchase or sell the asset). "Regular way" purchases or sales are transactions of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are categorized as financial assets held for trading or financial assets at fair value through profit or loss. Gains and losses from changes in fair values of such assets are reflected in the income statement.

a.Open-end funds and currency market instruments

Investments in open-end funds are initially recognized at cost and valued at fair value as of the balance sheet date. The fair value of the beneficiary certificates of open-end funds are based on the net asset value of the funds as of the balance sheet date. The cost of sale is calculated using the weighted-average method.

b. Operating securities

Securities purchased for resale by the dealing department are accounted for as "operating securities – dealing", and consist of bonds, stock warrants, listed stocks, and over-the-counter (OTC) stocks.

Operating securities are valued at market value. Cost is determined using the weighted-average method. Market value is the closing market price as of the balance sheet date, however, emerging stocks are valued at cost.

c. Call options and put options

Call options and put options are recorded based on option premium. Changes in market values are reflected in "call options – futures", "put options – futures" and "gain (loss) from derivative financial instruments – futures".

The difference between the market value and the exercise price of options at the exercise date is recognized as current period earnings. The difference between the settlement price and the average cost of unexercised options at the balance sheet date is recognized as current period earnings.

d. Margin for futures trading – own funds

The margin and premium resulting from trading futures and options are recorded as "margin for futures trading – own funds". The profit or loss from the trading or valuation of futures and options is recorded as "gain (loss) on futures contracts" or "gain (loss) from options transactions", and the amount of "margin for futures trading – own funds" is adjusted. Futures and options transactions are divided into hedging and non-hedging according to the trading purpose. The profit or loss from trading or valuation of futures and options is divided into realized and unrealized.

e. Derivative financial instrument assets/liabilities – GreTai (over-the-counter) and other financial liabilities – current

Structured notes transactions

Structured notes transactions can be divided into equity-linked notes and principal guaranteed notes based on the terms of the contracts.

Equity-linked notes transactions involve receiving proceeds from investors, investing in fixed income products and selling options on linked assets. The proceeds received on the contract date are recognized as "principal of structured notes". Any options purchased are recognized as "structured notes transactions", and are valued at fair value with any resulting gains or losses recognized as "gains (losses) from structured notes".

Principal guaranteed notes transactions involve receiving proceeds from investors and providing them with a guaranteed payment and returns, if any, of linked assets. The proceeds received from investors are recognized as "principal of structured notes". Any options purchased are recognized as "structured notes transactions", and are valued at fair value with any resulting gains or losses recognized as "gains (losses) from structured notes".

The options of the Company are valued using "Monte Carlo Simulations".

B. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets when the Company has the intention and ability to hold to maturity. Such investments are subsequently measured at amortized cost. Gains and losses are recognized in the income statement when the investments are derecognized, impaired, or amortized. The amortized cost is computed as the cost (amount initially recognized) minus principal repayments, plus or minus cumulative amortization using the effective interest method of any difference between cost and the maturity amount, and less any impairment. Contract terms related to the financial assets, transaction costs, fees, and premiums/discounts are taken into consideration by the Company when calculating the effective interest rate.

C. Investments in debt securities with no active market

Investments in debt securities with no active market are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses from changes in fair values are recognized when investments in debt securities with no active market are derecognized, impaired, or amortized.

D. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the aforementioned categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses recognized as a separate component of stockholders' equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in stockholders' equity is included in the current period income statement.

According to "Criteria Governing the Preparation of Financial Reports by Securities Firms", equity securities not listed on the Taiwan Stock Exchange or the GreTai(over-the-counter) market and where there is no significant influence are classified as available-for-sale financial assets and measured at cost as of the balance sheet date.

E. Derivative financial assets for hedging

Derivative financial assets for hedging are derivative financial assets that have been designated as hedges based on hedge accounting and are effective hedging instruments. These assets are measured at fair value.

The fair value of a listed stock or a depositary receipt is the closing price as of the balance sheet date. The fair value of an open-end fund is the net asset value of the fund as of the balance sheet date.

F. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are categorized as financial liabilities held for trading or financial liabilities at fair value through profit or loss. Gains and losses from changes in fair values of such liabilities are reflected in the income statement.

Liabilities for issuance of call (put) warrants / Repurchase of issued call (put) warrants.

Issuances of call (put) warrants are accounted for and subsequently valued at fair value and recognized as "liabilities for issuance of call (put) warrants". Repurchases of call (put) warrants previously issued are recorded as "repurchase of issued call (put) warrants", and are deemed to be deductions to "liabilities for issuance of call (put) warrants".

(4) Derecognition of financial assets and liabilities

A. Financial assets

A financial asset (or a portion) is derecognized when control over the asset (or a portion) is surrendered. The transfer of a financial asset (or a portion) is deemed a sale to the extent of consideration received when the transferor surrenders control over the asset.

If a transfer of financial assets does not meet the criteria for a sale, the transfer is accounted for as a borrowing with collateral.

B. Financial liabilities

A financial liability (or a portion) is derecognized when the obligation under a liability agreement is discharged, cancelled or matures.

When an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized in the current period income statement.

(5) Margin trading of securities

A. Margin loans extended to stock investors are recorded as "receivable amount for margin loans" and the stocks purchased by the investors are held by the Company as collateral. The collateral is recorded in a memorandum and is returned to the investors when the loans are repaid.

B. Guarantee deposits received from stock investors on short sales are recorded as "securities financing guarantee deposits-in". The proceeds from short sales (less the securities transaction tax and processing fees) are held by the Company as guarantee deposits and recorded as "deposit payable for securities financing". The stocks lent to the investors are recorded in a memorandum. When the stocks are returned to the Company, the guarantee deposits and proceeds from the short sales are returned to the investors accordingly.

C. Loans borrowed by the Company from other securities lenders when the Company has insufficient funds to conduct margin trading are recorded as "margin loans from other securities lenders". When the Company has insufficient stocks to conduct securities lending, the Company borrows stocks from other securities lenders and the guarantee deposits paid are recorded as "deposits paid to other securities lenders". The proceeds from short sales are then paid to the securities lenders as additional guarantee deposits and are recorded as "securities refinancing margin deposits".

(6) Long-term investments under equity method

Long-term investments are accounted for under the equity method if the Company has more than 20% of the investee's voting shares or has significant influence over the operating and financial policies of the investee. Cost is determined by the weighted-average method when long-term investments are disposed.

The difference between the acquisition cost and the Company's share of net assets is analyzed and accounted for in the manner similar to the acquisition cost allocation as provided in ROC SFAS No. 25 "Business Combination-Accounting Treatment under Purchase Method". Amounts attributable to goodwill are not amortized.

With respect to investments over which the Company has significant influence, the Company must prepare semi-annual and annual consolidated financial statements.

(7) Property and equipment

Property and equipment are stated at cost. Renewals and leasehold improvements are capitalized and depreciated accordingly; repairs and maintenance are expensed when incurred. Except for land, depreciation of equipment is calculated using the straight-line method over the estimated useful lives of the respective assets which are 3~5 years. Leasehold improvements are amortized over the lesser of lease terms or the useful lives of such improvements.

(8) Intangible assets

As of January 1, 2007, the Company adopted the Statements of Financial Accounting Standards of the ROC ("ROC SFAS") No.37 "Accounting for Intangible Assets". Intangible assets are initially recognized at cost except intangible assets granted by the government are recognized at fair value. After initial recognition, intangible assets are carried at cost plus incremental gains following statutory revaluation less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets of the Company are deemed to be finite.

The amortization of intangible assets with finite useful lives is allocated on a systematic basis over their useful lives. Impairment testing is performed when there are indications of impairment. The Company evaluates the residual values, amortization periods and amortization methods of its intangible assets with finite useful lives at the end of each annual accounting period and changes are treated as changes in accounting estimates.

The "other intangible assets" of the Company primarily includes computer software which is amortized over the estimated useful lives of 3 to 5 years using the straight-line method.

(9) Accounting for asset impairment

Pursuant to ROC SFAS No. 35, the Company assesses indicators for impairment for all its assets within the scope of ROC SFAS No. 35 at each balance sheet date. If impairment indicators exist, the Company compares the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU") and writes down the carrying amount to the recoverable amount when applicable. The recoverable amount is defined as the higher of fair value less cost to sell and the value in use.

For previously recognized losses, the Company assess, at each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company recalculates the recoverable amount of the asset. If the recoverable amount increases as a result of an increase in the estimated service potential of the asset, the Company reverses the impairment loss but only to the extent that the carrying amount after the reversal does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

In addition, goodwill allocated to a CGU or group of CGUs is tested for impairment at the same time each year, regardless of whether an impairment indicator exists. Any impairment loss is recognized by reducing the carrying amount of any goodwill allocated to a CGU or group of CGUs. If the allocated goodwill has been written off, then the impairment loss is recognized by reducing the other assets of the CGU or group of CGUs on a pro rata basis according to their carrying amount.

The write-down of goodwill cannot be reversed under any circumstances in subsequent periods.

Impairment loss (reversal) is classified as non-operating loss / (income).

(10) Accounting for impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Available-for-sale financial assets
If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in earnings, is transferred from stockholders' equity to the income statement. Reversals of impairment losses on assets classified as available-for-sale are not recognized in earnings but, instead, are recognized as a separate component of stockholders' equity. Impairment losses on debt instruments that can be related to an event occurring after an impairment loss was recognized should be reversed and recognized in current period earnings.

(11)Reserve for default losses

According to the Regulations Governing Securities Firms, a securities firm trading securities for customer accounts must allocate 0.0028% of the transaction price of the traded securities on a monthly basis as a reserve for default losses.

The reserve for default losses referred to in the preceding paragraph can only be used to offset actual losses resulting from customer defaults on securities transactions or other losses approved by the Financial Supervisory Commission, Securities and Futures Bureau ("SFB").

When the accumulated reserve for default losses reaches NT$200,000 (US$6,585) reserving is suspended.

(12)Reserve for trading losses

According to the Regulations Governing Securities Firms, 10% of the excess of securities trading gains over losses must be provided as a reserve for trading losses on a monthly basis until the cumulative balance of such reserve reaches NT$200,000 (US$6,585). Such reserve can only be used to offset the excess of securities trading losses over gains.

According to the Regulations Governing Futures Commission Merchants, 10% of the realized gains of trading futures must be provided as a reserve for trading losses on a monthly basis until the cumulative balance of such reserve reaches an amount equal to minimum legal paid-in capital or operating capital. Such reserve can only be used to offset the excess of futures trading losses over gains.

(13)Pension

The Company has established a retirement plan and reserved for a retirement fund in an amount equal to 2% of total regular salaries and wages paid. Starting from March 2004, the Company has made contributions to the retirement fund, which is administered by the Employees' Retirement Fund Committee and deposited in the Committee's name in the Central Trust of China under the Labor Standards Law. The activities of the retirement fund are separated from those of the Company and therefore, they are not reflected in the accompanying financial statements.

The Company adopted ROC SFAS No. 18 "Accounting for Pensions". Based on an actuarial report, the minimum pension liability was recorded to reflect the amount by which the accumulated pension obligation exceeded the fair value of pension assets.

The Labor Pension Act of the ROC ("the Act"), which adopted a defined contribution scheme, took effect on July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to the Act, the Company shall make monthly contributions to the employees' individual pension accounts on a basis no less than 6% of the employees' monthly wages.

According to ROC SFAS No.23 "Interim Financial Reporting and Disclosures", certain pension information is not required to be disclosed in the Company's interim financial statements.

(14) Income taxes

The Company adopted ROC SFAS No. 22, "Accounting for Income Taxes", which requires inter-period and intra-period tax allocations in addition to computing current period income taxes payable. Furthermore, it requires recognition of temporary differences in deferred income tax liabilities, deferred income tax assets, prior year loss carry-forwards and investment tax credits. The realization of deferred income tax assets will be assessed and a valuation allowance will be estimated, if needed.

In accordance with Article 49 of the Financial Holding Company Act, beginning in 2005, the Company and its parent company file joint corporate income tax returns and 10% surcharge on unappropriated retained earnings returns under the Integrated Income Tax System. If there are any tax effects due to the adoption of the Integrated Income Tax System, the parent company can proportionately allocate the effects to the deferred income tax, taxes payable and other receivables of the Company and the parent company.

A deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, then it will be classified as current or noncurrent based on the expected reversal date of the temporary difference.

Effective from January 1, 2006, the Company adopted "Income Basic Tax Act" and "Enforcement Rules of Income Basic Tax Act" to estimate and file joint income basic tax.

(15)Employee bonus and remuneration of directors

Pursuant to Article No.52 issued by the Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors are accounted for as expenses and not distribution of earnings.

(16)Recognition of revenue and expenses

The Company's major revenue and expense recognition principles are as follows:

A. Brokerage commissions, profit or loss from disposal of operating securities, and relevant brokerage securities transaction charges are recognized at the transaction date.

B. Interest revenue or expense from margin loans are recognized on an accrued basis.

C. The Company brokers futures transactions and collects commissions from futures agencies. Commissions are recognized as "brokerage commissions for introducing futures contracts" on an accrued basis.

(17)Convenience translation into US dollars

These financial statements are stated in NT dollars. Conversion of NT dollar amounts into U.S. dollar amounts is included in these financial statements solely for the convenience of the reader using the noon buying rate of NT$33.01 and NT$30.37 to US$1.00 effective on March 31, 2007 and 2008, respectively, as provided by the Federal Reserve Bank of New York. The convenience conversion should not be construed as a representation that the NT dollar amounts have been, or could in the future be, converted into U.S. dollars at these rates or any other rates of exchange.

3. Change in accounting and its effects

The company adopted the accounting principles prescribed in Article No.52 "Accounting for employee bonus and remuneration of directors " by the Accounting Research and Development Foundation on January 1, 2008.

The above change in accounting principles had no effect on the net loss and earnings per share of the Company as of March 31, 2008.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

4. Breakdown of significant accounts

(1) Cash and cash equivalents

Item	March 31, 2007 NT$	March 31, 2007 US$	March 31, 2008 NT$	March 31, 2008 US$
Cash on hand	$120	$4	$140	$4
Savings accounts	74,051	2,243	123,808	4,077
Checking accounts	34	1	29	1
Time deposits	604,937	18,326	169,000	5,565
Total	$679,142	$20,574	$292,977	$9,647
Annual interest rate of time deposits	1.07%~2.17%		1.77%~2.62%	

As of March 31, 2007 and 2008, none of the cash and cash equivalents were pledged to other parties.

(2) Financial assets at fair value through profit or loss – current

Item	March 31, 2007 NT$	March 31, 2007 US$	March 31, 2008 NT$	March 31, 2008 US$
Open-end funds and currency market instruments	$526,887	$15,961	$302,501	$9,961
Operating securities – dealing	227,685	6,898	420,624	13,850
Operating securities – underwriting	-	-	534,721	17,607
Operating securities – hedging	21,605	654	201,872	6,647
Call options – futures	-	-	9	-
Margin for futures trading – own funds	313,282	9,491	227,980	7,507
Total	$1,089,459	$33,004	$1,687,707	$55,572

See note 6 for detail of financial assets at fair value through profit or loss – current pledged to other parties as of March 31, 2007 and 2008.

A. Open-end funds and currency market instruments

Item	March 31, 2007 NT$	March 31, 2007 US$	March 31, 2008 NT$	March 31, 2008 US$
Open-end funds	$521,029	$15,784	$301,597	$9,931
Add : Valuation adjustment	5,858	177	904	30
Net	$526,887	$15,961	$302,501	$9,961

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

B. Operating securities – dealing

Item	March 31, 2007 NT$	March 31, 2007 US$	March 31, 2008 NT$	March 31, 2008 US$
Listed stocks	$-	$-	$7,708	$254
Real Estate Investment Trusts (REITs)	173,069	5,243	102,243	3,366
OTC stocks	-	-	599	20
OTC corporate bonds	50,000	1,515	115,033	3,788
Real Estate Asset Trust (REAT)	-	-	146,967	4,839
Emerging stocks	-	-	47,043	1,549
Subtotal	223,069	6,758	419,593	13,816
Add : Valuation adjustment	4,616	140	1,031	34
Net	$227,685	$6,898	$420,624	$13,850

C. Operating securities – underwriting

Item	March 31, 2007 NT$	March 31, 2007 US$	March 31, 2008 NT$	March 31, 2008 US$
Real Estate Asset Trust (REAT)	$-	$-	$519,283	$17,098
OTC corporate bonds	-	-	15,450	509
Subtotal	-	-	534,733	17,607
Less: Valuation adjustment	-	-	(12)	-
Net	$-	$-	$534,721	$17,607

D. Operating securities – hedging

Item	March 31, 2007 NT$	March 31, 2007 US$	March 31, 2008 NT$	March 31, 2008 US$
Listed stocks	$21,650	$655	$197,979	$6,519
OTC stocks	-	-	284	9
Subtotal	21,650	655	198,263	6,528
Add (Less): Valuation adjustment	(45)	(1)	3,609	119
Net	$21,605	$654	$201,872	$6,647

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

E. Margin for futures trading – own funds

	March 31, 2007					
Futures trading company	Account balance		Gain (loss) on outstanding futures contracts		Net account value	
	NT$	US$	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$313,290	$9,491	$(8)	$-	$313,282	$9,491

	March 31, 2008					
Futures trading company	Account balance		Gain (loss) on outstanding futures contracts		Net account value	
	NT$	US$	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$228,268	$7,516	$(288)	$(9)	$227,980	$7,507

See note 10 for details of the Company's transactions on futures and options.

F. Call options – futures

See note 10.

(3) Receivable amount for margin loans

	March 31, 2007		March 31, 2008	
Item	NT$	US$	NT$	US$
Receivable amount for margin loans	$843,451	$25,551	$1,143,606	$37,656
Less: Allowance for bad debts	-	-	-	-
Net	$843,451	$25,551	$1,143,606	$37,656

As of March 31, 2007 and 2008, receivable amount for margin loans had an annual interest rate of 6.60% and 3.25%~ 6.90%, respectively.

(4) Long-term investments under equity method

A.

	March 31, 2007			March 31, 2008		
Name of investee	NT$	US$	Percentage of ownership	NT$	US$	Percentage of ownership
Cathay Futures Co., Ltd.	$718,101	$21,754	99.99%	$722,518	$23,791	99.99%

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

B. Changes in investments under the equity method as of March 31, 2007 and 2008 are listed below:

Item	For the three months ended March 31, 2007 NT$	For the three months ended March 31, 2007 US$	For the three months ended March 31, 2008 NT$	For the three months ended March 31, 2008 US$
Balance on January 1	$719,669	$21,802	$719,500	$23,692
Investment (loss) income recognized under the equity method	(1,568)	(48)	3,018	99
Balance on March 31	$718,101	$21,754	$722,518	$23,791

C. The investment (loss) income recognized by the equity method as of March 31, 2007 and 2008 is listed below:

Name of investee	For the three months ended March 31, 2007 NT$	For the three months ended March 31, 2007 US$	For the three months ended March 31, 2008 NT$	For the three months ended March 31, 2008 US$
Cathay Futures Co., Ltd.	$(1,568)	$(48)	$3,018	$99

D. The investment (loss) income of the subsidiary was determinated based on the reviewed financial statements of the investee for the same period as the Company.

E. As of March 31, 2007 and 2008, none of the long-term investments under the equity method were pledged to other parties.

(5) Available-for-sale financial assets – noncurrent

	March 31, 2007			March 31, 2008		
Name of investee	NT$	US$	Percentage of ownership	NT$	US$	Percentage of ownership
Stock:						
Taiwan Futures Exchange Corporation	$18	$1	-	$18	$1	-

As of March 31, 2007 and 2008, none of the available-for-sale financial assets – noncurrent were pledged to other parties.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(6) Property and equipment

	March 31, 2007					
	Cost		Accumulated depreciation		Carrying amount	
Item	NT$	US$	NT$	US$	NT$	US$
Equipment	$90,502	$2,742	$40,504	$1,227	$49,998	$1,515
Prepayment for equipment	87	2	-	-	87	2
Leasehold improvement	51,853	1,571	12,739	386	39,114	1,185
Total	$142,442	$4,315	$53,243	$1,613	$89,199	$2,702

	March 31, 2008					
	Cost		Accumulated depreciation		Carrying amount	
Item	NT$	US$	NT$	US$	NT$	US$
Equipment	$94,444	$3,110	$60,542	$1,994	$33,902	$1,116
Prepayment for equipment	372	12	-	-	372	12
Leasehold improvement	53,024	1,746	21,474	707	31,550	1,039
Total	$147,840	$4,868	$82,016	$2,701	$65,824	$2,167

As of March 31, 2007 and 2008, none of the property and equipment were pledged to other parties.

(7) Other intangible assets

	January 1, 2007		Increase		Decrease		March 31, 2007	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired cost:								
Computer software	$29,313	$888	$348	$11	$(1,789)	$(54)	$27,872	$845
Amortization and impairment:								
Amortization	(16,237)	(492)	(2,442)	(74)	1,789	54	(16,890)	(512)
Book value	$13,076	$396					$10,982	$333

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	January 1, 2008		Increase		Decrease		March 31, 2008	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired cost:								
Computer software	$25,494	$839	$1,508	$50	$(7,761)	$(256)	$19,241	$633
Amortization and impairment:								
Amortization	(19,155)	(631)	(1,801)	(59)	7,761	256	(13,195)	(434)
Book value	$6,339	$208					$6,046	$199

The other intangible assets of the Company is computer software which is amortized using the straight-line method over estimated useful lives of 3~5 years.

(8) Operating deposits

As stipulated in the Regulations Governing Securities Firms, the Rules Governing the Operation of Auxiliary Futures Trading Services by Securities Firms and the Rules Governing Futures Commission Merchants, the Company provided time deposits as operating deposits amounting to NT$215,097 (US$6,516) and NT$230,097 (US$7,576) as of March 31, 2007 and 2008, respectively.

(9) Settlement and clearance funds

As stipulated in the Regulations Governing Securities Firms and OTC regulations, the Company deposited NT$46,260 (US$1,401) and NT$51,403 (US$1,693) in settlement and clearance funds as of March 31, 2007 and 2008, respectively.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(10) Securities brokerage credit accounts – net

Item	March 31, 2007 NT$	March 31, 2007 US$	March 31, 2008 NT$	March 31, 2008 US$
Debit balance:				
Cash and cash equivalents – settlement amount	$1,375	$42	$77	$3
Clearance	419,890	12,720	-	-
Accounts receivable – brokering	616,527	18,677	679,319	22,368
Debit transaction	-	-	6,101	201
Subtotal	1,037,792	31,439	685,497	22,572
Credit balance:				
Accounts payable – brokering	(1,038,774)	(31,469)	(669,536)	(22,046)
Clearance	-	-	(30,936)	(1,019)
Subtotal	(1,038,774)	(31,469)	(700,472)	(23,065)
Net	$(982)	$(30)	$(14,975)	$(493)

(11) Financial liabilities at fair value through profit or loss – current

Item	March 31, 2007 NT$	March 31, 2007 US$	March 31, 2008 NT$	March 31, 2008 US$
Liabilities for issuance of call (put) warrants	$800	$24	$395,456	$13,022
Repurchase of issued call (put) warrants	(180)	(5)	(273,111)	(8,993)
Derivative financial instrument liabilities - GreTai (over-the-counter)	1,892	57	2,495	82
Total	$2,512	$76	$124,840	$4,111

A. Liabilities for issuance of call (put) warrants/Repurchase of issued call (put) warrants

Details of the liabilities for issuance of call (put) warrants and repurchase of issued call (put) warrants are as follows:

March 31, 2007 (NT$)

				Liabilities for issuance of call (put) warrants			Repurchase of issued call (put) warrants			
Name	Underlying securities	Units issued (thousands)	Market price per unit (in dollars)	Issuance amount	Market Value	Gains from changes in value of call (put) warrants	Units repurchased (thousands)	Repurchase cost	Market value	Losses from changes in value of call (put) warrants
Cathay 02	ACER Incorporated	20,000	$0.040	$5,960	$800	$5,160	4,512	$1,246	$180	$(1,066)

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

March 31, 2007 (US$)

				Liabilities for issuance of call (put) warrants			Repurchase of issued call (put) warrants			
Name	Underlying securities	Units issued (thousands)	Market price per unit (in dollars)	Issuance amount	Market Value	Gains from changes in value of call (put) warrants	Units repurchased (thousands)	Repurchase cost	Market value	Losses from changes in value of call (put) warrants
Cathay 02	ACER Incorporated	20,000	$0.001	$181	$24	$157	4,512	$38	$5	$(33)

March 31, 2008 (NT$)

				Liabilities for issuance of call (put) warrants			Repurchase of issued call (put) warrants			
Name	Underlying securities	Units issued (thousands)	Market price per unit (in dollars)	Issuance amount	Market Value	Gains from changes in value of call (put) warrants	Units repurchased (thousands)	Repurchase cost	Market value	Losses from changes in value of call (put) warrants
Cathay 06	MSI	20,000	$0.010	$30,820	$200	$30,620	17,802	$23,346	$178	$(23,168)
Cathay 07	SPIL	20,000	0.010	13,720	200	13,520	15,162	8,995	152	(8,843)
Cathay08	EMC	20,000	0.030	26,560	600	25,960	12,000	8,796	360	(8,436)
Cathay09	TMI	20,000	0.010	22,640	200	22,440	19,208	14,436	192	(14,244)
Cathay10	YFY	20,000	0.020	24,800	400	24,400	19,862	21,831	397	(21,434)
Cathay11	ITE	20,000	0.010	42,860	200	42,660	19,628	23,975	196	(23,779)
Cathay12	ACER	20,000	0.010	19,840	200	19,640	19,233	14,610	192	(14,418)
Cathay13	FETL	20,000	0.340	8,340	6,800	1,540	19,068	7,983	6,483	(1,500)
Cathay14	CAL	20,000	1.650	12,940	33,000	(20,060)	9,290	15,389	15,329	(60)
Cathay15	WINTEK CORP.	20,000	0.020	17,320	400	16,920	15,411	12,753	308	(12,445)
Cathay16	INNOLUX	20,000	0.100	30,260	2,000	28,260	18,381	26,705	1,838	(24,867)
Cathay17	Yuanta Financial Holdings	20,000	1.600	18,120	32,000	(13,880)	19,653	18,729	31,445	12,716
Cathay18	MTI	20,000	0.050	8,760	1,000	7,760	19,247	7,020	962	(6,058)
Cathay19	WPG	20,000	0.970	16,100	19,400	(3,300)	19,340	13,636	18,760	5,124
Cathay20	FSC	20,000	0.910	16,520	18,200	(1,680)	19,732	12,504	17,956	5,452
Cathay21	FPC	20,000	0.170	11,340	3,400	7,940	19,593	10,026	3,331	(6,695)
Cathay22	AUO	20,000	0.420	17,920	8,400	9,520	19,192	14,680	8,061	(6,619)
Cathay23	ASUSTEK	20,000	1.060	21,300	21,200	100	19,926	21,579	21,122	(457)
Cathay24	INOTERA	20,000	0.600	12,940	12,000	940	19,865	12,589	11,919	(670)
Cathay25	EPISTAR	20,000	1.200	34,640	24,000	10,640	19,801	32,972	23,761	(9,211)
Cathay26	MIC	20,000	1.800	31,660	36,000	(4,340)	19,965	32,204	35,937	3,733
Cathay27	MTC	20,000	2.308	46,160	46,160	-	-	13,848	13,848	-
Cathay28	ZINWELL	20,000	1.980	39,600	39,600	-	-	11,880	11,880	-
Cathay29	RICHTEK	20,000	0.497	9,940	9,940	-	-	2,957	2,957	-
Cathay30	FH	20,000	0.965	19,300	19,300	-	-	5,790	5,790	-
CathayP1	MOTECH	8,000	3.850	30,648	30,800	(152)	8,000	30,841	30,800	(41)
CathayP2	ALCOR MICRO	8,000	3.732	29,856	29,856	-	-	8,957	8,957	-
	Total			$614,904	$395,456	$219,448		$429,031	$273,111	$(155,920)

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

March 31, 2008 (US$)

				Liabilities for issuance of call (put) warrants			Repurchase of issued call (put) warrants			
Name	Underlying securities	Units issued (thousands)	Market price per unit (in dollars)	Issuance amount	Market Value	Gains from changes in value of call (put) warrants	Units repurchased (thousands)	Repurchase cost	Market value	Losses from changes in value of call (put) warrants
Cathay 06	MSI	20,000	$0.0003	$1,015	$6	$1,009	17,802	$769	$6	$(763)
Cathay 07	SPIL	20,000	0.0003	452	6	446	15,162	296	5	(291)
Cathay08	EMC	20,000	0.0010	875	20	855	12,000	290	12	(278)
Cathay09	TMI	20,000	0.0003	745	6	739	19,208	475	6	(469)
Cathay10	YFY	20,000	0.0007	817	14	803	19,862	719	13	(706)
Cathay11	ITE	20,000	0.0003	1,411	6	1,405	19,628	789	7	(782)
Cathay12	ACER	20,000	0.0003	653	6	647	19,233	481	6	(475)
Cathay13	FETL	20,000	0.0112	275	224	51	19,068	263	214	(49)
Cathay14	CAL	20,000	0.0543	426	1,086	(660)	9,290	507	505	(2)
Cathay15	WINTEK CORP.	20,000	0.0007	570	14	556	15,411	420	10	(410)
Cathay16	INNOLUX	20,000	0.0033	996	66	930	18,381	879	61	(818)
Cathay17	Yuanta Financial Holdings	20,000	0.0527	597	1,054	(457)	19,653	617	1,035	418
Cathay18	MTI	20,000	0.0016	288	32	256	19,247	231	32	(199)
Cathay19	WPG	20,000	0.0319	530	638	(108)	19,340	449	618	169
Cathay20	FSC	20,000	0.0300	544	600	(56)	19,732	412	591	179
Cathay21	FPC	20,000	0.0056	373	112	261	19,593	330	110	(220)
Cathay22	AUO	20,000	0.0138	590	276	314	19,192	483	265	(218)
Cathay23	ASUSTEK	20,000	0.0349	701	698	3	19,926	711	696	(15)
Cathay24	INOTERA	20,000	0.0198	426	396	30	19,865	415	392	(23)
Cathay25	EPISTAR	20,000	0.0395	1,141	790	351	19,801	1086	782	(304)
Cathay26	MIC	20,000	0.0593	1,043	1,186	(143)	19,965	1060	1,183	123
Cathay27	MTC	20,000	0.0760	1,520	1,520	-	-	456	456	-
Cathay28	ZINWELL	20,000	0.0652	1,304	1,304	-	-	391	391	-
Cathay29	RICHTEK	20,000	0.0164	328	328	-	-	97	97	-
Cathay30	FH	20,000	0.0318	636	636	-	-	191	191	-
CathayP1	MOTECH	8,000	0.1268	1,009	1,015	(6)	8,000	1015	1,014	(1)
CathayP2	ALCOR MICRO	8,000	0.1229	983	983	-	-	295	295	-
	Total			$20,248	$13,022	$7,226		$14,127	$8,993	$(5,134)

① The call (put) warrants issued by the Company typically have contract periods of six months commencing from the date the warrants are listed.

② The call (put) warrants can be settled by delivery of securities or, at the election of the Company, in cash.

③ For other information related to the issuance of call (put) warrants, see note 10.

B. Derivative financial instrument liabilities - GreTai (over-the-counter).

See note 10.

(12) Capital Stock

As of March 31, 2007 and 2008, the Company's total authorized shares and the number of shares outstanding were both 370,000,000 with a par value of NT$10 per share.

(13) Capital surplus

According to the Company Act in the ROC, capital surplus can be used to increase share capital when the Company has no accumulated deficit. However, the amount capitalized cannot exceed a specific percentage of paid in capital. Any remaining amounts can only be used to make up losses. The Company shall not use capital surplus to make up losses unless the legal reserve is insufficient to offset such losses.

(14) Retained earnings

A. According to the Company's articles of incorporation, 10% of the Company's annual earnings, after paying taxes and offsetting deficits, if any, should first be added to the legal reserve. In addition to distributing stock interest and 1% as a bonus for employees, the remainder shall be allocated in accordance with the resolutions passed at the stockholders' meeting.

B. Pursuant to the Company Act, 10% of the Company's annual after-tax net income must be appropriated as a legal reserve until the total reserve equals the amount of issued capital stock. This legal reserve can be used only to cover accumulated losses and not for distributing cash dividends. However, if the total accumulated legal reserve is greater than 50% of paid-in capital, and a resolution of a stockholders' meeting so approves, it can be capitalized for not more than 50% of its balance.

C. As stipulated in the Regulations Governing Securities Firms, the Company shall set aside a 20% special reserve from the annual after-tax profit. However, if the accumulated amount reaches the paid-in capital amount, no further fund needs to be set aside.

The special reserve shall not be used for purposes other than covering the losses of the company or, when the special reserve reaches 50% of the amount of paid-in capital, half of it may be used for capitalization.

D. According to an explanatory letter of the SFB, commencing on January 1, 2007, in addition to the legal reserve, the Company will be required to provision for a special reserve in an amount equal to "unrealized loss from financial instruments".

E. The Company must pay an extra 10% income tax on all unappropriated retained earnings generated during the year.

(15) Income taxes

A. The applicable income tax rate to the Company is 25%. The reconciliation between estimated income tax and net income (loss) before income tax in the statements of income for the three months ended March 31, 2007 and 2008, are as follows:

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Item	For the three months ended March 31, 2007		For the three months ended March 31, 2008	
	NT$	US$	NT$	US$
Income before income (loss) taxes	$3,616	$109	$(4,627)	$(152)
Adjustments:				
Interest income taxed on a separate basis	(3,497)	(106)	(4,602)	(152)
Adjusted revenue and expense from dealing departments	848	26	2,805	92
Gain on valuation of open-end funds and currency market instruments	(890)	(27)	(252)	(8)
Unrealized (gain) loss on valuation of operating securities	1,710	52	(8,865)	(292)
Unrealized (gain) loss from derivative financial instruments – GreTai (over-the-counter)	(3,278)	(99)	2,737	90
Investment (income) loss recognized on equity method investments	1,568	48	(3,018)	(99)
Option premium for issuance of call (put) warrants	3,086	94	-	-
(Gain) loss from issuing call (put) warrants	(1,675)	(51)	21,623	712
Reserve for default losses	3,116	94	2,371	78
Provision for pensions	366	11	348	11
Loss from trading securities – hedging	-	-	(11,753)	(387)
Others	8	-	686	23
Taxable income	4,978	151	(2,547)	(84)
Times: tax rates	25%	25%	25%	25%
Subtotal	1,244	38	(636)	(21)
Add: Tax effects under integrated income tax system	(61)	(2)	-	-
Subtotal	1,183	36	(636)	(21)
Tax on a separate basis	699	21	366	13
Deferred tax benefit	(221)	(7)	(3,456)	(114)
Total income tax expense (benefit)	$1,661	$50	$(3,726)	$(122)

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

B. Deferred income tax assets and liabilities are as follows:

	March 31, 2007		March 31, 2008	
	NT$	US$	NT$	US$
a. Total deferred income tax assets	$5,020	$152	$66,197	$2,179
b. Total deferred income tax liabilities	$-	$-	$55,944	$1,842
c. Temporary differences:				
Reserve for default losses	$17,167	$520	$28,330	$933
Provision for pensions	2,655	80	3,885	128
Unrealized gain from derivative financial instruments	231	7	934	31
Unrealized (gain) loss on valuation of operating securities – hedging	27	1	(3,609)	(119)
Loss from trading securities – hedging	-	-	(720)	(24)
Gains from changes in value of call (put) warrants	-	-	(219,448)	(7,226)
Losses from changes in value of call (put) warrants	-	-	231,637	7,627
Total	$20,080	$608	$41,009	$1,350

	March 31, 2007		March 31, 2008	
d. Deferred income tax assets – current	$65	$2	$58,143	$1,914
Deferred income tax liabilities – current	-	-	(55,944)	(1,842)
Net deferred income tax assets (liabilities) – current	$65	$2	$2,199	$72
Deferred income tax assets – noncurrent	4,955	150	8,054	265
Net deferred income tax assets – noncurrent	$4,955	$150	$8,054	$265

C. Information related to tax imputation:

	March 31, 2007		March 31, 2008	
	NT$	US$	NT$	US$
Balance of imputation credit account	$9,022	$273	$7,660	$252

	2007 (Actual)	2008 (Estimated)
Imputation credit account ratio	14.76%	12.58%

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

D. Information related to undistributed earnings:

	March 31, 2007		March 31, 2008	
	NT$	US$	NT$	US$
After 1998	$66,026	$2,000	$59,041	$1,944

Undistributed earnings after 1998 do not include the net income (loss) for the three months ended March 31, 2007 and 2008.

E. The Company's income tax returns have been filed and assessed by the National Tax Administration through 2004. The Company disagreed with the assessment and has filed a dispute.

(16) Personnel, depreciation, depletion and amortization expenses

The Company's personnel, depreciation, depletion and amortization expenses for the three months ended March 31, 2007 and 2008 are summarized as follows:

Item	For the three months ended March 31, 2007 (NT$)			For the three months ended March 31, 2007 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$-	$37,992	$37,992	$-	$1,151	$1,151
Labor & health insurance expenses	-	2,209	2,209	-	67	67
Pension expenses	-	1,937	1,937	-	59	59
Other expenses	-	1,358	1,358	-	41	41
Depreciation	-	7,304	7,304	-	221	221
Depletion	-	-	-	-	-	-
Amortization	-	2,442	2,442	-	74	74

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Item	For the three months ended March 31, 2008 (NT$)			For the three months ended March 31, 2008 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$-	$42,671	$42,671	$-	$1,405	$1,405
Labor & health insurance expenses	-	2,826	2,826	-	93	93
Pension expenses	-	2,324	2,324	-	77	77
Other expenses	-	1,980	1,980	-	65	65
Depreciation	-	7,507	7,507	-	247	247
Depletion	-	-	-	-	-	-
Amortization	-	1,801	1,801	-	59	59

(17) Earnings per share

For the three months ended March 31, 2007

	Amount				Outstanding shares (thousands)	EPS			
	Before income taxes		After income taxes			Before income tax EPS (in dollars)		After income tax EPS (in dollars)	
	NT$	US$	NT$	US$		NT$	US$	NT$	US$
Net income	$3,616	$109	$1,955	$59	370,000	$0.01	$0.0003	$0.01	$0.0003

For the three months ended March 31, 2008

	Amount				Outstanding shares (thousands)	EPS			
	Before income taxes		After income taxes			Before income tax EPS (in dollars)		After income tax EPS (in dollars)	
	NT$	US$	NT$	US$		NT$	US$	NT$	US$
Net loss	$(4,627)	$(152)	$(901)	$(30)	370,000	$(0.01)	$(0.0004)	$(0.002)	$(0.0001)

(18) Earnings distribution and dividend policy

According to the Company's articles of incorporation, 10% of the Company's annual earnings, after paying taxes and offsetting deficits, if any, should first be added to the legal reserve. In addition to distributing stock interest and 1% as a bonus for employees, the remainder shall be allocated in accordance with the resolutions passed at the stockholders' meeting.

The accrual of employee bonus and remuneration of directors for the first quarter of 2008 was based on 1% of net income before employee bonus and remuneration of directors less estimated reserves. However, because the Company had a loss for the period no employee bonus and remuneration of directors was accrued.

The Company's appropriation of 2007 retained earnings has been approved by the board of directors but has yet to be approved at the stockholders' meeting as of the issuance date of the Independent Auditors' Review Report. For related information please refer to the "Market Observation Post System" on the website of the Taiwan Stock Exchange Corporation.

(19) Presentation of financial statements

Certain accounts in the financial statements for the three months ended March 31, 2007 have been reclassified in order to be comparable with those in the financial statements for the three months ended March 31, 2008.

5. Related party transactions

(1) Related parties

Name	Relationship
Cathay Financial Holdings Co., Ltd.	Parent company
Cathay Futures Co., Ltd.	Subsidiary of the Company
Cathay Life Insurance Co., Ltd.	Affiliated
Cathay United Bank Co., Ltd.	Affiliated
Cathay Century Insurance Co., Ltd.	Affiliated
Cathay Securities Investment Trust Co., Ltd.	Affiliated
Seaward Leasing Co., Ltd.	Affiliated
Symphox Information Co., Ltd	Affiliated
Seaward Card Co., Ltd.	Affiliated
Lin Yuan Investment Co., Ltd.	Affiliated
Cathay Pacific Venture Capital Co., Ltd.	Affiliated
Cathay II Venture Capital Corp.	Affiliated
Cathay Capital Management Inc.	Affiliated

Name	Relationship
Cathay Venture Capital Corp.	Affiliated
Cathay Securities Investment Consulting Co., Ltd.	Affiliated
Cathay Insurance (Bermuda) Co., Ltd.	Affiliated
Lin Yuan Property Management Co., Ltd.	Affiliated
Cathay Life Insurance Co., Ltd. (Shanghai)	Affiliated
Cathay Bank Life Insurance Agency of Association	Affiliated
Cathay Bank Property Agency of Association	Affiliated
Cathay Global Money Market Fund etc.	Affiliated
Cathay Century Realty Co., Ltd.	Affiliated
Cathay Biotechnology Co., Ltd.	Affiliated
Indovina Bank Limited	Affiliated
China England Company Ltd.	Affiliated
Cathay Real Estate Holding Corporation	Affiliated
Cathay Lin Yuan Security Co., Ltd.	Affiliated
Yi Ru Corporation	Affiliated
Wan Pao Development Co., Ltd.	Affiliated
Taipei Smart Card Corp.	Affiliated
Taiwan Asset Management Corporation	Affiliated
Taiwan Finance Corp.	Affiliated
Taiwan Real Estate Management Corp.	Affiliated
IBT Venture Capital Corp.	Affiliated
Hung Yuan Technology Venture Capital Corp.	Affiliated
Industrial and Commercial Bank of Vietnam	Affiliated
Shanghai China Eastern Media Co., Ltd.	Affiliated
CNDFMC (SCEA) Duty Free Merchandise Co., Ltd.	Affiliated
Shanghai East Fly Service Co., Ltd.	Affiliated
CEA Futures Brokerage Co., Ltd.	Affiliated
CEA Finance Holding Co., Ltd.	Affiliated
China Eastern Aviation IMP/EXP Corp.	Affiliated
CEA Finance Co., Ltd.	Affiliated
China Eastern Real Estate investment Co., Ltd.	Affiliated
China Eastern Airlines Co., Ltd.	Affiliated
China Eastern Airlines Jiangsu Ltd.	Affiliated
Cathay Life Insurance (Vietnam) Co., Ltd.	Affiliated
Cathay General Hospital	Affiliated

Name	Relationship
Cathay Real Estate Culture Foundation	Affiliated
Culture and Charity Foundation of the CUB	Affiliated
Cathay Life Charity Foundation	Affiliated
San-Ching Engineering Co., Ltd.	Affiliated
Cathay Real Estate Development Co., Ltd.	Affiliated
Cathay Real Estate Management Corp.	Affiliated
Sunlight Asset Management Corporation	Affiliated
Other related parties	Includes chairmen, managers, their spouses and relatives of affiliates

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(2) Transactions with related parties

A. Cash in bank

Name	Item	For the three months ended March 31, 2007 Ending balance	Interest rate	Interest income
		NT$		NT$
Cathay United	Savings accounts	$71,300	0.10%	$-
Bank Co., Ltd.	Checking accounts	$34	-	$-
	Negotiable certificates of deposit	$965,000	1.50%	$3,495
	Time deposit	$10,000	1.39%-1.74%	$128

Name	Item	For the three months ended March 31, 2007 Ending balance	Interest rate	Interest income
		US$		US$
Cathay United	Savings accounts	$2,160	0.10%	$-
Bank Co., Ltd.	Checking accounts	$1	-	$-
	Negotiable certificates of deposit	$29,234	1.50%	$106
	Time deposit	$303	1.39%-1.74%	$4

Name	Item	For the three months ended March 31, 2008 (Note) Ending balance	Interest rate	Interest income
		NT$		NT$
Cathay United Bank Co., Ltd.	Cash in bank	$285,128	0.10%-2.62%	$-

Name	Item	For the three months ended March 31, 2008(Note) Ending balance	Interest rate	Interest income
		US$		US$
Cathay United Bank Co., Ltd.	Cash in bank	$9,388	0.10%-2.62%	$-

Note: The account balance of revenues and expenses less than NT$3,000 (US$98) will no longer be listed since first quarter of 2008.

As of March 31, 2007 and 2008, except for NT$600,000 (US$18,176) and NT$20,000

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(US$659) pledged as collateral for the over-draft of settlement accounts and recognized under restricted assets, the remaining negotiable certificates of deposit have not been pledged as collateral.

B. Open-end funds and currency market instruments

	March 31, 2007		March 31, 2008	
Name	NT$	US$	NT$	US$
Cathay Securities Investment Trust Co., Ltd.				
– Cathay Bond Fund	$183,996	$5,574	$-	$-
– Cathay Soaring Eagle Bond Fund	20,150	611	-	-
– Cathay Global Money Market Fund	100,259	3,037	-	-
Total	$304,405	$9,222	$-	$-

C. Accounts receivable

	March 31, 2007		March 31, 2008	
Name	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$565	$17	$2,361	$77
Others	201	6	599	20
Total	$766	$23	$2,960	$97

D. Other receivables

	March 31, 2007		March 31, 2008	
Name	NT$	US$	NT$	US$
Cathay Financial Holdings Co., Ltd. (Note)	$-	$-	$957	$32

Note: Receivable due to the adoption of the Integrated Income Tax System.

E. Other payables

	March 31, 2007		March 31, 2008	
Name	NT$	US$	NT$	US$
Cathay Financial Holdings Co., Ltd. (Note)	$7,549	$229	$10,961	$361
Others	115	3	-	-
Total	$7,664	$232	$10,961	$361

Note: Payable due to the adoption of the Integrated Income Tax System.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

F. Brokerage commissions for introducing futures contracts

	For the three months ended March 31, 2007		For the three months ended March 31, 2008	
Name	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$1,759	$53	$5,403	$178

Terms of the transactions between the Company and related parties were comparable to general market terms.

G. Clearing and settlement fees, dealing handling fee expense and margin for futures trading – own funds

	For the three months ended March 31, 2007							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
Name	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$182	$6	$321	$10	$188	$6	$313,282	$9,491

	For the three months ended March 31, 2008 (Note)							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
Name	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$-	$-	$-	$-	$108	$4	$227,980	$7,507

Note: The account balance of revenues and expenses less than NT$3,000 (US$98) will no longer be listed since first quarter of 2008.

H. Rental expenses and guarantee deposits paid

	For the three months ended March 31, 2007		For the three months ended March 31, 2008 (Note)	
	Rental expenses	Guarantee deposits paid	Rental expenses	Guarantee deposits paid
Name	NT$	NT$	NT$	NT$
Cathay United Bank Co., Ltd.	$1,257	$1,405	$-	$-
Cathay Life Insurance Co., Ltd.	4,089	3,785	5,114	4,710
Total	$5,346	$5,190	$5,114	$4,710

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	For the three months ended March 31, 2007		For the three months ended March 31, 2008 (Note)	
	Rental expenses	Guarantee deposits paid	Rental expenses	Guarantee deposits paid
Name	US$	US$	US$	US$
Cathay United Bank Co., Ltd.	$38	$42	$-	$-
Cathay Life Insurance Co., Ltd.	124	115	168	155
Total	$162	$157	$168	$155

Note: The account balance of revenues and expenses less than NT$3,000 (US$98) will no longer be listed since first quarter of 2008.

The rents on the above rental properties were comparable with those in the surrounding area and were payable monthly.

I. Operating expenses

		For the three months ended March 31, 2007		For the three months ended March 31, 2008(Note)	
Name	Description	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	Insurance	$441	$13	$-	$-
	Other fees	558	17	-	-
	Subtotal	999	30	-	-
Cathay United Bank Co., Ltd.	Other fees	814	25	-	-
Symphox Information Co., Ltd.	Cable service	286	9	-	-
	Other fees	176	5	-	-
	Subtotal	462	14	-	-
Total		$2,275	$69	$-	$-

Note: The account balance of revenues and expenses less than NT$3,000 (US$98) will no longer be listed since first quarter of 2008.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

J. Non-operating revenue and profits

		For the three months ended March 31, 2007		For the three months ended March 31, 2008(Note)	
Name	Description	NT$	US$	NT$	US$
Cathay United Bank Co., Ltd.	Rental revenue	$600	$18	$-	$-

Note: The account balance of revenues and expenses less than NT$3,000 (US$98) will no longer be listed since first quarter of 2008.

6. Pledged assets

		March 31, 2007		March 31, 2008	
Item	Pledged Organization	NT$	US$	NT$	US$
Restricted assets-time deposits	Cathay United Bank Co., Ltd.	$600,000	$18,176	$70,000	$2,305
Operating securities-dealing	〃	-	-	93,947	3,093
Operating securities-underwriting	〃	-	-	519,271	17,098
Total		$600,000	$18,176	$683,218	$22,496

(1) The assets above were the collaterals for the over-loaning of settlement accounts.

(2) The assets above were disclosed at their net carrying amounts.

7. Other important matters and contingent liabilities

None.

8. Serious damages

None.

9. Subsequent events

None.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

10. Other important events

(1) Information related to financial instruments

	March 31, 2007			
	Carrying amount (NT$)	Fair value (NT$)	Carrying amount (US$)	Fair value (US$)
Non-derivative				
Assets:				
Cash and cash equivalents	$679,142	$679,142	$20,574	$20,574
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	526,887	526,887	15,961	15,961
Operating securities – net	249,290	249,290	7,552	7,552
Receivable amount for margin loans	843,451	843,451	25,551	25,551
Receivables – net	13,867	13,867	420	420
Restricted assets – current	600,000	600,000	18,176	18,176
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	215,097	215,097	6,516	6,516
Settlement and clearance funds	46,260	46,260	1,401	1,401
Guarantee deposits paid	28,326	28,326	858	858
Liabilities:				
Securities financing guarantee deposits-in	7,166	7,166	217	217
Deposit payable for securities financing	7,924	7,924	240	240
Payables	26,216	26,216	794	794
Guarantee deposits-in	141	141	4	4
Derivative				
Assets:				
Financial assets at fair value through profit or loss – current				
Margin for futures trading – own funds	$313,282	$313,282	$9,491	$9,491

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2007			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT$)	(NT$)	(US$)	(US$)
Liabilities:				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	800	800	24	24
Repurchase of issued call (put) warrants	(180)	(180)	(5)	(5)
Derivative financial instrument liabilities -GreTai (over-the-counter)	1,892	1,892	57	57
Other financial liabilities – current	223,045	223,045	6,757	6,757

	March 31, 2008			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT$)	(NT$)	(US$)	(US$)
Non-derivative				
Assets:				
Cash and cash equivalents	$292,977	$292,977	$9,647	$9,647
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	302,501	302,501	9,961	9,961
Operating securities – net	1,157,217	1,157,217	38,104	38,104
Receivable amount for margin loans	1,143,606	1,143,606	37,656	37,656
Securities refinancing margin deposits	752	752	25	25
Receivables - net	27,339	27,339	900	900
Restricted assets – current	70,000	70,000	2,305	2,305
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,097	230,097	7,576	7,576
Settlement and clearance funds	51,403	51,403	1,693	1,693
Guarantee deposits paid	125,251	125,251	4,124	4,124
Liabilities:				
Securities financing guarantee deposits-in	26,499	26,499	872	872
Deposit payable for securities financing	29,821	29,821	982	982
Payables	68,106	68,106	2,243	2,243
Guarantee deposits-in	141	141	4	4

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2008			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT$)	(NT$)	(US$)	(US$)
Derivative				
Assets:				
Financial assets at fair value through profit or loss – current				
Call options – futures	9	9	-	-
Margin for futures trading – own funds	227,980	227,980	7,507	7,507
Liabilities:				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	$395,456	$395,456	$13,022	$13,022
Repurchase of issued call (put) warrants	(273,111)	(273,111)	(8,993)	(8,993)
Derivative financial instrument liabilities -GreTai (over-the-counter)	2,495	2,495	82	82
Other financial liabilities – current	100,775	100,775	3,318	3,318

Methods and assumptions for estimating the fair value of financial instruments are as follows:

A. Short-term financial instruments are stated at their carrying amount on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. This assumption is adopted for the following accounts: cash and cash equivalents, receivable amount for margin loans, securities refinancing margin deposits, receivables, restricted assets, operating deposits, settlement and clearance funds, guarantee deposits paid, securities financing guarantee deposits-in, deposit payable for securities financing, payables and guarantee deposits-in.

B. Available-for-sale financial assets – noncurrent is estimated based on market prices, if available. If available-for-sale financial assets – noncurrent of the Company is not traded on the open market, the carrying amount on the balance sheet date is used to estimate the fair value.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

C. If there is a quoted market price on the open market, the quoted market price of financial assets and liabilities is regarded as fair value. Otherwise, if the market for a financial instrument is not active, the Company assesses fair value by using pricing models. A pricing model incorporates all factors that market participants would consider in setting a price.

The following table summarizes the fair value information of financial assets and liabilities as of March 31, 2007 and 2008:

	March 31, 2007			
	Based on quoted market price	Based on valuation method	Based on quoted market price	Based on valuation method
	(NT$)	(NT$)	(US$)	(US$)
Assets:				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	$526,887	$-	$15,961	$-
Operating securities – net	249,290	-	7,552	-
Margin for futures trading – own funds	313,282	-	9,491	-
Liabilities:				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	800	-	24	-
Repurchase of issued call (put) warrants	(180)	-	(5)	-
Derivative financial instrument liabilities - GreTei (over-the-counter)	-	1,892	-	57
Other financial liabilities – current	-	223,045	-	6,757

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2008			
	Based on quoted market price	Based on valuation method	Based on quoted market price	Based on valuation method
	(NT$)	(NT$)	(US$)	(US$)
Assets:				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	$302,501	$-	$9,961	$-
Operating securities – net	1,157,217	-	38,104	-
Call options – futures	9	-	-	-
Margin for futures trading – own funds	227,980	-	7,507	-
Liabilities:				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	395,456	-	13,022	-
Repurchase of issued call (put) warrants	(273,111)	-	(8,993)	-
Derivative financial instrument liabilities-GreTei (over-the-counter)	-	2,495	-	82
Other financial liabilities – current	-	100,775	-	3,318

The above derivative financial instrument liabilities-GreTai (over-the-counter) and other financial liabilities – current are valued using "Monte Carlo Simulations" and "Interest Method".

(2) Financial risk information

A. Market risk

The Company invests in equity securities that have active public market prices. When adverse market conditions exist, the Company is exposed to market risk as prices fluctuate. Although the Company controls and quantifies its market risk by establishing stop-loss limits and measuring Value-at-Risk, evaluates its risk utilizing historical prices and controls its overall investment portfolio, it is still exposed to market risk.

B. Credit risk

In accordance with the Company's policy, credit evaluations are required for all credit transactions. Credit limits are established based on customers' credit ratings. Margin ratios are also evaluated continuously to control default risk.

The counterparties to the Company's other financial assets (including cash and cash equivalents and all other current and non current investments) are all creditworthy and well-known financial institutions in the ROC. As a result, counterparty credit risk is relatively low.

C. Liquidity risk

The Company believes its working capital is sufficient for its operations and that the risk of contract defaults resulting from a lack of capital is low.

The financial assets held by the Company all have active markets and can be sold at prices approximate to fair values. As the result, the Company believes there is no significant cash flow risk.

D. Cash flow risk from interest rate fluctuations

The Company currently has no exposure to floating interest rates related to financial assets or liabilities and thus the Company believes there is no significant cash flow risk from interest rate fluctuations.

The Company also held Real Estate Asset Trust (REAT) beneficiary certificates. The value of these certificates may decline if interest rates increase and thus they are subject to valuation risk. However, the term of the certificates is 5 years, and as a result, the risk is relatively lower. In addition, the Company will take appropriate actions with respect to these certificates based on interest rate fluctuations.

(3) Financial derivatives

A. Issuance of call warrants

a. Nominal principal or contract amount and credit risk

	March 31, 2007		March 31, 2008	
Financial instruments	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
For trading purposes				
Issuance of call warrants	NT$5,960 (US$181)	NT$- (US$-)	NT$614,904 (US$20,247)	NT$- (US$-)

The Company collects premium from investors when issuing call warrants. Therefore, the Company believes it does not have any credit risk with respect to investors.

b. Market risk

Market risk for call warrants issued arises from changes in prices of the underlying securities. Although market risk can be avoided by adjusting the Company's warrant and hedging positions, market risk still exists.

c. Liquidity risk, cash flow risk and future cash requirements

When issuing call warrants, the Company utilizes existing holdings of underlying securities and premiums received in advance to establish hedging positions. Further, because underlying securities must meet specific regulatory requirements with respect to market price and shareholders diversification, the Company believes they can be easily sold at reasonable prices and that liquidity risk is low. Risk may arise from the need for capital when adjusting hedging position in response to price changes of underlying securities. However, assuming strong market liquidity, the Company believes cash flow risk is low.

The call warrants issued by the Company typically have contract periods of six months starting from the date when the warrants are listed. Except for cash required for the related hedging transactions, there are no other cash requirements.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

d. Types, purposes, and strategies for financial derivatives

The Company's hedging positions are not held for trading purposes but instead, are held to minimize the risk of investors exercising warrants. The Company's hedging strategy is focused on avoiding market price risks. The value of the underlying securities for hedging are highly correlated to the fair value of the issued call warrants. The Company's hedging positions are evaluated and adjusted periodically.

e. Financial statement presentation of derivative financial instruments

As of March 31, 2007, disclosure of the issuance of call (put) warrants on the balance sheet and statement of income are summarized as follows:

Balance sheet

	March 31, 2007	
	Financial liabilities at fair value through profit and loss-current	
	NT$	US$
Liabilities for insurance of call (put) warrants	$800	$24
Repurchase of issued call (put) warrants	(180)	(5)
Total	$620	$19

	March 31, 2008	
	Financial liabilities at fair value through profit or loss-current	
	NT$	US$
Liabilities for issuance of call (put) warrants	$395,456	$13,022
Repurchase of issued call (put) warrants	(273,111)	(8,993)
Total	$122,345	$4,029

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Statement of income

	For the three months ended March 31, 2007		
	Profit from issuing call (put) warrants		Comments
	NT$	US$	
Liabilities for issuance of call (put) warrants	$(1,760)	$(53)	Fair value method
Repurchase of issued call (put) warrants			
- Loss on disposal	(4,164)	(126)	
- Gain from valuation	2,439	74	Fair value method
Gain from expiration of warrants issued	5,160	156	
Total	$1,675	$51	

	For the three months ended March 31, 2008		
	Profit from issuing call (put) warrants		Comments
	NT$	US$	
Liabilities for issuance of call (put) warrants	$(27,372)	$(902)	Fair value method
Repurchase of issued call (put) warrants			
- Loss on disposal	(45,027)	(1,483)	
- Gain from valuation	2,025	67	Fair value method
Gain from expiration of warrants issued	56,080	1,847	
Total	$(14,294)	$(471)	

B. Structured notes transactions

a.Nominal principal or contract amount and credit risk

	March 31, 2007		March 31, 2008	
Financial instruments	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
For trading purposes				
Principal guaranteed notes	$225,300 (US$6,825)	NT$- (US$-)	$100,800 (US$3,319)	NT$- (US$-)

The Company's credit risk arises from a breach of contract by a counterparty. The Company believes it is not exposed to credit risk because contract amounts are collected in advance of structured notes being issued.

b. Market risk

In structured notes transactions, the Company receives proceeds from investors on the contract date and makes its investments pursuant to the contract. The Company invests in linked and fixed income assets that are subject to regulations and open market pricing. Since hedging positions for derivative instruments and stop-loss points are established, the Company believes it can limit its losses to within an expected range and that, as a result, there is no significant market risk.

c. Risk from liquidity, cash flow and future cash requirements

In structured notes transactions, the Company receives the contract amount from investors on the contract date and makes its investments pursuant to the contract. In order to provide investors with the ability for early redemption, the Company considers liquidity risk when investing in fixed income securities. As a result, the Company does not expect any significant cash requirements at expiration of the contract.

d. Types, purposes, and strategies for financial derivatives

The structured notes transactions of the Company can be divided into principal guaranteed notes and equity-linked notes.

Principal guaranteed notes transactions involve receiving proceeds from investors on the contract date and providing them with a guaranteed payment and returns, if any, of linked assets.

Equity-linked notes transactions involve receiving proceeds from investors, investing in fixed-income products and selling options that settle in cash on the expiration date. Proceeds received by investors consist of returns from the fixed income products and value of the options at expiration.

e. Financial statement presentation of derivative financial instruments

As of March 31, 2007 and 2008, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Balance sheet

	March 31, 2007		March 31, 2008	
	NT$	US$	NT$	US$
Derivative financial instrument liabilities – GreTai (over-the-counter) (note 1)				
Structured notes transactions	$1,892	$57	$2,495	$82
Other financial liabilities – current				
Principal of structured notes	223,045	6,757	100,775	3,318

Note 1: Recorded as "Financial liabilities at fair value through profit or loss – current" in the balance sheet.

Statement of income

	For the three months ended March 31, 2007		For the three months ended March 31, 2008		
	NT$	US$	NT$	US$	Comments
Gain (loss) from derivative financial instruments - Gre Tai (over the counter)					
Gain (loss) from structured notes	$670	$20	$(441)	$(14)	Fair value method

C. Futures and options transactions

As of March 31, 2007 and 2008, the Company's unexercised options were as follows:

March 31,2007

Item	Nature of Transaction	Unexercised options		Contract amount/ payment of premium		Fair value	
		Buy/Sell	Units	NT$	US$	NT$	US$
Futures	TAIEX futures	Buy	10	$15,676	$475	$15,668	$475

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

March 31,2008

Item	Nature of Transaction	Unexercised options		Contract amount/ payment of premium		Fair value	
		Buy/Sell	Units	NT$	US$	NT$	US$
Futures	TAIEX futures	Sell	60	$101,952	$3,357	$102,240	$3,366
Options	TXO-Call	Buy	80	$408	$13	$9	$-

a.Nominal principal or contract amount and credit risk

	March 31, 2007	
Financial instruments	Nominal principal/ contract amount	Credit risk
TAIEX futures	NT$15,676 (US$475)	$-

	March 31, 2008	
Financial instruments	Nominal principal/ contract amount	Credit risk
TAIEX futures	NT$101,952 (US$3,357)	$-
TXO	NT$408 (US$13)	$-

The Company believes it has no significant credit risk exposure since it has entered into futures trading transactions with the Taiwan Futures Exchange and the risk of default is low.

b.Market risk

The Company's market risk from futures and options transactions arises from the purchase and sale of futures and options and the volatility of indexes. Since the fair values of futures and options are available and stop-loss points are established, the Company believes it can limit its losses to within an expected range. However, market risk still exists.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

c. Risk from liquidity, cash flow and future cash requirements

The Company's unexercised options could all be liquidated at reasonable prices in the market. As a result, the Company believes liquidity risk is low.

The Company's trading in Taiwan stock index futures requires an initial margin and additional margin depending on the daily valuation of open positions. In the event additional margin is required, the Company has sufficient working capital to meet its requirements, and hence the Company believes funding risk and cash flow risk are low. With respect to the Company's trading in options, prior to any transaction the Company pays or receives option premium. If the Company sells call options and the counterparty exercises its option, the Company has sufficient working capital to cover the exercise and hence the Company believes funding risk and cash flow risk are low.

d. Types, purposes, and strategies for financial derivatives

The Company's purpose in trading futures and options is to increase the scope of its investment activities and improve its capital efficiency.

e. Financial statement presentation of derivative financial instruments

The margin and premium resulting from trading are reflected in "financial assets at fair value through profit or loss – current ("margin for futures trading – own funds") on the balance sheet. For the three months ended March 31, 2007 and 2008, the related gain (loss) of futures and options on the statements of income were as follows:

	For the three months ended March 31, 2007		For the three months ended March 31, 2008	
	NT$	US$	NT$	US$
Gain from derivative financial instruments – futures				
Gain on futures contracts - realized	$3,917	$119	$6,284	$207
Gain from options transactions - realized	1,416	43	552	18
Gain from options transactions - unrealized	739	22	14	-
Total	$6,072	$184	$6,850	$225

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	For the three months ended March 31, 2007		For the three months ended March 31, 2008	
	NT$	US$	NT$	US$
Loss from derivative financial instruments – futures				
Loss on futures contracts - realized	$204	$6	$-	$-
Loss on futures contracts - unrealized	8	-	288	9
Loss from options transactions - realized	407	12	-	-
Loss from options transactions - unrealized	739	23	412	14
Total	$1,358	$41	$700	$23