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Mega Financial Holding Co., Ltd.

ANNUAL REPORT 2007

Stock Code: 2886

Mega Financial Holding Co., Ltd.

ANNUAL REPORT 2007

Website: http://www.megaholdings.com.tw

Spokesperson & Deputy Spokesperson

Spokesperson: Simon C. Dzeng, Executive Vice President

Email: sdzeng@megaholdings.com.tw

Deputy Spokesperson: Jui-Yun Lin, Executive Vice President

Email: jylin@megaholdings.com.tw

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Share Registry Agency

Mega Securities Co., Ltd.

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Tel: +886-2-3393-0898

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Credit Rating Agency

Taiwan Ratings Corp.

Address: 49F, No. 7, Xinyi Road, Sec. 5, Taipei 110, Taiwan

Tel: +886-2-8722-5800

Moody’s Investors Service Corp.

Address: 1813R,18F, No. 333, Keelung Road, Sec. 1, Taipei 110, Taiwan

Tel: +886-2-2757-7125

Auditor

PricewaterhouseCoopers

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Tel: +886-2-2729-6666

Website: http://www.pwc.com/tw

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Message to Shareholders

Message to Shareholders

After continued expansion during the first three quarters of 2007, the global economy has lost growth momentum since the fourth quarter of 2007 owing to the subprime credit crunch and hiking oil prices. The annual global economic growth rate stood at 3.9%. For the year 2008, the annual global economic growth rate is expected to decline from the previous year as soaring international prices for raw materials and financial market turmoil continue to add to uncertainty in the global economy. In the domestic economy, Taiwanese foreign trade enjoyed steady growth during 2007. Consumer finance has also seen an upturn as the credit card crisis nearing an end. Private investment also increased thanks to the expansion of semiconductor factories and the government's initiatives in urban renewal and rural development. The overall domestic economy witnessed a mild expansion as domestic demand continued to recover and foreign demand maintained steady growth. In 2007, the annual economic growth rate of Taiwan reached 5.7%.

In the US financial market, the US subprime crisis triggered tight liquidity condition in 2007. To avoid the negative impact on economy, the US Federal Reserve cut interest rates three times by a total of a percentage point in the fourth quarter of 2007. In Taiwan, however, the interest rates have seen a moderate increase after the Central Bank raised the discount rate four times by a total of 0.625%. Overall, the domestic money market was still easy. The exchange rate of TWD against USD has shown a trend from depreciation to appreciation. The domestic stock market has gone through a more dramatic rise and fall. TAIEX reached a seven year high at 9,810 point at the end of October, and then declined amid low volume in November when the market was hit by the US subprime crisis and soaring international oil prices. Throughout 2007, the Taiwanese stock market has seen a dramatic fluctuation, posting a much lower annual gain of 8.72%, compared to 19.48% of the previous year.

Despite dramatic changes in the overall economic and financial environments of 2007, Mega Financial Holding Company (the Company), through the concerted efforts of our officers and staff, has demonstrated a brilliant performance. The Company's business operations in 2007 are summarized as follows:

Review of Business Operations in 2007

Organizational integration

In May 2006, the Company subscribed to new shares issued by the International Investment Trust Co., Ltd. (IIT) for cash injection. IIT was formerly a subsidiary of the International Commercial Bank of China (now known as Mega International Commercial Bank Co., Ltd.), which held 59% of its stake, and has since become the Company's second subsidiary in the investment trust industry besides Mega Investment Trust Co., Ltd. As part of its efforts to enhance operational efficiency and competitiveness of the two investment trust subsidiaries, the Company carried out the merger of the two in 2007 in order to integrate the resources of the two subsidiaries and enlarge their operational scale. The official merger took effect on September 17, 2007, and the surviving subsidiary IIT was renamed Mega International Investment Trust Co., Ltd. (MIIT). The Company and its subsidiary Mega International Commercial Bank Co., Ltd. each hold 63.52% and 32.79%, respectively, of the total 59,141,509 shares issued by MIIT. By the end of 2007, mutual funds under management of MIIT amounted to NT$60.07 billion, a market share of 2.94%, ranked 14th among the 38 securities investment trust companies in Taiwan.

Message to Shareholders

Long-term investment and business expansion

According to the Financial Holding Company Act, the business of a Financial Holding Company shall be limited to investment in, and management of, its invested enterprise(s). As of the end of 2007, the eight subsidiary companies in which the Company has controlling interest are Mega International Commercial Bank (MICB), Mega Securities Co., Ltd., Mega Bills Finance Co., Chung Kuo Insurance Co., Ltd. (CKI), Mega International Investment Trust Co., Ltd., Mega Assets Management Co., Ltd., Mega Life Insurance Agency Co., Ltd. and Mega CTB Venture Capital Co., Ltd. The number of the Company's subsidiaries was reduced to eight after the official merger between the two subsidiaries, Mega International Investment Trust Co., Ltd. and the International Investment Trust Co., Ltd., on September 17, 2007. The Company maintains its holding of 13.44% stake in the Taiwan Business Bank.

Strengthening business operations of the subsidiaries

In 2007, the subsidiaries of the Company continued to strengthen their business operations upon the current achievement. In corporate banking, Mega International Commercial Bank lead-managed syndicated loans worth US$2,356 million, ranked 3rd in Taiwan's syndicated loan market. By the end of 2007, the corporate loans business captured the fourth position among local banks, with a market share of 7.77%. By the end of 2007, corporate loans to small and medium sized enterprises had a market share of 6.16%, ranked 6th among local banks. In consumer banking and wealth management, Mega International Commercial Bank had a residential mortgage loans outstanding reaching NT$206.3 billion by the end of 2007, an increase of 3.93% from the previous year. The Group generated NT$2,041 million from wealth management fee income in 2007, a 67.71% growth from the year before. Mega Bills Finance Co., Ltd. topped the industry in the underwriting of commercial paper, with a market share of 28.73%. Bill trade volume in the secondary markets also held the first position, with a market share of 28.71%. Bond trading had a market share of 20.33%, also topped the industry.

Financial Results

The consolidated net revenue for 2007, of the Company and its subsidiaries, amounted to NT$46,934 million, a 0.31% decrease compared with NT$47,082 million in 2006. The consolidated net interest income and revenues other than interest accounted for 56.03% and 43.97% of the net revenue, respectively. Net interest income was NT$26,296 million, an increase of NT$2,526 million, or 10.63%, from the year before. Revenues other than interest totaled NT$20,638 million, a decrease of 11.47% compared with NT$23,313 million in 2006. Consolidated net income for 2007 was NT$17,115 million, an increase of 6.40% compared with net income of NT$16,085 million earned in 2006. Earnings per share increased 6.90% to NT$1.55, compared with NT$1.45 for 2006.

The Company and its subsidiaries' financial results are as follows:

Unit: NT$ thousand, except EPS in NT$

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share	Net Income Ratio (%)	Return on Total Assets (%)	Return on Shareholders' Equity (%)
Mega FHC & Its Subsidiaries	20,032,189	17,114,558	1.55	36.46*	0.75	8.66
Mega FHC (Unconsolidated)	16,758,781	17,070,391	1.54	97.43	7.67	8.67
Mega International Commercial Bank Co., Ltd.	16,305,240	14,030,952	2.19	37.55*	0.75	9.28
Mega Securities Co., Ltd.	1,658,777	1,408,709	1.07	14.39	2.00	8.39
Mega Bills Finance Co., Ltd.	2,565,032	2,120,384	1.20	64.24*	0.76	6.28
Chung Kuo Insurance Co., Ltd.	-3,583	34,973	0.12	0.28	0.31	0.67
Mega International Investment Trust Co., Ltd.	70,238	25,256	0.43	7.27	2.34	3.20
Mega Asset Management Co., Ltd.	414,858	309,444	1.55	42.72	3.86	12.76
Mega Life Insurance Agency Co., Ltd.	36,176	27,142	13.57	6.46	28.74	58.82
Mega CTB Venture Capital Co., Ltd.	36,518	33,481	0.33	33.86	3.28	3.30

*Net income ratio = Net income after tax/net revenue

Overview of Business Plan for 2008

Business Objectives

- Focusing on developing core business and maximizing shareholder value
- Accelerating organizational integration within the Group and exploring merger and acquisition opportunities to enhance our competitiveness and economic scale
- Enhancing financial performance and transparency to raise institutional investors' shareholding

Major Operating Policies

- Reinforcing corporate banking, foreign exchange business, consumer banking and wealth management business
- Combining resources within the Group and reinforcing cross selling to enhance synergy
- Integrating information systems and information sharing services
- Adding business units abroad to grasp business opportunities generated from overseas Taiwanese enterprises
- Expanding overseas deployment of assets while focusing on the Asia Pacific region
- Maintaining quality assets and reinforcing non-performing loan collection
- Strengthening risk management system, maintaining a optimal asset allocation, and enhancing effective utilization of capital

Message to Shareholders

Credit Ratings

As of the end of 2007, the Company and its subsidiaries retained the same credit rating as granted in 2006. Set forth below are the summary of our credit ratings:

Company	Credit Rating Agency	Long-Term	Outlook	Short-Term	Financial Strength	Date of Issuance
Mega Financial Holding Co., Ltd.	Taiwan Ratings Corp.	twAA	Stable	twA-1+		Oct. 15, 2007
	Moody's	A3	Stable			Dec., 2007
Mega International Commercial Bank	Moody's	A1	Stable	P-1	C-	Dec., 2007
	S & P	A	Stable	A-1	B	Oct., 2007
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA	Stable	twA-1+		Oct. 15, 2007
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA-	Stable	twA-1+		Oct. 15, 2007
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA-	Stable			Oct. 15, 2007
	Moody's	A3/Aa2.tw	Stable			Sep. 5, 2007
	S & P	BBB+	Stable			Oct. 15, 2007

Awards

In 2007, the Company's subsidiaries continued to receive recognition and awards from international financial magazines. Mega International Commercial Bank was awarded "The Best Domestic Provider in Taiwan for Local Currency Products-Structured Interest-rate Products", by Asiamoney, and voted "The Best Domestic Provider of FX Services in Taiwan" by participating financial institutions.

Outlook

Looking into the future, the expected global economic slow-down due to the after-effects of the US subprime crisis and the uncertain factors caused by hiking international oil and raw material prices will pose severe challenges to the domestic economy and affect price stability. The negative impact of the subprime crisis on the international financial market still continues. In the financial services industry, the recent trends of business centralization and institutional consolidation have brought about ever-fierce competition into the market. In the past, the Company has set its objective at stable growth of operating performance. Now facing severe challenges ahead, the Company will seek further breakthrough with innovative thinking and active approaches. The officers and staff of the Company view this as our inalienable responsibility and greatest commitment to the shareholders of the Company.

Joseph Lu

Joseph Jye-Cherng Lu

Chairman of the Board

Company Profile

Company Profile

2.1 Historical Overview

Mega Financial Holding Company (the Company, formerly known as CTB Financial Holding Company) was formed by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through the exchange of shares on February 4, 2002 and has since been listed and traded on the Taiwan Stock Exchange. On August 22, 2002, the Company acquired a 100% equity stake in Chung Hsing Bills Finance Corporation (now renamed Mega Bills Finance Co., Ltd.) and Barits Securities Corp. ("BS") through a share swap. On January 31, 2003, the two subsidiaries, IS and BS, were further combined with the sub-subsidiary, Chung Hsing Securities Corp., to become Barits International Securities Co., Ltd. (now known as Mega Securities Co., Ltd. (MSC)) The integration among the three subsidiaries was undertaken to consolidate the Company's securities businesses and further enhance its competitiveness.

To extend the Company's business domain in financial services, enlarge its economic scale, and to improve overall operating performance, the Company acquired a 100% equity stake in the International Commercial Bank of China ("ICBC", now renamed Mega International Commercial Bank Co., Ltd.) and Chung Kuo Insurance Co., Ltd. ("CKI") through a share swap and changed the Company's name to Mega Financial Holding Company on December 31, 2002. In order to achieve resource sharing, the Central Securities Investment Trust Corporation, originally an investee of MSC, was upgraded to become the Company's direct subsidiary through cash purchase of controlling shares on May 29, 2003, and its name was changed into Mega Investment Trust Corp. ("MITC") in July 2003. In response to a government initiative to lower NPL ratios and promote the specialization of financial institutions, the Company set up Mega Asset Management Co., Ltd. as its 7th subsidiary in December 2003.

To integrate distribution channels for bank assurance, the Company has upgraded Chung Yin Insurance Agency Company, originally a wholly-owned subsidiary of ICBC, to the Company's direct subsidiary by acquiring its 100% shares in cash on September 23, 2005. The new subsidiary was then renamed Mega Life Insurance Agency Co., Ltd. The Company also established Mega CTB Venture Capital Co., Ltd. with capital of NT$1,000 million on December 13, 2005. The new subsidiary was set up to assist the Company in developing restructuring business, as well as to create higher profit and added value. After careful assessment of the Company's business interests, the Board of Directors passed a resolution in the board meeting convened on December 16, 2005 to acquire 5 to 26 percent stake in the Taiwan Business Bank. By the end of December 2007, the Company held a 13.44% stake in the Taiwan Business Bank.

As part of its efforts to reinforce competitiveness and business strengths, the Company completed the integration of its bank subsidiaries in 2006. The two banking units, the International Commercial Bank of China ("ICBC") and Chiao Tung Bank ("CTB"), were merged effective from August 21, 2006, renaming Mega International Commercial Bank Co., Ltd. ("MICB"). As at December 2007, MICB is Taiwan's third largest bank in terms of assets. To build an integral corporate image for the Group as well as in response to business development, the Company renamed its subsidiaries in 2006 with the name "Mega".

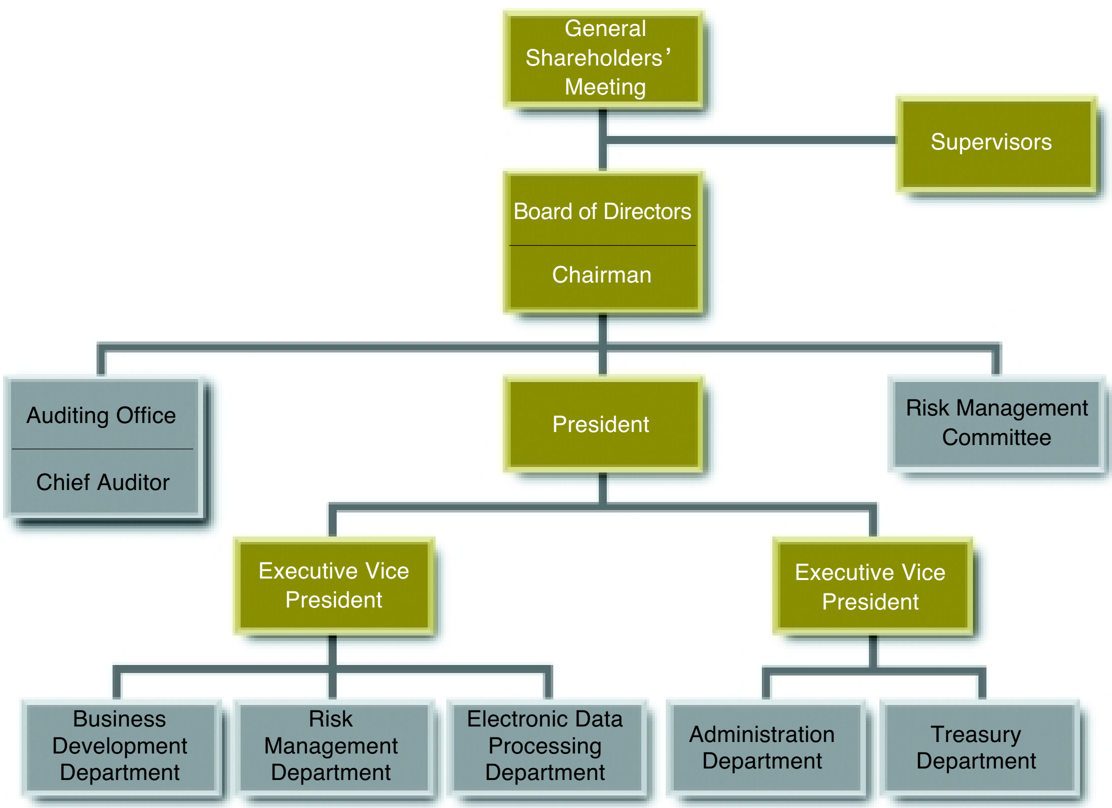
In September 2007, the Company's two investment trust subsidiaries, the International Investment Trust Co., Ltd. (IIT) and MITC, were merged and renamed the Mega International Investment Trust Co., Ltd.

(MIIT). As of December 2007, a 63.52% and 32.79% stakes of MIIT were held by the Company and MICB, respectively.

As of the end of 2007, the bank subsidiary MICB has 104 branches at home and 19 branches, 1 representative office abroad. Added to the bank network are its wholly-owned bank subsidiaries in Thailand and Canada, along with their branches, bringing the number of overseas outposts to 28 in total. The securities subsidiary MSC has a network of 4 overseas offices and 45 branch offices in Taiwan. The bill finance subsidiary of the Group has a total of 8 branch offices in large cities on the island. Besides its headquarters, the property insurance subsidiary runs 27 branches in Taiwan and 3 representative offices abroad. Mega International Investment Trust Co., Ltd. has 2 branch offices in Taiwan. The Group totally has a network of 191 offices in Taiwan and 35 offices abroad, with nearly 8,000 employees worldwide. The Company's issued share capital reached NT$110,590 million, ranked first among the 14 domestic financial holding companies in Taiwan.

2.2 Organization

Organization Chart



Major Corporate Functions

Business Development Department

- Corporate planning, strategic investment
- Business strategy and development

Risk Management Department

- Risk management

Electronic Data Processing Department

- IT development and operation

Administration Department

- Human resources management and staff training
- Corporate legal affairs, documentation, procurement and public relations

Treasury Department

- Finance and accounting services including investor relations, treasury, tax, and financial and accounting management

Auditing Office

- Internal audit and process compliance

2.3 Major Shareholders

As of Apr. 15, 2008

Name of Shareholder	Number of Common Shares	Percentage of Issued Shares (%)
Ministry of Finance of The ROC	1,104,070,205	9.98
The National Development Fund, Executive Yuan of the ROC	675,916,160	6.11
Chinatrust Financial Holding Co., Ltd.	625,296,000	5.65
Chinatrust Commercial Bank	552,438,000	5.00
Taiwan Post Co., Ltd.	301,970,574	2.73
Bank of Taiwan	277,170,670	2.51
Silchester International Investors International Value Equity Trust	230,312,000	2.08
Templeton Foreign Fund	168,795,000	1.53
Pou Chen Corporation	157,456,064	1.42
Silchester International Investors International Value Equity Group Trust	113,936,000	1.03
Total	4,207,360,673	38.04

Corporate Governance Report

3.1 Directors & Supervisors

As of Jan. 31, 2008

Position	Name	Date Elected	Term Expires	First Elected	Number of Shares	Principal Occupation
Chairman	Joseph Jye-Cherng Lu Representative of the Ministry of Finance of the ROC	01/15/2008	06/22/2009	01/15/2008	1,104,070,205	Chairman of Mega Financial Holding Co., Ltd.
Director	Ray-Beam Dawn Representative of the Ministry of Finance of the ROC	01/15/2008	06/22/2009	01/15/2008	1,104,070,205	Chairman of Mega Bills Finance Co., Ltd., concurrently President of Mega Financial Holding Co., Ltd.
Director	Teng-Cheng Liu Representative of the Ministry of Finance of the ROC	06/23/2006	06/22/2009	02/27/2004	1,104,070,205	Administrative Deputy Minister, the Ministry of Finance of the ROC
Director	Tain-Jy Chen Representative of the Ministry of Finance of the ROC	06/23/2006	06/22/2009	06/23/2006	1,104,070,205	Professor of National Taiwan University
Director	Mei-Ling Chen Representative of the Ministry of Finance of the ROC	06/23/2006	06/22/2009	06/23/2006	1,104,070,205	Deputy Secretary-General of Executive Yuan, ROC
Director	Yaw-Chung Liao Representative of National Development Fund	08/01/2007	06/22/2009	08/01/2007	675,916,160	Secretary-General of Council for Economic Planning and Development, Executive Yuan, ROC
Director	Justin Jan-Lin Wei Representative of Bank of Taiwan	07/12/2007	06/22/2009	07/12/2007	277,170,670	Executive Vice President of Bank of Taiwan
Director	Shen-Chih Cheng	06/23/2006	06/22/2009	02/04/ 2002	950,000	None
Director	Ho-Yuan Yen Representative of Chinatrust Financial Holding Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	645,753,000	Retired in 2006
Director	Hong-Hsu Wen Representative of Chinatrust Financial Holding Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	645,753,000	Retired in 2006
Director	Kuo-Huei Fang Representative of Chinatrust Financial Holding Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	645,753,000	Associate Professor of Asia University
Director	Webster Wei-Ping Kiang Representative of Chinatrust Financial Holding Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	645,753,000	Senior Advisor of Chinatrust Commercial Bank
Director	Pei-Chun Tsai Representative of Shun Tai Investments Corp.	06/23/2006	06/22/2009	11/11/2002	5,678,400	Special Assistant to Group Chairman of Pou Chen Group
Supervisor	Lindy Chern Representative of the Ministry of Finance of the ROC	10/17/2007	06/22/2009	10/17/2007	1,104,070,205	Senior Partner of Baker & McKenzie
Supervisor	Dun-Jin Luh Representative of the Ministry of Finance of the ROC	08/31/2006	06/22/2009	08/31/2006	1,104,070,205	Deputy Minister, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC
Supervisor	Min-Yu Wu Representative of Taiwan Post Co., Ltd.	04/10/2007	06/22/2009	04/10/2007	301,970,574	President of Taiwan Post Co., Ltd.
Supervisor	Chun-Ko Chen Representative of Chinatrust Insurance Brokers Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	90,348,000	Retired in 2006
Supervisor	Hao-Erh Wei Representative of Ho Kao Shan Int'l investment Co.	06/23/2006	06/22/2009	06/23/2006	1,000,000	Chairman of Ho Kao Shan Int'l Investment Co.

Remarks: No member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at the Company.

Directors' Professional Qualifications and Independence Analysis

According to the relevant requirements set by Taiwan's Securities and Futures Bureau, the professional qualifications and independence status of the Company's Board members are listed in the table below.

As of Jan. 31, 2008

Name	Qualifications (Note 1)			Independence Status (Note 2)										Number of Other Public Companies Concurrently Serving as an Independent Director
	A	B	C	1	2	3	4	5	6	7	8	9	10	
Joseph Jye-Cherng Lu	V		V	V		V	V	V		V	V	V		0
Ray-Beam Dawn	V		V	V		V	V	V	V	V	V	V		0
Teng-Cheng Liu			V	V		V	V			V	V	V		0
Tain-Jy Chen	V		V	V	V	V	V		V	V	V	V		1
Mei-Ling Chen	V		V	V	V	V	V		V	V	V	V		0
Yaw-Chung Liao	V		V	V		V	V			V	V	V		0
Justin Jan-Lin Wei	V		V	V	V	V	V	V	V	V	V	V		0
Shen-Chih Cheng			V	V		V	V	V	V	V	V	V	V	0
Ho-Yuan Yen			V	V	V	V	V	V	V	V	V	V		0
Hong-Hsu Wen			V	V	V	V	V		V	V	V	V		0
Kuo-Huei Fang	V		V	V	V	V	V	V	V	V	V	V		0
Webster Wei-Ping Kiang			V	V	V	V	V		V	V	V	V		0
Pei-Chun Tsai			V	V	V	V	V	V	V	V	V	V		0
Lindy Chern		V	V	V		V	V	V			V	V		0
Dun-Jin Luh			V	V	V	V	V		V	V	V	V		0
Min-Yu Wu			V	V	V	V	V		V	V	V	V		0
Chun-Ko Chen			V	V	V	V	V	V	V	V	V	V		0
Hao-Erh Wei			V	V	V	V	V	V	V	V	V	V		0

Note1:

Directors or Supervisors have met one of the following professional qualification requirements, together with at least five years work experience, please tick the appropriate corresponding boxes:

A. An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university.

B. A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.

C. Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.

Note 2:

Directors or Supervisors, during the two years before being elected and during the term of office, have been or be any of the following, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings;
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
9. Not being a person of any conditions defined in Article 30 of the Company Law; and
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2 Executive Officers

As of Jan. 31, 2008

Position	Name	Date Effective	Number of Shares	Number of Employee Stock Options
President	Ray-Beam Dawn	01/15/2008	0	None
Executive Vice President	Simon C. Dzeng	05/01/2003	1,705	None
Executive Vice President	Jui-Yun Lin	09/08/2006	51,591	None
Chief Auditor	Yung-Ming Chen	09/08/2006	185	None

Note: 1. The Company does not issue any employee stock options.

2. The date effective means the official date joining the management team.

3.3 Remuneration Paid to Directors, Supervisors, President, and Executive Vice Presidents for 2007

Remuneration of Directors

December 31, 2007

Unit: NT$1,000

Item	Sub-Item	Paying Company	Amount
Directors' Remuneration	Compensation (A)	Mega Financial Holding Co., Ltd.	4,722
		All Consolidated Entities	14,813
	Profits Sharing (B)	Mega Financial Holding Co., Ltd.	102,209
		All Consolidated Entities	102,209
	Business Administration Costs (C)	Mega Financial Holding Co., Ltd.	4,468
		All Consolidated Entities	5,911
Total Remuneration (A+B+C) as a % of 2007 Net Income		Mega Financial Holding Co., Ltd.	0.65%
		All Consolidated Entities	0.72%
Compensation Earned as Employee of the Company or of its Consolidated Entities	Salary, Bonus, Special Expenses, etc. (D)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	None
	Profits Sharing (Employee Bonus) (E)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	None
	Exercisable Employee Stock Options (F)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	None
Total Compensation (A+B+C+D+E) as a % of 2007 Net Income		Mega Financial Holding Co., Ltd.	0.65%
		All Consolidated Entities	0.72%
Compensation paid to Directors by Invested Enterprises other than Subsidiaries			322

Note:

1. The Company does not issue any employee stock options.
2. Business Administration Costs include allowance for company cars. Compensation paid to company drivers by all consolidated entities totaled NT$2,099 thousand.
3. The above-mentioned figures are preliminary and the proposed profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 13, 2008.

Unit: NT$

Remuneration Paid to the Company's Directors	Directors' Name			
	Total Remuneration (A+B+C)		Total Compensation (A+B+C+D+E)	
	From Mega Financial Holding Co. Ltd.	From All Consolidated Entities	From Mega Financial Holding Co., Ltd.	From All Consolidated Entities
Under NT$2,000,000	Mr. Yeou-Tsair Tsai, Mr. Teng-Cheng Liu, Ms. Mei-Ling Chen, Mr. Tain-Jy Chen, Mr. Chao-Hsi Huang, Mr. Yaw-Chung Liao, Mr. Teh-Nan Hsu, Mr. Jer-Shyong Tsai, Mr. Justin Jan-Lin Wei, Ms. Pei-Chun Tsai, Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, Mr. Ho-Yuan Yen	Mr. Teng-Cheng Liu, Ms. Mei-Ling Chen, Mr. Tain-Jy Chen, Mr. Chao-Hsi Huang, Mr. Yaw-Chung Liao, Mr. Teh-Nan Hsu, Mr. Jer-Shyong Tsai, Mr. Justin Jan-Lin Wei, Ms. Pei-Chun Tsai, Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, Mr. Ho-Yuan Yen	Mr. Yeou-Tsair Tsai, Mr. Teng-Cheng Liu, Ms. Mei-Ling Chen, Mr. Tain-Jy Chen, Mr. Chao-Hsi Huang, Mr. Yaw-Chung Liao, Mr. Teh-Nan Hsu, Mr. Jer-Shyong Tsai, Mr. Justin Jan-Lin Wei, Ms. Pei-Chun Tsai, Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, Mr. Ho-Yuan Yen	Mr. Teng-Cheng Liu, Ms. Mei-Ling Chen, Mr. Tain-Jy Chen, Mr. Chao-Hsi Huang, Mr. Yaw-Chung Liao, Mr. Teh-Nan Hsu, Mr. Jer-Shyong Tsai, Mr. Justin Jan-Lin Wei, Ms. Pei-Chun Tsai, Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, Mr. Ho-Yuan Yen
NT$2,000,000～NT$5,000,000	-	-	-	-
NT$5,000,000～NT$10,000,000	National Development Fund, Bank of Taiwan, Shun Tai Investments Corp.	National Development Fund, Bank of Taiwan, Shun Tai Investments Corp.	National Development Fund, Bank of Taiwan, Shun Tai Investments Corp.	National Development Fund, Bank of Taiwan, Shun Tai Investments Corp.
NT$10,000,000～NT$15,000,000	-	Mr. Yeou-Tsair Tsai	-	Mr. Yeou-Tsair Tsai
NT$15,000,000～NT$30,000,000	Mr. Shen-Chih Cheng, Ministry of Finance, Chinatrust Financial Holding Company	Mr. Shen-Chih Cheng, Ministry of Finance, Chinatrust Financial Holding Company	Mr. Shen-Chih Cheng, Ministry of Finance, Chinatrust Financial Holding Company	Mr. Shen-Chih Cheng, Ministry of Finance, Chinatrust Financial Holding Company
NT$30,000,000～NT$50,000,000	-	-	-	-
NT$50,000,000～NT$100,000,000	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	$111,399,597	$123,254,751	$111,399,597	$123,254,751

Note: The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders' Meeting on June 13, 2008.

Remuneration of Supervisors

December 31, 2007

Unit: NT$1,000

Item	Sub-Item	Paying Company	Amount
Supervisors' Remuneration	Compensation (A)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	None
	Profits Sharing (B)	Mega Financial Holding Co., Ltd.	36,791
		All Consolidated Entities	36,791
	Business Administration Costs (C)	Mega Financial Holding Co., Ltd.	1,200
		All Consolidated Entities	1,743
Total Remuneration (A+B+C) as a % of 2007 Net Income		Mega Financial Holding Co., Ltd.	0.22%
		All Consolidated Entities	0.23%
Compensation paid to Supervisors by Invested Enterprises other than Subsidiaries			None

Note: The proposed profits sharing will be effective upon the approval of shareholders at the Annual Shareholders' Meeting on June 13, 2008.

Unit: NT$

Remuneration Paid to the Company's Supervisors	Supervisors' Name	
	Total Remuneration (A+B+C)	
	From Mega Financial Holding Co., Ltd.	From All Consolidated Entities
Under NT$2,000,000	Ms. Shi-Kuan Chen, Mr. Dun-Jin Luh, Ms. Lindy Chern, Mr. Qing-Qi Lai, Mr. Min-Yu Wu, Mr. Hao-Erh Wei, Mr. Chun-Ko Chen	Ms. Shi-Kuan Chen, Mr. Dun-Jin Luh, Ms. Lindy Chern, Mr. Qing-Qi Lai, Mr. Min-Yu Wu, Mr. Hao-Erh Wei, Mr. Chun-Ko Chen
NT$2,000,000～NT$5,000,000	-	-
NT$5,000,000～NT$10,000,000	Taiwan Post Co., Ltd. Ho Kao Shan Int' l investment Co. Chinatrust Insurance Brokers Co., Ltd.	Taiwan Post Co., Ltd. Ho Kao Shan Int' l investment Co. Chinatrust Insurance Brokers Co., Ltd.
NT$10,000,000～NT$15,000,000	-	-
NT$15,000,000～NT$30,000,000	Ministry of Finance	Ministry of Finance
NT$30,000,000～NT$50,000,000	-	-
NT$50,000,000～NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	37,991,155	38,534,413

Note: Ms. Shi-Kuan Chen and Mr. Qing-Qi Lai resigned from the Board in Oct. 2007, and Apr. 2007, respectively.

Remuneration of President and Executive Vice Presidents

December 31, 2007

Unit: NT$1,000

Item	Paying Company		Amount
Salary (A)	Mega Financial Holding Co., Ltd.		7,861
	All Consolidated Entities		12,590
Bonus, Special Expenses (B)	Mega Financial Holding Co., Ltd.		5,368
	All Consolidated Entities		11,583
Employee Profit Sharing (Employee Bonus)(C)	Mega Financial Holding Co., Ltd.	Cash Bonuses	2,612
		Stock Bonuses	None
	All Consolidated Entities	Cash Bonuses	2,612
		Stock Bonuses	None
Total Remuneration (A+B+C) as a % of 2007 Net Income	Mega Financial Holding Co., Ltd.		0.09%
	All Consolidated Entities		0.16%
Amount of Employee Stock Options	Mega Financial Holding Co., Ltd.		None
	All Consolidated Entities		None
Compensation from Invested Enterprises Other Than Subsidiaries			1,283

Note: The amount of employee profit sharing is preliminary and subject to the approval by shareholders at the Annual Shareholders' Meeting on June 13, 2008.

Unit: NT$

Remuneration Paid to the Company's President and Executive Vice Presidents	Name of President and Executive Vice Presidents	
	Total Remuneration (A+B+C)	
	From Mega Financial Holding Co., Ltd.	From All Consolidated Entities
Under NT$2,000,000	Mr. Yeou-Tsair Tsai, Mr. Joseph J.P. Shieh	Mr. Joseph J.P. Shieh
NT$2,000,000～NT$5,000,000	Mr. Simon C. Dzeng, Ms. Jui-Yun Lin, Mr.Yung-Ming Chen	-
NT$5,000,000～NT$10,000,000	-	Mr. Simon C. Dzeng, Ms. Jui-Yun Lin, Mr.Yung-Ming Chen
NT$10,000,000～NT$15,000,000	-	Mr. Yeou-Tsair Tsai
NT$15,000,000～NT$30,000,000	-	-
NT$30,000,000～NT$50,000,000	-	-
NT$50,000,000～NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	15,839,905	28,067,198

Note: 1. Mr. Joseph J.P. Shieh resigned from the Company in Jan. 2007.

2. The amount of employee profit sharing is preliminary and subject to the approval by shareholders at the Annual Shareholders' Meeting on June 13, 2008.

3.4. Corporate Governance Operations

3.4.1 Board of Director Operations

The Board of Directors is responsible for setting the company's strategy and overseeing its implementation. It approves the operating budget, financial statements, profit distribution proposal, material contracts and transactions as well as the agenda of the Annual Shareholders' Meeting. The Company's meetings for the Board of Directors and Supervisors have always recorded high attendance rates. In the case of absence of any director, the director may entrust his/her rights to a director who is present. All board meetings reached the quorum of two third of directors (10 directors, including proxies), with the supervisors also present. For detailed information on the board meeting attendance for individual director and supervisor of the Company, please log on to the Market Observation Post System (http://newmops.tse.com.tw) .

Regular Board meeting is held once a month. There were 12 board meetings in 2007. The attendance of the individual directors and supervisors at these meetings is duly recorded as follows:

As of December 31, 2007

Position	Name	Attendance in Person	Proxy Attendance	Attendance Rate (%)	Notes
Chairman	Shen-Chih Cheng	11	0	91.67	Transferred from Chairman to director on Jan. 15, 2008
Director	Yeou-Tsair Tsai	11	1	91.67	Resigned on Jan. 15, 2008
Director	Teng-Cheng Liu	11	0	100.00	Left office on June 29, 2007 and Assume office on Aug. 8, 2007
Director	Tain-Jy Chen	8	1	66.67	
Director	Mei-Ling Chen	11	1	91.67	
Director	Teh-Nan Hsu	2	1	66.67	Left office on Apr. 17, 2007
Director	Jer-Shyong Tsai	3	0	100.00	Assume office on Apr. 17, 2007 and left office on July 12, 2007
Director	Justin Jan-Lin Wei	6	0	100.00	Assume office on July 12, 2007
Director	Chao-Hsi Huang	4	3	57.14	Left office on Aug. 1, 2007
Director	Yaw-Chung Liao	5	0	100.00	Assume office on Aug. 1, 2007
Director	Ho-Yuan Yen	11	1	91.67	
Director	Hong-Hsu Wen	3	8	25.00	
Director	Kuo-Huei Fang	11	1	91.67	
Director	Webster Wei-Ping Kiang	10	1	83.33	
Director	Pei-Chun Tsai	7	2	58.33	
Supervisor	Shi-Kuan Chen	8	0	80.00	Left office on Oct. 17, 2007
Supervisor	Lindy Chern	2	0	100.00	Assume office on Oct. 17, 2007
Supervisor	Dun-Jin Luh	12	0	100.00	Assume office on Aug. 31, 2006
Supervisor	Qing-Qi Lai	3	0	100.00	Left office on Apr. 10, 2007
Supervisor	Min-Yu Wu	7	0	77.78	Assume office on Apr. 10, 2007
Supervisor	Chun-Ko Chen	12	0	100.00	
Supervisor	Hao-Erh Wei	12	0	100.00	

Note1: In 2007, there were no written or otherwise recorded resolutions on which a director had a dissenting opinion or qualified opinion.

Note 2: The 2007 and 2008 objectives and implementation of enhancing the competency of the Board of Directors are set out below:

Year	Objectives	Implementation status
2007	Improving communication with foreign institutional investors	On its English website, the Company made disclosure of information on key resolutions of the Annual Shareholders' Meeting of the Company.
2008	Enhancing information transparency	Aside from mandatory information disclosure, the Company, on its own initiative, made public all matters concerning rights of its shareholders.

3.4.2 Status of Corporate Governance Operations, Deviations from Corporate Governance Best Practice Principles for Financial Holding Companies and Its Reasons

As a financial holding company (FHC), the Company is increasing its commitment to Corporate Governance Best-Practice Principles for Financial Holding Companies. Set forth below are the implementation status of our corporate governance, compared with the Corporate Governance Best-Practice Principles for Financial Holding Companies, promulgated by the Bankers Association of The Republic of China, and reasons for non-implementation.

Item	Implementation Status	Reason for Non-implementation
1. Shareholding Structure and Shareholders' Right:		
(1)Method of handling shareholder suggestions or complaints	The Company designated appropriate personnel to handle shareholders' suggestions, inquiries or complaints to protect shareholders' rights.	None
(2)The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	The major shareholders of the Company are institutional shareholders. The Company maintains a name list of major shareholders and a list of ultimate owners of these major shareholders.	None
(3)Risk management mechanism and firewall policy between the Company and its affiliates	The Company clearly defines different areas of authority and responsibility between itself and the subsidiaries concerning the management of staff, assets, and financial affairs in the following rules and policies: Rules for Monitoring Operations of the Subsidiaries, The Group Policy and Guidelines on Risk Management, and Group Firewall Policy Between The Company and Its Subsidiaries. Most subsidiaries also established an independent risk management unit in charge of risk control of the respective subsidiary.	None
2. Composition and Responsibilities of the Board of Directors		
(1)Establishment of independent directors	There are currently no independent directors in the Company.	The Company will establish independent directors starting from 2009 as per its Articles of Incorporation.
(2)Regular evaluation of the external auditors' independence	The Company assesses the independence of its external auditor every year at the time of appointment.	None

Item	Implementation Status	Reason for Non-implementation
3. Identity and Responsibilities of Supervisors		
(1)Establishment of independent supervisors	According to the Securities and Exchange Act promulgated in 2006, all public companies are not required to set up independent supervisors.	Not applicable
(2)Communication channel with employees or shareholders	Supervisors are entitled to have access to the Company's senior management and employees. The Audit Office of the Company also reports to the supervisors on the results of its internal audit on a regular and irregular basis. Shareholders also have access to the Company's supervisors.	None
4. Communication channels with stakeholders	Communication has been direct and thorough between the Company and its stakeholders, such as corresponding banks, creditors, employees, and clients. The stakeholder rights are duly respected.	None
5. Information Disclosure		
(1)Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status	The Company has set up a website to disclose financial and business information. Dedicated personnel are designated to maintain and update the website.	None
(2)Other information disclosure channels	Other methods of disclosure include: setting up an English website, designation of dedicated personnel responsible for collection and disclosure of the Company's information, full implementation of the spokesperson system, and disclosing the information of investor conference on the Company's website.	None
6. Operations of Audit Committee and other committees of the Board of Directors	No Audit Committee has been established at the present time. The Company has set up a Risk Management Committee responsible for monitoring risk management for the Group.	Members of the audit committee should be composed of independent directors according to the Securities and Exchange Act. The Company has not established audit committee as it has not established independent directors yet.

7. Explain the status of the Company's corporate governance, its deviation from the Corporate Governance Best-Practice Principles for Financial Holding Companies, and the reasons for the deviations.

(1)The status of corporate governance:

In addition to maintaining a sound organization and system, the Company also employed the following methods to enhance corporate governance:

∨ establishing "Procedures Governing The Board Meeting" and "Procedure for The Election of Directors and Supervisors"

∨ disclosing information concerning the financial status, business operation, and shareholding of insiders of the Company on the website as designated by the competent authority

∨ setting up Risk Management Department responsible for an effective risk management of the Group

(2)The deviation and the reasons for the deviation:

The Company's primary deviation from the Corporate Governance Best-Practice Principles for Financial Holding Companies is that the Company has yet to establish Independent Directors and Audit Committee. In accordance with Paragraph two,Article 181 of the Securities and Exchange Act, companies renewing board directors in 2006 are not applicable to the Article 14 -2 of the Securities and Exchange Act requiring setup of independent directors.

8. Implementation of social responsibility

In its commitment to corporate social responsibility and contribution to the society, the Company has actively participated in a number of social and charity events. Besides sponsoring academic and arts events, the Company made donations to the Taipei Municipal Zhong-xiao Elementary School for the construction of the Graduation Memorial Wall. Also through the Mega Charity Foundation co-invested by the Group, the Company has participated in social welfare charity, and offered help to a number of disadvantaged groups. In 2007, the Foundation offered provisions and the funding for the constructions and renovations of a few institutions for the mentally challenged. The Foundation also provided subsidies for school meals for primary schools in remote areas, medical and funeral expenses for the disadvantaged patients, supplies and provisions for the indigenous communities in the mountainous areas where the transportation links was cut off due to severe storms.

9. Other information that would help understand the status of the Company's corporate governance:

(1)Continuing education for the directors and supervisors

The directors and supervisors of the Company possess knowledge, skills, and capacity necessary to carry out their responsibilities, and are also receiving continuing education. To enhance the competency of the Board of Directors, the Company periodically provides directors and supervisors with education opportunities, taken into consideration of both the demand of the directors and supervisors and the management strategy of the Company. For detailed information on the continuing education for individual director and supervisor of the Company, please log on to the Market Observation Post System of Taiwan Stock Exchange. (http://newmops.tse.com.tw).

(2)Implementation of risk management policy and risk-weighing standard:

In addition to fully compliance of government regulations, the Company aims at to establishing a risk management mechanism that conforms to international standards. Currently, the Company established the Policy and Guidelines on Risk Management for the Mega Financial Group, which clearly described the guidelines on credit risk, market risk, operational risk, legal risk, human resource risk, and emergency crisis management. On credit risk, the Company set up Guidelines on Credit Risk Management for the Mega Financial Group to avoid over-concentration of risk. The Guidelines requires that the credit risk exposure of the Group be divided into different categories by industries and types of clients, and be reviewed and reported on a regular basis. Up to the present time, no over-concentration of risk was observed. In addition, the Company has completed the Internal Rating Model Buildup, and entrusted the Mega International Commercial Bank with the follow-up implementation of the project. In the future, the Company will seek to gradually develop a mechanism for quantitative credit risk control that conforms to related international best practices and the New Basel Accord. On market risk, the Company reviewed the current risk control reports of each subsidiary on a regular basis. In collaboration with concerning units, the Company has established related rules and regulations, and is also planning to set up an integrated risk management system to perfect its market risk management. On operational risk, the current objectives are to enhance internal control and build up an internal loss data mart. The Company established the Guidelines on Operational Risk Management for the Mega Financial Group to provide consistent directions for all subsidiaries in operational risk management.

(3)Consumer-and customer-protection policy, and its implementation:

The security measures adopted by the Company and its subsidiaries are pursuant to the Article 42 of the Financial Holding Company Act and the Article 18 and 23 of the Computer Processing Personal Privacy Law. The Company also set up strict measures, including Group Firewall Policy, to protect customer privacy. No disclosure, referral, or exchange of client data by the Company would be carried out without an agreement signed by or written consent from the client, in accordance with the Self-discipline for Financial Holding Company and Its Subsidiaries. In addition, the subsidiaries set up client hotlines to handle customer complaints in a timely manner.

(4)State of enforcement by directors of stakeholder resolutions for recusal:

In meetings of Board of Directors, directors withdraw for conflict of interests by neither participating in discussion nor exercising voting right, including voting as a proxy to other director. The 14th meeting of the Third Board of Directors of the Company, held on June 26th, 2007, resolved distribution of remuneration for directors and supervisors. In preventing potential conflicts of interest, Mr. Shen-Chih Cheng, the former Chairman of the Board, recused himself from the resolution, and entrusted Mr. Teng-Cheng Liu, Representative of Ministry of Finance, to act as Acting Chairman for the meeting. The resolution was passed after thorough discussions among all presenting Directors of the Board in the board meeting.

(5)Purchase of D&O insurance for the directors and supervisors of the Company:

The Company maintains D&O insurance for the directors and supervisors of the Company and its subsidiaries.

3.4.3 Major Resolutions of Shareholders' Meeting and Implementation Status

- The Annual Shareholders' Meeting of the Company held on June 15, 2007 approved the profit sharing proposal regarding distribution of NT$16,589,139,357 cash dividend, NT$22,553,847 employee cash bonus, and NT$148,817,316 compensation for directors and supervisors. The aforementioned dividend was distributed on August 30, 2007, and employee bonuses and directors and supervisors compensation were also paid.
- The Annual Shareholders' Meeting of the Company held on June 15, 2007 approved the revision to the Articles of Asset Acquisition or Disposal Procedures. Disclosure of information concerning the revised articles is made on the Market Observation Post System (M.O.P.S.) of TSEC and the Company's public website.
- The Annual Shareholders' Meeting of the Company held on June 15, 2007 approved the resolution to release Mr. Jer-Shyong Tsai, director of the Company, and the representative of Shun Tai Investments Corp., juridical person member of the Board of Directors, from non-competition restrictions. The meeting minutes were submitted to shareholders in accordance with the Articles of Incorporation.

3.4.4 Major Resolutions of Board Meetings

- The 9th meeting of the Third Board of Directors of the Company, held on January 16, 2007, approved the resolution to appoint Ms. Jui-Yun Lin, the Executive Vice President of the Company, as the Chairman and President of the Mega CTB Venture Capital Co., Ltd., a subsidiary of the Company.
- The 10th meeting of the Third Board of Directors of the Company, held on February 13, 2007, approved the merger between its two subsidiaries, the Mega Investment Trust Co., Ltd. and the International Investment Trust Co., Ltd. (IIT). The Company kept IIT as the surviving company and renamed Mega International Investment Trust Co., Ltd.
- The 11th meeting of the Third Board of Directors of the Company, held on March 20, 2007, approved the resolution to convene the 2007 Annual Shareholders' Meeting at 9 a.m., June 15, 2007.
- The 13th meeting of the Third Board of Directors of the Company, held on May 15, 2007, approved the cancellation of 110,023,000 shares of treasury stock pursuant to Section 2(4), Article 28 of the Securities and Exchange Law. The record date for the capital reduction is July 17, 2007.
- The 14th meeting of the Third Board of Directors of the Company, held on June 26, 2007, approved the resolution to appoint Ms. Lee, Hsiu-Ling and Mr. Li, Chang-Chou, CPAs from the PricewaterhouseCoopers, as the new independent auditors of the Company in replacement of Ms. Lee, Hsiu-Ling and Mr. Yang, Wen-An, CPAs from Ernest & Young since the first half of 2007.
- The 16th meeting of the Third Board of Directors of the Company, held on August 21, 2007, approved the issuance of unsecured corporate bonds not exceeding a total amount of NT$15 billion.

3.4.5 Resignation and Termination of Employment of Persons Related to the Financial Statements

Title	Name	Date Elected (Effective)	Resignation Date	Reason
Chairman	Shen-Chih Cheng	91.02.04	Jan. 15, 2008	Personal career planning
President	Yeou-Tsair Tsai	95.03.21	Jan. 15, 2008	The Ministry of Finance changed its representative of director

3.5 Information Regarding Independent Auditor

Audit Fees

The Company's financial report for the first quarter of 2007 was audited by Ms. Lee, Hsiu-Ling and Mr. Yang, Wen-An of Ernst & Young, while the financial report for the first half of 2007 was audited by Ms. Lee, Hsiu-Ling and Mr. Li, Chang-Chou because Ms. Lee, Hsiu-Ling resigned from Ernst & Young, and joined PricewaterhouseCoopers effective from July 1, 2007. The non-audit fee paid to the independent auditors account represents only 12.84% of the audit fee for 2007.

Unit: NT$

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Audit Period	Note
			System Design	Company Registration	Human Sources	Others	Subtotal		
Ernst & Young	Lee, Hsiu-Ling Yang, Wen-An	768,000	0	0	0	86,471	86,471	Jan. 1, 2007~ June 30, 2007	Service charge for review of the transfer pricing report
Pricewater-houseCoopers	Lee, Hsiu-Ling Li, Chang-Chou	1,152,000	0	0	0	160,000	160,000	July 1, 2007~ Dec. 31, 2007	Serice charge for reviewing the issusance documents of corpoarate bond

The Company's chairman, chief executive officer, chief financial officer, and managers in charge of its finance and accounting operations did not hold any positions within the Company's independent audit firm or its affiliates during 2007.

3.6 Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Major Shareholders

Unit: Share

Title	Name	2007		As of 03/31/2008	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Joseph Jye-Cherng Lu	0	0	0	0
Director, Supervisor	Ministry of Finance of the ROC	0	0	0	0
Director	The National Development Fund	0	0	0	0
Director	Bank of Taiwan	0	0	0	0
Director	Chinatrust Financial Holding Co., Ltd.	(440,080,000)	0	(11,341,000)	0
Director	Shun Tai Investments Corp.	0	0	0	0
Director	Shen-Chih Cheng	0	0	0	0
Supervisor	Taiwan Post Co., Ltd.	0	0	0	0
Supervisor	Chinatrust Insurance Brokers Co., Ltd.	0	0	0	0
Supervisor	Ho Kao Shan Int'l investment Co.	0	0	0	0
Ex-President	Yeou-Tsair Tsai (Note 2)	0	0	0	0
President	Ray-Beam Dawn (Note 3)	0	0	0	0
Executive Vice President	Simon C. Dzeng	0	0	0	0
Executive Vice President	Jui-Yun Lin	0	0	0	0
Chief Auditor	Yung-Ming Chen	0	0	0	0

3.7 Long-term Investment Ownership

As of Dec. 31, 2007

Long-term Investment	Ownership by Mega FHC (1)		Direct/Indirect Ownership by Directors, Supervisors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Mega International Commercial Bank	6,410,987,838	100.00	0	0.00	6,410,987,838	100.00
Mega Securities Co., Ltd.	1,320,000,000	100.00	0	0.00	1,320,000,000	100.00
Mega Bills Finance Co., Ltd.	1,511,441,084	100.00	0	0.00	1,511,441,084	100.00
Chung Kuo Insurance Co., Ltd.	300,000,000	100.00	0	0.00	300,000,000	100.00
Mega Int'l Investment Trust Co., Ltd.	37,564,193	63.52	19,674,559	33.26	57,238,752	96.78
Mega Asset Management Co., Ltd.	200,000,000	100.00	0	0.00	200,000,000	100.00
Mega Life Insurance Agency Co., Ltd.	2,000,000	100.00	0	0.00	2,000,000	100.00
Mega CTB Venture Capital Co., Ltd.	100,000,000	100.00	0	0.00	100,000,000	100.00
Mondex Taiwan Inc.	394,823	6.69	197,412	3.35	592,235	10.04
Taiwan Depository & Clearing Corp.	1,206,958	0.42	3,495,460	1.20	4,702,418	1.62
Taipei Financial Center Corp.	122,500,000	5.00	141,666,666	5.78	264,166,666	10.78
Taiwan Business Bank	520,638,476	13.44	845,588,056	21.83	1,366,226,532	35.27
China Products Trading Co.	0	0.00	68,274	68.27	68,274	68.27
Cathay Insurance Company, Inc.	0	0.00	432,321	86.46	432,321	86.46
CTB I Venture Capital Co., Ltd.	0	0.00	55,000,000	55.00	55,000,000	55.00
Yung-Shing Industries Co.	0	0.00	952,195	99.56	952,195	99.56
Win Card Co., Ltd.	0	0.00	500,000	100	500,000	100
CTB Financial Management & Consulting Co., Ltd.	0	0.00	1,000,000	100	1,000,000	100
Mega Futures Co., Ltd.	0	0.00	60,760,000	100	60,760,000	100
Mega Global Asset Management Co., Ltd.	0	0.00	3,740,000	100	3,740,000	100
Mega International Investment Services Co., Ltd.	0	0.00	10,000,000	100	10,000,000	100
Mega Securities Holdings Co., Ltd.	0	0.00	40,990,337	100	40,990,337	100
Mega Capital (Asia) Co., Ltd.	0	0.00	80,000,000	100	80,000,000	100
Mega Securities (Hong Kong) Co., Ltd.	0	0.00	100,000	100	100,000	100
Mega International Asset Management Co., Ltd.	0	0.00	15,000,000	100	15,000,000	100
Mega International Commercial Bank (Canada)	0	0.00	230,000	100	230,000	100
Mega International Commercial Bank Public Co., Ltd.	0	0.00	400,000,000	100	400,000,000	100
Cathay Investment & Development Corp.(Bahamas)	0	0.00	5,000	100	5,000	100
Cathay Investment & Warehousing Ltd.	0	0.00	1,000	100	1,000	100
Ramlett Finance Holdings Inc.	0	0.00	1,500	100	1,500	100
ICBC Assets Management & Consulting Co., Ltd.	0	0.00	16,034,000	100	16,034,000	100
ICBCAMC Offshore Limited	0	0.00	1	100	1	100
ICBCAMC Offshore (Taiwan) II Limited	0	0.00	1	100	1	100
Junior Preference Share Company (Taiwan) II Limited	0	0.00	1	100	1	100
Junior Preference Share Company Limited	0	0.00	1	100	1	100
IP Fund Seven Ltd.	0	0.00	25,000,000	25.00	25,000,000	25.00
An Fang Co., Ltd.	0	0.00	750,000	25.00	750,000	25.00
Taiwan Finance Corporation	0	0.00	126,713,700	24.55	126,713,700	24.55
United Venture Capital Corp.	0	0.00	17,920,000	25.31	17,920,000	25.31
Everstrong Iron Steel & Foundry & Mfg Corp.	0	0.00	1,760,000	22.22	1,760,000	22.22
China Real Estate Management Co., Ltd.	0	0.00	9,000,000	20.00	9,000,000	20.00
China Insurance Co. (SIAM), Ltd.	0	0.00	1,515,000	25.25	1,515,000	25.25

Securities Issuance Disclosure

Securities Issuance Disclosure

4.1 Capital and Shares

4.1.1 Capitalization

As of Apr. 30, 2008

Month/Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark	
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of Capital	Date of Approval by the Authority
03/2006	10	12,000,000,000	120,000,000,000	11,169,449,238	111,694,492,380	Cancellation of 196,280,423 treasury share with par value of NT$1,962,804,230	03/14/2006
07/2007	10	12,000,000,000	120,000,000,000	11,059,426,238	110,594,262,380	Cancellation of 110,023,000 treasury shares with par value of NT$1,100,230,000	06/28/2007

4.1.2 Capital and Shares

As of Apr. 30, 2008

Type of Stock	Authorized Share Capital			Remark
	Issued Shares (Note)	Unissued Shares	Total	
Common Stock	11,059,426,238	940,573,762	12,000,000,000	

Note: All issued shares are listed on the Taiwan Stock Exchange.

4.1.3 Composition of Shareholders

As of Apr. 15, 2008

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institution & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	22	42	539	258,450	429	259,482
Shareholding(Unit: 1000)	1,887,712	1,391,748	3,293,558	1,600,832	2,885,576	11,059,426
Holding Percentage (%)	17.07	12.58	29.78	14.48	26.09	100.00

4.1.4 Distribution Profile of Share Ownership

Par value per share: NT$10 As of Apr. 15, 2008

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	110,732	38,502,621	0.35%
1,000 ~ 5,000	91,896	219,387,939	1.98%
5,001 ~ 10,000	27,329	202,510,346	1.83%
10,001 ~ 15,000	9,589	116,629,696	1.05%
15,001 ~ 20,000	5,746	102,018,745	0.92%
20,001 ~ 30,000	4,990	123,105,252	1.11%
30,001 ~ 40,000	2,500	87,185,985	0.79%
40,001 ~ 50,000	1,583	72,078,744	0.65%
50,001 ~ 100,000	2,816	197,033,003	1.78%
100,001 ~ 200,000	1,195	164,705,575	1.49%
200,001 ~ 400,000	466	128,309,202	1.16%
400,001 ~ 600,000	144	69,986,223	0.63%
600,001 ~ 800,000	85	60,182,969	0.54%
800,001 ~ 1,000,000	53	47,488,511	0.43%
1,000,001 ~ 1,200,000	33	36,495,518	0.33%
1,200,001 ~ 1,400,000	29	37,812,133	0.34%
1,400,001 ~ 1,600,000	23	34,690,213	0.31%
1,600,001 ~ 1,800,000	18	30,793,186	0.28%
1,800,001 ~ 2,000,000	20	38,399,140	0.35%
Over 2,000,001	235	9,252,111,237	83.68%
Total	259,482	11,059,426,238	100.00%

4.1.5 Net Worth, Earnings, Dividends, and Market Price Per Common Share

Unit: NT$

Item / Year		2007	2006	As of March 31, 2008
Market Price Per Share (*1)	High	24.70	25.80	25.40
	Low	19.00	20.65	19.45
	Average	21.22	23.47	22.25
Net Worth Per Share (*2)	Before Distribution	17.54	18.06	17.65
	After Distribution	-	16.23	-
Earnings Per Share	The Weighted Average of Outstanding Shares	11,059,426,000 shares	11,059,426,000 shares	11,059,426,000 shares
	Earnings Per Share	1.54	1.50	0.07
Dividends Per Share	Cash Dividends	1.50	1.50	-
	Stock Dividends	-	-	-
	Cumulative Undistributed Dividends	-	-	-
Investment Return Analysis	PE Ratio (*3)	13.78	15.42	78.18
	Price-Dividend Ratio (*4)	14.15	15.42	-
	Cash Dividend Yield (%)(*5)	7.07	6.39	-

* 1：Average market price = current year trading value / current year trading volume
* 2：Net worth per share = net worth / total number of shares outstanding
* 3：PE Ratio = Average Closing Price / Earnings Per Share
* 4：Price-Dividend Ratio = Average Closing Price / Cash Dividends Per Share
* 5：Cash Dividend Yield = Cash Dividends Per Share / Average Closing Price

4.1.6 Dividend Policy

According to its Articles of Incorporation, the Company's dividend policy is as follows:

After paying all taxes and covering its accumulated losses of the previous years in accordance with the laws, the Company shall set aside a legal reserve in accordance with the laws. Aside from the aforesaid legal reserve, the Company may set aside special reserve, in accordance with laws or its actual needs. The Company may also retain certain earnings.

The remaining balance of net earnings shall be distributed as follows in accordance with the proposal of the meeting of Board of Directors, subject to the resolutions of the shareholders' meeting:

(1) shareholders' dividends

(2) remuneration of directors and supervisors, not exceeding 1%

(3) employees' profit sharing (employee bonus), between 0.02 % and 0.16 %

In principle, at least 50% of the shareholders' dividends in the item (1) of the above Paragraph shall be paid in cash, and the rest paid by stock dividend. The aforesaid employees' profit sharing shall be distributed in cash or stock subject to the approval of shareholders' meeting. The employees of affiliates of the Company may also be entitled to the employees' stock bonus, subject to the rules set forth by the Board of Directors.

4.2 Proposal to Distribute 2007 Profits

It is proposed to submit to the Annual Shareholders' Meeting of the Company, to be held on June 13th, 2008, for their approval of the distribution of NT$13,824,282,798 cash dividends ($1.25 per share), NT$21,400,000 employee profit sharing in cash, and NT$139,000,000 compensation for directors and supervisors. The earnings per share for 2007 will be NT$1.53, should the compensation for directors and supervisors be accounted for as expenses.

4.3 2006 Profit Distribution

In 2007, the Company distributed the profits for 2006 as resolved by the shareholder meeting held on June 15, 2007. Set forth below are the details of profit distribution:

Unit: NT$

Item	Amount
Cash Dividends to Common Shareholders (NT$)	$16,589,139,357
Compensation for Directors and Supervisors	148,817,316
Employee Profit Sharing in Cash	22,553,847
Total	$16,760,510,520

4.4 Corporate Bonds

Issue	2007- 1 Domestic Unsecured Bond	2007- 2 Domestic Unsecured Bond
Issue Date	Oct. 25, 2007	Feb. 4, 2008
Denomination	NT$1,000,000	NT$1,000,000
Issue/Transaction Place	Taiwan	Taiwan
Issue Price	Par	Par
Total Amount	NT$4,000,000,000 (including Tranche A for NT$3,000,000,000, Tranche B for NT$700,000,000 and Tranche C for NT$300,000,000)	NT$3,700,000,000 (including Tranche A for NT$1,300,000,000, Tranche B for NT$400,000,000, Tranche C for NT$2,000,000,000)
Coupon Rate	Tranche A: 2.70% p.a.	Tranche A: 2.68% p.a.
	Tranche B: 90-day TWD BACP + 0.27% p.a.	Tranche B: 90-day TWD BACP + 0.22% p.a.
	Tranche C: 2.80% p.a.	Tranche C: 2.78% p.a.
Maturity	Tranche A & B: 3 years (due 10/25/2010) Tranche C: 5 years (due 10/25/2012)	Tranche A & B: 3 years (due 02/04/2011) Tranche C: 5 years (due 02/04/2013)
Repayment priority	Senior debt	Senior debt
Guarantor	None	None
Trustee	Bank SinoPac	Bank SinoPac
Underwriter	None	None
Legal Counsel to the issuer	Fang-Gui Guo Law Office	Shintai Law Office
Auditor (note 2)	PricewaterhouseCoopers	PricewaterhouseCoopers
Repayment	Bullet	Bullet
Outstanding	NT$4,000,000,000	NT$3,700,000,000
Redemption or Early Repayment Clause	None	None
Credit Rating	twAA by Taiwan Ratings Corp. dated 9/28/2007	twAA by Taiwan Ratings Corp. dated 12/21/2007

Operating Overview

Operating Overview

5.1 The Economic and Financial Environment in 2007

5.1.1 Economic Situation

In 2007, the economic growth in Taiwan reached three year high of 5.70% as net foreign demand rose significantly higher than expected. Private consumption and private investment growth contributed 1.47% and 0.51% to GDP growth, respectively, while commodity trade surplus set a record high of US$27.4 billion. Service export also increased substantially. As a result, net foreign demand contributed 3.74% to economic growth, exceeding the contribution of domestic demand for the third year.

Since 2007, most of Taiwanese economic indicators have maintained steady growth. In 2007, the export and import value rose 10.1% and 8.2%, respectively, to reach US$246.72 billion and US$219.35 billion. Value of export orders increased by 15.54% to US$345.81 billion from 2006. Industrial production also grew 7.76% from 2006. Retail sales of general merchandise reached US$771.6 billion, an increase of 4.42% from the previous year. In 2007, the private consumption enjoyed quarter-over-quarter increase, and posted an average annual growth of 2.93%. This is mainly due to a continued improvement in domestic employment situation, brilliant performance in stock market, and the credit card crisis nearing an end. Private investment also rose 5.07% as the semiconductor factories increased their capital expenditure on machine equipments.

5.1.2 Financial Environment

Interest Rates

In 2007, the interest rates in Taiwan have seen a moderate increase as the Central Bank raised discount rates four times by a total of 0.625 % to curb inflation. The discount rate was 3.375% as at December 31, 2007, while the interest rate for interbank overnight call loan reached 2.05%. The annual average of the interbank overnight call loan interest rate reached 1.90%, an increase of 0.45 % from the year before. Overall, however, the domestic money market remained easy.

Foreign Exchange Rates

In 2007, the exchange rate of TWD against USD has shown a trend from depreciation to appreciation. In December 2007, the average exchange rate of TWD against USD reached NT$32.42, appreciating 0.33% from December 2006. The annual average exchange rate reached NT$32.84, a depreciation of 0.94% from 2006.

Stock Market

In 2007, the average daily trading volume in the Taiwanese stock market reached NT$171.9 billion, a significant growth of 44.21% from NT$119.2 billion in 2006. Average loans balance for margin trading also grew by 43.75% from NT$295.8 billion to NT$425.2 billion.

Financial Industry

In 2007, a majority of domestic banks have seen their credit card crisis nearing an end, and, therefore, are moving back to the track of growth. There are nine domestic banks posting more than NT$10 billions in earnings before tax, while a number of financially weak banks merged or acquired by foreign investors wrote off bad debts aggressively. Consequently, pre-tax profit of domestic banks as a whole reached NT$38.8 billion only. Although it showed a significant increase from a total loss of NT$7.4 billion in the year before, the 2007 earnings before tax in the industry is still low. It is obvious that the performance of domestic banks diverged significantly.

The Financial Supervisory Commission, Taiwan (FSC) has revised the requirements for setting up new financial holding companies and approved the establishment of Taiwan Financial Holding Companies which start operations from Jan. 2, 2008. Besides, several foreign banks, private equity funds and local banks succeeded in merging some financially weak domestic banks. These have increased competition in the market.

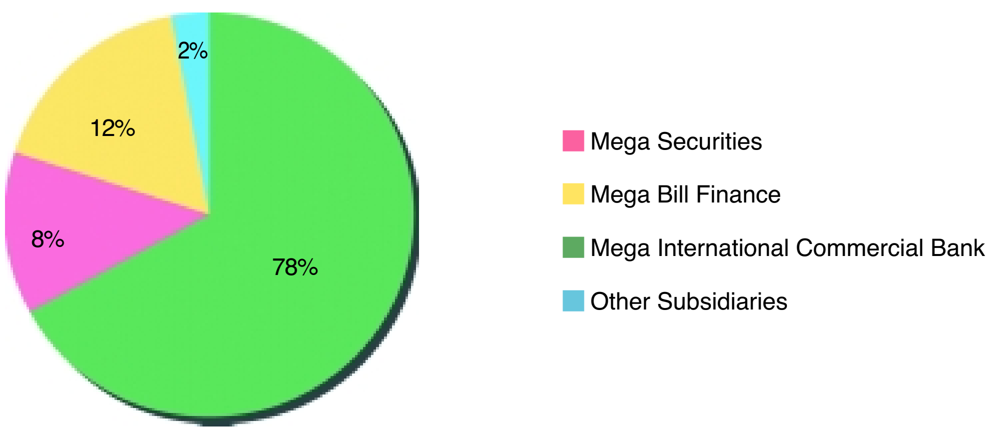
In response to increasing competition in the marketplace, domestic banks in Taiwan have continued to raising revenue generated form cross border business and developing OBU business. Hence, earnings of OBUs as a percentage of total profit reached 58% for all domestic banks while that of overseas branches rose to 27%.

5.2 Business Overview

Mega Financial Holding Co., Ltd.

The profitability of Taiwan's 14 financial holding companies improved in 2007 after the credit and cash card debt crisis in 2006. The Company recorded a net income after tax of NT$17,070 million, ranked second in the industry. The Company's revenues mainly come from Mega International Commercial Bank Co., Ltd., Mega Securities Co., Ltd. and Mega Bills Finance Co., Ltd. The 2007 investment income of the Company amounted to NT$17,396 million, an increase of 5.61% compared with the previous year.

Contribution to Mega FHC's Investment Income



Operating Overview

Mega International Commercial Bank Co., Ltd. ("MICB")

In 2007, most of local banks in Taiwan shrugged off the shadow of unprecedented consumer financial crisis, and posted a better performance compared to 2006. The MICB continued to build on the solid foundation laid down by its predecessors, the ICBC and the CTB, and adopted a rigorous policy for expanding consumer banking business. In 2007, the MICB turned in a brilliant performance of NT$14,031 million in earnings after tax, outshining other domestic banks for two straight years.

Business-wise, deposits and loans were on the rise to reach NT$1,192 billion and NT$ 1,155 billion, respectively. In regard to foreign exchange business in which the bank specialized, the volume was US$511 billion, up 15.81% year on year. The MICB's operating performance in 2007 is shown in the following table:

Units: NT$ million, except foreign exchange in US$ million

Item \ Year	2007	2006	Change (%)
Deposits	1,192,447	1,145,263	4.12
Loans	1,155,169	1,081,344	6.83
Foreign Exchange (US$)	511,187	441,401	15.81
Securities Purchased	188,877	243,934	-22.57
Long-term Equity Investments	34,030	34,476	-1.29
Trust Assets	258,459	190,371	35.77
Corporate loans	951,852	864,412	10.12
Consumer loans*	250,120	222,414	12.46
Credit card loan	3,315	4,725	-29.84

* excluding credit card loan

Asset Quality

The non-performing loans outstanding at the end of 2007 amounted to NT$12,081 million, representing a non-performing loan ratio of 1.00%, lower than the overall average for Taiwanese domestic banks of 1.84% as disclosed by the FSC. The bank's bad debt coverage ratio was 71.75%, higher than the overall average for Taiwanese domestic banks of 64.82% as well.

Mega Securities Co., Ltd. ("MSC")

Responding to increasing competition of the domestic securities market, MS continued to improve service quality, diversify lines of products and develop overseas business. In 2007, MSC set up a new branch office is Taichung and acquired the entire operations, assets and liabilities of Yuan-Lin Branch of Fullong Securities Company by cash to increase its market share in security brokerage. Besides maintaining the sound operating performance of existing product lines, the MSC continues to develop market opportunities in the Greater China region, and to expand its securities brokerage, underwriting and wealth management business targeting Taiwanese businessmen in China. The company recorded a net profit after tax of NT$1,409 million for the year 2007, declining 31.83% from the previous year.

The volume of securities brokerage conducted by MSC represents a market share of 3.07% or ranked 11th in the industry, compared with 2.73% or ranked 12 in 2006. MSC issued 83 warrants in total, ranked 12th in the market, and issued NT$1,097 million worth of structured products, ranked 7th in the market.

MSC's operating performance in 2006 is shown in the following table:

Item		2007	2006	Change (%)
Securities Brokerage	Market share (%)	3.07%	2.73%	12.45
Securities Underwriting-equity	Companies under MSC's assistance in preparing application for listing on the stock exchange	18 companies	13 companies	38.46
	Companies under MSC's assistance in preparing application for trading over the counter	22 companies	17 companies	29.41
	IPO	5 issues	1 issues	400.00
	SPO	10 issues	15 issues	-33.33
Securities Underwriting-bond	Corporate bond and financial debenture underwriting	3 issues	3 issues	—
	Corporate bond and financial debenture underwriting volume	NT$ 10,700 million	NT$ 9,000 million	18.89
New Financial Products	Warrants	83 issues	44 issues	88.64
	Structured products	NT$ 1,097 million	NT$ 547 million	100.55

Mega Bills Finance Co., Ltd. ("MBF")

Due to adverse local economic environment and the central bank's stance of gradual increase in interest rates, the bills market in Taiwan saw fierce competition in 2007. The spread between long-term and short-term interest rates narrowed significantly (flattening in the yield curve), making proprietary trading of the fix income securities more difficult. In spite of the unfavorable market conditions, the MBF remained the market leader in the bills market and generated NT$2,120 million in earnings after tax, ranked 1st in the industry. The MBF's operating performance in 2007 is shown as follows:

Units: NT$ million

Item	2007	2006	Change (%)
Underwriting and Purchasing Bills	1,545,507	1,839,884	-16.00
Guaranteed Issues of Commercial Paper	1,476,982	1,677,305	-11.94
Dealing in Bills	8,613,726	9,580,473	-10.09
Dealing in Bonds	11,328,508	12,586,282	-9.99
Guaranteed Issues of Commercial Paper Outstanding	126,906	145,112	-12.55
Payments for Overdue Credits	671	471	42.46
Percentage of Payments for Overdue Credits	0.61%	0.32%	90.63

Chung Kuo Insurance Co., Ltd. ("CKI")

- Direct written business:

  Total direct written premiums income of 2007 amounted to NT$6,487 million, a drop of NT$111 million or 1.68% compared to the NT$6,598 million of 2006.

- Inward reinsurance business:

  Reinsurance premiums income of 2007 reached NT$1,019 million, declining NT$198 million or 16.27% from the NT$1,217 million of 2006.

Mega International Investment Trust Co., Ltd. ("MIIT")

The merger between MIIT and Mega Investment Trust Co., Ltd. was effective from September 17, 2007. As of the end of 2007, MIIT had a total of NT$61.23 billion in assets under management, of which the company ran NT$60.07 billion mutual funds, representing a market share of 2.94% and ranking 14th among all 38 securities investment trust companies. Total assets under management declined NT$5,394 million or 8.10% from 2006 due to size shrink of bond fund arising from rising interest rates.

Mega Asset Management Co., Ltd. ("MAM")

The domestic NPL market witnessed a fierce competition as the sales volume of NPL fell in 2007. As a result, the cost of acquiring NPL was higher. MAM also faced more challenges in the disposal of NPL. In 2007, MAM purchased NPL through open bidding and negotiation a total of NT$15.16 billion, a decrease of NT$3.62 billion, or 19.28% from 2006. The net proceeds from disposal of the purchased NPL amounted to NT$765 million, generating a net income after tax of NT$309 million in 2007.

Mega CTB Venture Capital Co., Ltd.

Taking full advantage of the favorable market conditions, the company achieved an increase in its revenue from disposal of shareholding. The company recorded a profit of NT$33 million. At the year end, its direct investment amounted to NT$ 429 million, representing a growth of 133.15% from NT$184 million recorded in 2006.

Mega Life Insurance Agency Co., Ltd. (MLIA)

In 2007, the insurance commission income generated by the subsidiary amounted to NT$420 million, representing a growth of 35.48% from NT$310 million recorded in 2006.

5.3 Operating Policies in 2008

Mega Financial Holding Co., Ltd.

(1) Improving risk management system and tools, and reinforcing the Group's risk control practices

- To collect and analyze risk data of all subsidiaries and to help subsidiaries establish risk control points of each practice
- To supervise subsidiaries' implementation and validation of internal credit risk rating system in conforming with Basel II
- To enhance training in professional risk management, and to gradually improve risk control techniques, practices and tools
- To evaluate various risk management systems and projects so as to build an asset and liability management (ALM) for the Group

(2) Integrating the Group's resources and enhancing operating performance

- To integrate the Group's extensive distribution channels to pursue synergy
- To take advantage of overseas network to develop core business, lower operating costs and maximize shareholder value

(3) Continuing to research on the optimal capital structure of the Group and reinforcing financial operations performance and transparency
- To strengthen capital management and financial structure so as to enhance the Group's financial operations performance
- To disclose timely financial information and online update so as to enhance the Group's financial transparency
- To increase consistency in financial treatment among member's of the Group in order to enhance the reliability of financial statements
- To maximize the Group's synergy through tax planning

(4) Optimizing human resource allocation in accordance with performance evaluation system
- To provide educational training to strengthen core competencies of all employees and help maximize their potential
- To carry through the flattening of organizational structure and downsizing

(5) Integrating the Group's information systems and information sharing services
- To gradually converge facilities across the information centers of all subsidiaries so as to improve efficiency and lower costs
- To plan for establishment of a single network for all data transmission, and voice and image communication
- To establish a collaboration system to enhance efficiency of all services across the Group
- To set up a joint customer service center to carry out customer-centered services

Mega International Commercial Bank Co., Ltd.

(1) Development of the international market with a focus on Asia Pacific

To seek business opportunities arising from Taiwan based companies by strengthening the cross-border cooperation platform for the Asia Pacific region and reinforcing intra-bank cooperation

(2) Enhancement of corporate banking, foreign exchange, consumer banking and wealth management business

(3) Promotion of investment banking business
- To actively develop financial consulting services, asset securitization and underwriting business, to research and innovate financial products, and to explore business opportunities in Middle East and India markets
- To expand investment fields through diversified investment channels to increase return on investment, and to reinforce flexibility in shareholding disposal mechanism

(4) Maintaining of sound asset quality
- To adjust internal credit risk rating system, to strictly control credit line and increase collateral rate on high-risk clients, in order to reduce credit risk effectively
- To reduce the NPL ratio to below 1%, and to actively undertake NPL's collection and expedite recovery of bad credit rights

(5) Promotion of risk management system
- Credit risk: to set up a framework of the foundation internal rating-based (FIRB) approach and related information systems, including the establishment, promotion and application of a model for calculating default probability

- Market risk: to establish real-time information system to monitor positions, limits and warning flags online, providing complete and timely management information
- Operational risk: to build a database of events of loss, and to set up an operational risk self assessment mechanism in order to enhance operational risk management

(6) Enhancement of information system efficiency

- Strengthening infrastructure: to enhance system stability and integration with other application systems, to launch a new platform for e-banking services so as to boost operation efficiency of the ATM system
- Branch system integration: to build a new banking terminal system, to unify the operation platforms of all branches, in order to facilitate operation and information integration and lower operating cost, and to enhance system stability and security

Mega Securities Co., Ltd.

(1) Securities brokerage: to develop the best wealth management platform in Taiwan by diversifying the line of products, reinforcing e-commerce business and enhancing employee expertise

(2) Securities underwriting: to maintain a leading position in local underwriting market, and to develop business in helping Taiwanese companies list on Hong Kong Stock Exchange

(3) Securities trading: to reinforce market research quality and maintain a sound and stable trading principle

(4) Wealth management business: To develop wealth management business through integration of the Group's resources

Mega Bills Finance Co., Ltd.

(1) To raise the rate of drawing on guarantee facilities, and to vigorously buy into guarantee-exempt bills and NIFs secured by sound banking institutions, in order to expand the commercial paper business and maintain our leading position in the market

(2) To expand low-cost funding sources so as to reduce interest expenses, and to flexibly adjust bills position, in order to control interest rate risk and liquidity risk

(3) To continue to plan for foreign currency denominated bills and bonds issuance to diversify business operations

(4) To flexibly increase bonds position while strictly control bond duration, in order to reduce exposure to interest rate risk

Chung Kuo Insurance Co., Ltd.

(1) To raise retention rate, and to provide sue and labor services to customers so as to reduce losses and create underwriting profits

(2) To expand personal insurance business and develop new products, in order to seek more business opportunities

(3) To study the feasibility of expanding overseas network and set up more overseas operation units

(4) To build an integrated risk management mechanism so as to strengthen risk management

(5) To promote e-insurance policy and e-underwriting, and to standardize and streamline internal procedures so as to reduce costs and enhance efficiency

Mega International Investment Trust Co., Ltd.

(1) To reinforce strategic marketing cooperation of distribution channels, and to increase clients' investment amount through intelligent marketing packages

(2) To strengthen industry research and on-site visit, and to strictly abide by pertinent regulations and internal controls

(3) To establish a product development team, and to study funds of funds, modulated products or absolute return products, in order to establish a comprehensive line of domestic and overseas products

(4) To enhance electronic services so as to lower operating costs

Mega Asset Management Co., Ltd.

(1) To seek opportunity of acquiring NPL through stand-alone price negotiation from financial institutions

(2) To purchase assets with simple disposal process and higher liquidity, in order to create stable sources of profits

(3) To acquire real estate with fixed lease income, to increase real estate value by construction, in order to enhance capital utilization and raise return on investment

Mega Life Insurance Agency Co., Ltd. (MLIA)

(1) To expand insurance advisors staff to assist customers in insurance and personal financial planning

(2) To develop Mega-exclusive insurance products to enhance competitiveness

(3) To build an online sales support system

Mega CTB Venture Capital Co., Ltd.

(1) To invest in companies with good potential, before they make their initial public offering of securities so as to increase return on investment

(2) To increase participation in enterprise restructuring projects

Financial Status, Operating Performance Analysis and Risk Management

6.1 Financial Status

Unconsolidated

Unit：NT$ thousand

Item \ Year	2007	2006	Difference	
			Amount	%
Cash and Cash Equivalents	146,610	236,113	(89,503)	(37.91)
Available for Sale Financial Assets	5,195,972	5,414,640	(218,668)	(4.04)
Receivables	4,976,822	4,041,817	935,005	23.13
Equity Investments Accounted for by the Equity Method	207,202,317	214,318,647	(7,116,330)	(3.32)
Property and Equipment	910,589	909,084	1,505	(0.17)
Other Financial Assets	762,046	762,046	0	-
Other Assets	63,987	111,941	(47,954)	(42.84)
Total Assets	219,258,343	225,794,288	(6,535,945)	(2.89)
Financial Liabilities at Fair Value Through Profit or Loss	0	49,366	(49,366)	(100.00)
Payables	9,259,187	6,725,915	2,533,272	37.66
Bonds Payable	4,000,000	12,900,000	(8,900,000)	(68.99)
Other Financial Liabilities	11,996,220	6,378,981	5,617,239	88.06
Other Liabilities	35,190	40,891	(5,701)	(13.94)
Total Liabilities	25,290,597	26,095,153	(804,556)	(3.08)
Capital Stock	110,594,262	111,694,492	(1,100,230)	(0.99)
Capital Surplus	45,182,901	45,631,626	(448,725)	(0.98)
Retained Earnings	34,039,308	34,611,369	(572,061)	(1.65)
Equity Adjustments	4,151,275	7,761,648	(3,610,373)	(46.52)
Total Stockholders' Equity	193,967,746	199,699,135	(5,731,389)	(2.87)

Analysis of deviation over 20%:
1. The decrease in cash and cash equivalents was mainly due to decrease in cash.
2. The increase in receivables is mainly due to increase in tax refundable.
3. The decrease in other assets is mainly due to decrease in prepaid expenses and other deferred assets.
4. The decrease in financial liabilities at fair value through profit or loss is due to expiration of derivative contracts.
5. Bonds payable decreased mainly because of repayment of the unsecured bonds due 2007.
6. Other financial liabilities increased mainly because of increase in short-term loans.
7. The decrease in equity adjustments was mainly due to decrease in unrealized gain from financial products.

6.2 Operational Results

Unconsolidated

Unit: NT$ thousand

Item	2007	2006	Change	%
Investment Income from Equity Investments Accounted for by the Equity Method	17,395,529	16,472,132	923,397	5.61
Other Income	124,532	108,281	16,251	15.01
Operating Expenses	323,057	325,894	(2,837)	(0.87)
Other Expenses and Loss	438,223	404,528	33,695	8.33
Income Before Income Tax	16,758,781	15,849,991	908,790	5.73
Income After Income Tax	17,070,391	16,591,794	478,597	2.88
Net Income	17,070,391	16,535,257	535,134	3.24

6.3 Cash Flow

6.3.1 Analysis of Cash Flow of 2007

Unconsolidated

Item \ Year	2007	2006	Change (%)
Cash Flow Ratio	90.01	198.36	（54.62）
Cash Flow Adequacy Ratio	84.74	84.06	0.81
Cash Re-Investment Ratio（Note2）	-	-	-

Note 1: The decrease in cash flow ratio is mainly due to increase in short-term borrowing.

Note 2: Cash re-investment ratio is not applicable because the cash flows from operating activities are less than cash dividends.

6.3.2 Liquidity Analysis for 2008

Unit：NT$ thousand

Cash Balance (12/31/2007) (1)	Net Cash Provided by Operating Activities (2)	Net Cash Outflows (3)	Expected Cash Surplus (12/31/2008) (1)＋(2)－(3)	Remedy for Cash Shortfall	
				Investment Plans	Financing Plan
146,610	9,857,113	15,700,705	（5,696,982）	-	To undertake additional borrowing

1.Analysis of Cash Flow

(1) Operating Activities: mainly net cash inflow from investment income

(2) Investing Activities: no major investments is budgeted in 2008

(3) Financing Activities: primarily from additional borrowing and for the payout of cash dividends

2.Remedy for Cash Shortfall: undertaking additional borrowing to cover the cash shortfall and increase liquidity

6.4 Analysis of Business Performance of Subsidiaries and Important Invested Companies

Mega International Commercial Bank Co., Ltd. (“MICB”)

The MICB reported a net profit after tax of NT$14,031 million for the year 2007, an increase of 20.09% from the year before. The increase is mainly due to increase in net interest income and lower loan provisions. Thanks to rapid growth of loan business, its net interest income reached NT$22,431 million, while net non-interest income totaled NT$14,933 million.

Mega Securities Co., Ltd. (“MSC”)

The MS reported a net profit of NT$1,409 million for the year 2007, a drop of 31.83% from the year before. The profit erosion was mainly attributed to a weak domestic stock market in the second half of 2007 and a low percentage of stable income in total income. The MSC will minimize profit fluctuations by enhancing risk management, raising brokerage market share through merger and acquisition, together with establishment of a complete product line.

Mega Bills Finance Co., Ltd. (“MBF”)

The MBF reported a net profit after tax of NT$2,120 million, a decrease of 34.26% from the year before. The decline was mainly attributed to an increase in interest expense derived from interest rate hikes in bond and bills markets as well as a narrow interest spread as a result of fierce competition in the market.

The MBF will aim at raising the rate of drawing on guarantee facilities, enhancing bonds trading skills and developing new financial products, in order to increase sources of profit.

Chung Kuo Insurance Co., Ltd. ("CKI")

The CKI reported a net profit of NT$35 million for the year 2007, a drop of 89.55% from the year before. The decline was mainly attributed to claims payout to Ching Fu Shipbuilding Company for shipbuilding insurance and the relevant foreign exchange loss, and to China Airlines for plane wreckage in Naha Airport, Japan. To improve operating performance, the CKI has revised the maximum retention rate for each type of insurance and added a foreign exchange pertinent article to foreign currency-denominated policies.

Mega International Investment Trust Co., Ltd. ("MIIT")

The International Investment Trust Co., Ltd. (IIT) merged with the former Mega International Investment Trust Co., Ltd. on September 17, 2007. The IIT was the surviving entity and renamed "Mega International Investment Trust Co., Ltd." (MIIT). Shrugging off the structured notes problem, the MIIT began to make profits after 2 year loss. The MIIT reported a net profit of NT$25 million for the year 2007.

Mega Asset Management Co., Ltd. ("MAM")

The MAM reported a net profit of NT$309 million for the year 2007, a drop of 26.86% from the previous year. This was because MAM took advantage of the booming housing market and disposed some of its assets ahead of schedule in 2006, leading to a better performance in 2006. The MAM will utilize its holding of NPL and real estate assets to launch real estate development project to increase sources of profit.

Mega Life Insurance Agency Co., Ltd. ("MLIA")

The MLIA reported a net profit of NT$27 million for the year 2007. The profit was mainly attributed to an increase in commission income derived from better sales of Variable Universal Life Insurance due to stronger international stock markets in the first half of 2007.

Mega CTB Venture Capital Co., Ltd.

This company reported a net profit of NT$33 million for the year 2007, an increase of 3333.95% from the year before. The increase was mainly attributed to profit derived from the disposal of some investment as a result of a stronger domestic stock market in the first half of 2007.

Taiwan Business Bank ("TBB")

The TBB reported a net profit after tax of NT$1,048 million for the year 2007, an increase of 31.14% from NT$799 million in the year before. The profit was mainly attributed to a sharp increase in fees income derived from expansion of wealth management business. The NPL ratio for year-end 2007 was 2.17% while the NPL provision coverage ratio stood at 40.77%, both improving from 2.55% and 35.57%, respectively in the previous year.

6.5 Risk Management

6.5.1 Organization Structure

As the highest authority and the policy-making body for the Company's risk management, the Board of Directors defines the duties and responsibilities concerning risk management and takes ultimate responsibility for the Group's risk management system and its effective operation. The Risk Management Committee, which reports to the Board, takes charge of formulating the policy and guidelines of risk management for the Group and evaluating various risks within the Group. The Risk Management Department, which reports to the President of the Company, is responsible for collecting, measuring, analyzing, monitoring, controlling, and reporting all risk information within the Group. Finally, the Auditing Office of the Board takes charge of evaluating the effectiveness of internal control systems and the efficiency of the Group's operations as well as making recommendations as it deems appropriate.

6.5.2 Risk Management Policy

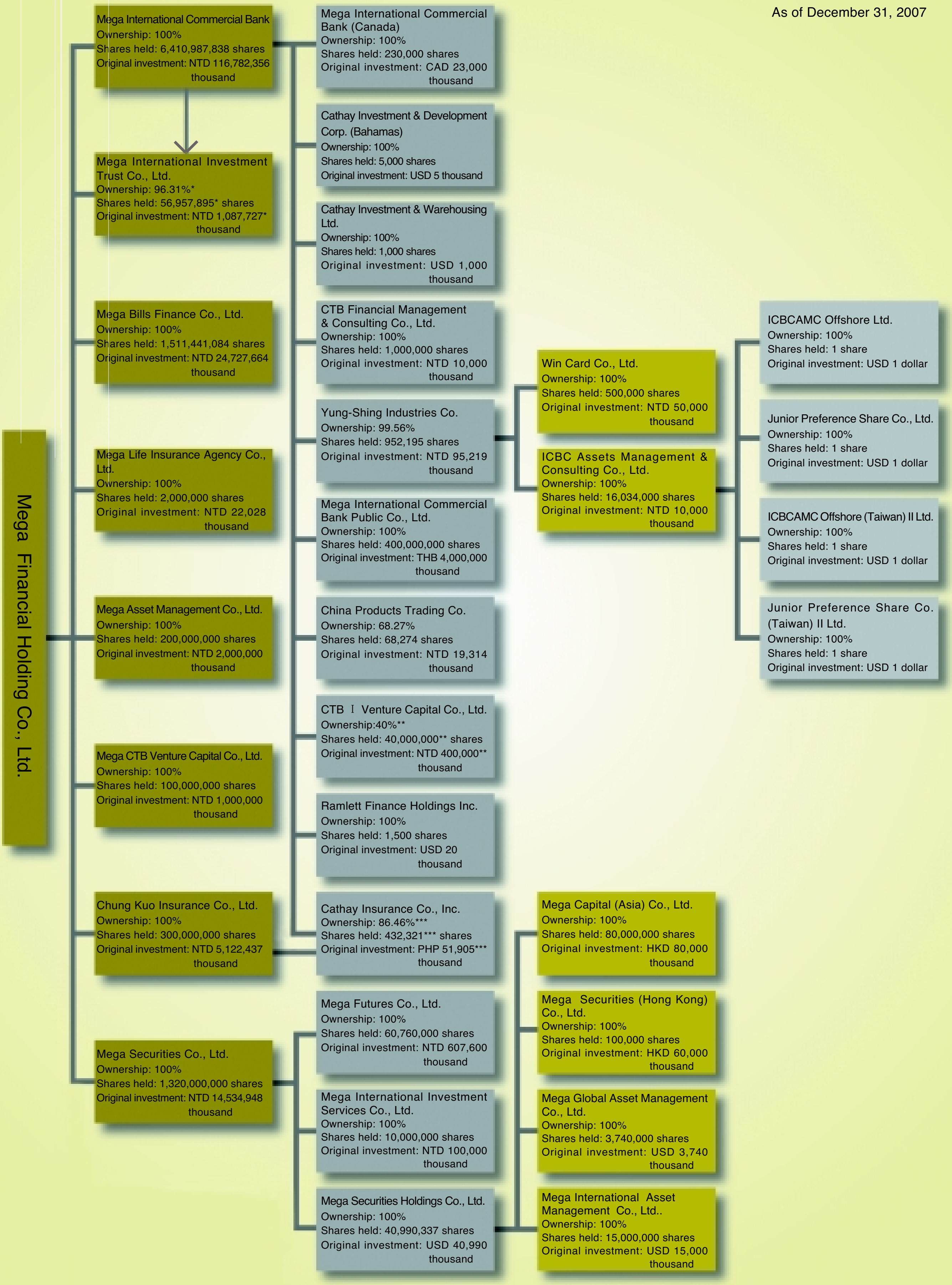
The risk management policy for the Company and its subsidiaries aims to build a mechanism for identifying, monitoring and controlling risks emerging from various businesses and ensuring all operational risks are reduced to tolerable level in order to create maximum profits and returns on shareholders' equity. Also, seeking to establish a risk management mechanism that conforms to international standards, the Company has completed the Internal Rating Model Buildup. In the future, the Company will gradually develop a mechanism for quntitative credit risk control that conforms to related international best practices and the New Basel Accord. Internal training sessions will also be held to develop risk management consciousness and foster such culture in the Group.

For more information about risk management, please refer to p.105 of this annual report.

Affiliates Information

7.1 Affiliated Companies Chart

As of December 31, 2007



*Mega Financial Holding Company and Mega International Commercial Bank held 63.52% and 32.79% stake, respectively in Mega International Investment Trust Co., Ltd.

**Mega International Commercial Bank, Mega Securities Co., Ltd. and Chung Kuo Insurance Co., Ltd. held 25%, 10% and 5% stake, respectively in CTB Ⅰ Venture Capital Co., Ltd.

***Chung Kuo Insurance Co., Ltd. and Mega International Commercial Bank held 56.09% and 30.37%, respectively in Cathay Insurance Company Inc.

7.2 Affiliated Companies

December 31, 2007
Expressed in thousands of dollars

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Mega International Commercial Bank Co., Ltd. (Formerly The International Commercial Bank of China Co., Ltd.)	12.17.1971	123, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 64,109,878	Commercial banking & industrial banking business
Mega Securities Co., Ltd. (Formerly Barits International Securities Co., Ltd.)	10.19.1989	3F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 13,200,000	Brokerage, dealing and underwriting of securities
Mega Bills Finance Co., Ltd. (Formerly Chung Hsing Bills Finance Corp.)	05.03.1976	2~5F & 9~10F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 15,114,411	Brokerage, dealing, underwriting, and guaranteeing of short-term debt instruments
Chung Kuo Insurance Co., Ltd.	11.01.1931	58, Sec. 1, Wuchang Street, Taipei, Taiwan	NTD 3,000,000	Non-life insurance
Mega International Investment Trust Co.,Ltd.(Formerly International Investment Trust Co., Ltd.)	09.09.1983	7~8F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 591,415	Asset management
Mega Asset Management Co., Ltd.	12.05.2003	6F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 2,000,000	NPL asset management
Mega Life Insurance Agency Co., Ltd	11.05.1996	5F, No. 100, Jilin Road, Taipei, Taiwan	NTD 20,000	Life Insurance Agency
Mega CTB Venture Capital Co., Ltd	12.13.2005	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,000,000	Venture capital investment
CTB Financial Management & Consulting Co., Ltd.	01.16.2002	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 10,000	Asset management and investment consulting
CTB I Venture Capital Co., Ltd.	11.05.2003	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,000,000	Venture capital investment
Mega Futures Co., Ltd. (Formerly Barits International Futures Corp.)	07.29.1999	4F, No. 563, Sec. 4, Jhongsiao E. Road, Taipei, Taiwan	NTD 607,600	Brokerage of futures contracts
Mega International Investment Services Co., Ltd. (Formerly Barits International Investment Services Corp.)	12.10.1997	5F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD100,000	Securities investment advisory
Mega Securities Holdings Co., Ltd. (Formerly Barits Holdings Ltd.)	05.05.1997	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 40,990	Investment business
Mega Global Asset Management Co., Ltd. (Formerly Barits Global Asset Management Corp.)	7.16.1998	2F, Century Yard, P. O. Box 448 GT, Grand Cayman, Cayman Islands	USD 3,740	Securities' proprietary trading
Mega Capital (Asia) Co., Ltd. (Formerly Barits Securities (Hong Kong) Ltd.)	05.23.1997	Room 2213-2214, 22F, No. 183, Queen's Road, Central, Cosco Tower, Sheung Wan, Hong Kong	HKD 80,000	Securities underwriting Investment consulting
Mega Securities (Hong Kong) Co., Ltd. (Formerly Barits Ho Chong Securities Co., Ltd.)	08.20.1992	Room 2201-2207, 22F, No. 183, Queen's Road, Central, Cosco Tower, Sheung Wan, Hong Kong	HKD 60,000	Securities trading Brokerage of futures contracts

Affiliates Information

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Mega International Asset Management Co., Ltd. (Formerly Barits International Asset Management Corp.)	01.16.1998	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 15,000	Proprietary trading and brokerage of securities
China Products Trading Co.	12.29.1956	7F, No. 100, Jilin Road, Taipei, Taiwan	NTD 5,000	Harvesting, processing, transporting,and warehousing of agriculture products(stop running business since 1966)
Yung-Shing Industries Co.	12.09.1950	7F, No. 100, Jilin Road, Taipei, Taiwan	NTD 95,644	International trading and agency service for electronic data processing,printing and packaging
Win Card Co., Ltd.	11.10.2000	4~7F, No. 99, Sec. 3, Jhongyang Road, San-chung City, Taipei Hsien, Taiwan	NTD 50,000	Business administration consulting, advertising, and management of past due accounts receivable
ICBC Assets Management & Consulting Co., Ltd.	02.13.2003	12F, No. 100, Jilin Road, Taipei, Taiwan	NTD 160,340	Investment consulting and business administration consulting
ICBCAMC Offshore Ltd.	04.01.2003	Romasco Place, Wickhams Cay 1, P. O. Box 3140, Road Town, Tortola, British Virgin Islands	USD 0.001	Fund management
Junior Preference Share Co., Ltd.	04.01.2003	Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, British West Indies	USD 0.001	Investment
ICBCAMC Offshore (Taiwan) II Ltd.	10.28.2003	Romasco Place, Wickhams Cay 1, P. O. Box 3140, Road Town, Tortola, British Virgin Islands	USD 0.001	Fund management
Junior Preference Share Co. (Taiwan) II Ltd.	10.28.2003	Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, British West Indies	USD 0.001	Investment
Mega International Commercial Bank (Canada) (Formerly International Commercial Bank of Cathay)	12.01.1982	North York Madison Centre, 4950 Yonge Street, Suite 1002, Toronto, Ontario, M2N 6K1, Canada	CAD 23,000	Commercial banking
Mega International Commercial Bank Public Co., Ltd. (Formerly International Commercial Bank of China Public Co. Ltd.)	08.05.2005	36/12 P.S. Tower, Asoke, Sukhumvit 21 Road, Klongtoey-nua, Wattana, Bangkok 10110, Thailand	THB 4,000,000	Commercial banking
Cathay Investment & Warehousing Ltd.	11.01.1982	Calle 16 Colon Free Zone, Local No. 4, Edificio No 49, P. O. Box 4036 Colon Free Zone, Colon, Republic of Panama	USD 1,000	Warehousing of exported and imported merchandise, providing business information of international trades
Cathay Investment & Development Corp. (Bahamas)	07.15.1969	P. O. Box 3937 Nassau, Bahamas	USD 5	International investment and development
Ramlett Finance Holdings Inc.	01.13.1982	Calle 50 y Esquina Margarita A de Vallarino, Entrada Nuevo Campo Alegre, Edificio ICBC, Panama	USD 20	Investment of Real Estate
Cathay Insurance Co., Inc.	04.06.1960	10F, Tytana Plaza, Lorenzo Ruiz Binondo, Manila, Philippines	PHP 50,000	Non-life insurance

Footnote: Exchange rate: PHP1=NTD0.7865; USD1=NTD32.48; CAD1=NTD33.1639, HKD1=NTD4.2002; THB1=NTD0.9636.

7.3 Operational Highlights of Affiliated Companies

As of December 31, 2007
Unit: NT$ thousand, except EPS in NT$

Company	Paid-in Capital	Total Assets	Total Liabilities	Stokholders' Equity	Operating Revenues (Net Revenue*)	Operating Income (Income before Income Tax*)	Net Income (After Tax)	Earnings per share (After Tax)
Mega International Commercial Bank	64,109,878	1,947,461,333	1,795,003,791	152,457,542	37,364,081*	16,305,240*	14,030,952	2.19
Mega Securities Co., Ltd.	13,200,000	66,488,049	49,728,936	16,759,113	9,789,365	1,654,286	1,408,709	1.07
Mega Bills Finance Co., Ltd.	15,114,411	246,181,595	216,856,421	29,325,174	3,300,664*	2,565,032*	2,120,384	1.20
Chung Kuo Insurance Co., Ltd.	3,000,000	11,087,200	6,004,739	5,082,461	12,700,426	(41,805)	34,973	0.12
Mega International Investment Trust Co., Ltd.(Formerly International Investment Trust Co., Ltd.)	591,415	1,092,367	292,704	799,663	347,335	102,740	25,256	0.43
Mega Asset Management Co., Ltd.	2,000,000	9,419,922	7,031,481	2,388,441	724,414	494,777	309,444	1.55
Mega Life Insurance Agency Co., Ltd.	20,000	93,079	40,913	52,166	420,083	35,291	27,142	13.57
Mega CTB Venture Capital Co., Ltd.	1,000,000	1,029,371	10,843	1,018,528	98,892	24,441	33,481	0.33
CTB Financial Management & Consulting Co., Ltd.	10,000	88,287	11,530	76,757	90,938	71,333	48,263	48.26
CTB I Venture Capital Co., Ltd.	1,000,000	1,102,665	19,485	1,083,180	228,005	62,457	69,758	0.70
Mega Futures Co., Ltd.	607,600	1,943,941	1,369,456	574,485	268,420	(84,135)	(53,708)	(0.88)
Mega International Investment Services Co., Ltd.	100,000	111,951	5,441	106,510	17,969	(1,272)	2	0.00
Mega Securities Holdings Co., Ltd.	1,320,997	1,573,146	2,613	1,570,533	14,076	85,081	(71,004)	(1.73)
Mega Global Asset Management Co., Ltd.	120,957	4,072,268	3,952,227	120,041	215,687	(91,065)	(78,098)	(20.89)
Mega Capital (Asia) Co., Ltd.	332,560	359,898	2,249	357,649	89,635	(3,432)	(3,432)	(0.04)
Mega Securities (Hong Kong) Co., Ltd.	249,420	1,650,257	1,354,634	295,623	130,946	(16,569)	(16,569)	(157.61)
Mega International Asset Management Co., Ltd.	483,293	3,484,382	3,020,434	463,948	142,526	(15,365)	15,039	1.01
China Products Trading Co.	5,000	87,524	13,291	74,233	3,237	2,378	2,055	20.55
Yung-Shing Industries Co.	95,644	1,476,581	666,066	810,515	215,336	8,307	269,290	281.55
Win Card Co., Ltd.	50,000	137,741	68,749	68,992	244,725	13,159	11,880	23.76
ICBC Assets Management & Consulting Co., Ltd.	160,340	411,573	123,145	288,428	10,201	(7,157)	111,863	6.98
ICBCAMC Offshore Ltd.	0.03248	36,042	1,660	34,382	1,785	1,718	1,718	1,717,523
Junior Preference Share Co., Ltd.	0.03248	244,159	0	244,159	4,687	4,687	4,687	4,686,602
ICBCAMC Offshore (Taiwan) II Ltd.	0.03248	11,080	2,166	8,914	658	466	466	465,987
Junior Preference Share Co. (Taiwan) II Ltd.	0.03248	88,108	64,968	23,140	141,779	141,779	141,779	141,779,301
Mega International Commercial Bank (Canada)	762,770	8,443,330	7,450,933	992,397	473,412*	220,332*	63,208	274.95
Mega International Commercial Bank Public Co., Ltd.	3,854,400	11,661,846	7,409,279	4,252,567	757,963*	551,800*	211,463	0.53
Cathay Investment & Warehousing Ltd.	32,484	84,522	36,514	48,008	19,529	4,594	2,462	2,462
Cathay Investment & Development Corp. (Bahamas)	162	721,677	664	721,013	63,175	63,071	27,515	5,503
Ramlett Finance Holdings Inc.	650	68,808	71,199	(2,391)	10,707	2,070	2,028	1,352
Cathay Insurance Co., Inc. (Manila)	39,325	47,902	18,578	29,324	(2,202)	(1,327)	(1,327)	(2.65)

Financial Reports

8.1 Consolidated Financial Highlights

8.1.1 Condensed Consolidated Balance Sheet

Unit: NT$1000

Item / Year			Financial Information for Past 3 years			First Quarter of 2008
			2007	2006	2005	
Cash and Cash Equivalents, due from the Central Bank and Call Loans to Banks			349,727,623	308,308,559	231,680,880	283,535,241
Financial Assets at Fair Value through Profit or Loss			210,393,327	245,932,121	284,101,246	198,030,960
Bills and Bonds Purchased Under Resell Agreements			4,765,687	5,365,413	3,753,812	3,728,211
Available-for-sale Financial Assets			255,517,877	275,375,623	225,722,081	242,344,636
Receivables			123,958,757	107,852,796	94,467,733	136,236,636
Loans			1,210,579,613	1,126,900,618	1,096,798,993	1,278,909,475
Held-to-Maturity Financial Assets			90,448,402	96,908,980	195,519,071	126,685,363
Equity Investments Accounted for by the Equity Method			2,582,607	3,053,116	2,927,419	2,623,882
Property and Equipment			23,853,592	24,610,375	25,069,750	23,398,195
Intangible Assets			344,927	291,861	97,345	357,449
Other Financial Assets			29,112,851	33,415,543	33,241,831	29,269,649
Other Assets			9,549,179	10,129,685	10,084,088	10,577,507
Total Assets			2,310,834,442	2,238,144,690	2,203,464,249	2,335,697,204
Due to the Central Bank and Financial Institutions			369,971,867	371,033,111	368,473,466	360,407,961
Deposits			1,232,608,275	1,071,926,588	1,041,334,172	1,236,863,627
Financial Liabilities at Fair Value through Profit or Loss			53,104,691	50,247,952	48,601,057	57,471,719
Bills And Bonds Sold under Repurchase Agreements			246,995,517	315,710,030	308,175,153	251,801,642
Funds Borrowed From The Central Bank And Other Banks			42,997,399	56,438,426	76,587,680	56,528,178
Bonds Payable			33,215,871	43,527,894	56,230,910	36,757,692
Preferred Stock			0	0	0	0
Reserve for Operations and Liabilities			8,765,931	8,794,929	8,990,686	11,094,360
Other Financial Liabilities			51,360,441	34,917,757	20,654,894	43,193,148
Other Liabilities			77,163,028	85,123,993	82,363,799	85,682,060
Total Liabilities			2,116,183,020	2,037,720,680	2,011,411,817	2,139,800,387
Equity Attributable to Stockholders of the Company	Capital stock		110,594,262	111,694,492	113,657,296	110,594,262
	Capital surplus		45,182,901	45,631,626	46,404,318	43,427,034
	Retained Earnings	Before distribution	34,039,308	34,611,369	36,304,259	34,764,484
		After distribution	Note 1	17,850,859	18,960,967	Note 1
	Equity adjustments		4,151,275	7,761,648	(5,242,276)	6,431,126
Minority Interest			683,676	724,875	928,835	679,911
Total Stockholders' Equity	Before distribution		194,651,422	200,424,010	192,052,432	195,896,817
	After distribution		Note 1	183,663,500	174,709,140	Note 1

Note 1: The earnings distribution for 2007 has not been resolved by the shareholders' meeting.

8.1.2 Condensed Consolidated Income Statement

Unit: NT$1000 (except EPS in NT$)

Item \ Year		Financial Information for Past 3 years 2007	2006	2005	First Quarter of 2008
Net Interest Income		26,295,736	23,769,919	26,655,680	7,268,358
Revenues other than Interest		20,638,585	23,312,547	21,254,500	1,871,465
Bad Debts Expense on Loans		6,600,801	9,451,091	3,324,477	2,439,599
Provisions for Insurance Reserve		67,376	155,636	23,998	215,882
Operating Expenses		20,233,955	20,477,664	19,288,229	4,961,618
Income before Income Tax		20,032,189	16,998,075	25,273,476	1,522,724
Consolidated Net Income After Tax		17,114,558	14,937,000	22,453,205	728,700
Cumulative Effect of Changes in Accounting Principles (after tax)		0	1,148,103	22,985	0
Consolidated Net ncome	Attributable to Stockholders of the Company	17,070,391	16,535,257	22,529,693	725,177
	Attributable to Minority interest	44,167	(450,154)	(53,503)	3,523
Earnings Per Share	Stockholders of the Company	1.54	1.50	2.09	0.07
	Minority Interest	0.01	(0.05)	0	0

8.1.3 Independent Auditors' Name and Opinion

Year	CPA	Opinion
2005	Mr. Lai, Chung-Hsi, Mr. Andrew Deng	Unqualified Opinion
2006	Ms. Lee, Hsiu-Ling, Mr. Yang, Wen-An	Modified Unqualified Opinion
2007	Ms. Lee, Hsiu-Ling, Mr. LI, Chang-Chou	Modified Unqualified Opinion

8.1.4 Condensed Balance Sheet (unconsolidated)

Unit: NT$1000

Item \ Year		Financial Information for Past 3 years 2007	2006	2005	First Quarter of 2008
Cash and Cash Equivalents		146,610	236,113	945,918	67,312
Financial Assets at Fair Value through Profit or Loss		0	0	0	0
Available-for-Sale Financial Assets		5,195,972	5,414,640	2,739,154	6,143,534
Receivables		4,976,822	4,041,817	3,779,228	4,634,506
Held-to-Maturity Financial Assets		0	0	0	0
Equity Investments Accounted for by The Equity Method		207,202,317	214,318,647	199,857,816	207,625,196
Property And Equipment		910,589	909,084	928,598	796,412
Intangible Assets		0	0	0	0
Other Financial Assets		762,046	762,046	1,847,112	762,046
Other Assets		63,987	111,941	119,363	202,991
Total Assets		219,258,343	225,794,288	210,217,189	220,231,997
Financial Liabilities at Fair Value through Profit or Loss		0	49,366	0	0
Payables		9,259,187	6,725,915	6,158,286	8,932,220
Bonds Payable		4,000,000	12,900,000	12,900,000	7,700,000
Preferred Stock		0	0	0	0
Other Financial Liabilities		11,996,220	6,378,981	0	8,349,026
Other Liabilities		35,190	40,891	35,306	33,845
Total Liabilities	Before distribution	25,290,597	26,095,153	19,093,592	25,015,091
	After distribution	Note 1	42,855,663	36,436,884	Note 1
Capital Stock	Before distribution	110,594,262	111,694,492	113,657,296	110,594,262
	After distribution	Note 1	111,694,492	113,657,296	Note 1
Capital Surplus	Before distribution	45,182,901	45,631,626	46,404,318	43,427,034
	After distribution	Note 1	45,631,626	46,404,318	Note 1
Retained Earnings	Before distribution	34,039,308	34,611,369	36,304,259	34,764,484
	After distribution	Note 1	17,850,859	18,960,967	Note 1
Equity Adjustments		4,151,275	7,761,648	(5,242,276)	6,431,126
Total Stockholders' Equity	Before distribution	193,967,746	199,699,135	191,123,597	195,216,906
	After distribution	Note 1	182,938,625	173,780,305	Note 1

Note 1: The earnings distribution for 2007 has not been resolved by the shareholders' meeting.

8.1.5 Condensed Income Statement (unconsolidated)

Unit: NT$1000

Item \ Year	Financial Information for Past 3 years 2007	2006	2005	First Quarter of 2008
Investment Income from Equity Investments Accounted for by the Equity Method	17,395,529	16,472,132	22,383,083	846,457
Other Income	124,532	108,281	643,651	3,081
Investment Loss from Equity Investments Accounted for by the Equity Method	0	0	0	0
Operating Expenses	323,057	325,894	452,690	80,962
Other Expenses and Losses	438,223	404,528	427,729	106,595
Income Before Income Tax	16,758,781	15,849,991	22,146,315	661,981
Net Income After Tax	17,070,391	16,535,257	22,529,693	725,177
Earnings Per Share (before tax)	1.52	1.42	2.06	0.06
Earnings Per Share (after tax)	1.54	1.50	2.09	0.07

8.2 Financial Analysis

Unit: NT$1000; %

Item	Year	Five-year Financial Analysis 2007	2006	2005	2004	2003	First Quarter of 2008
Operating Ability	Total Assets Turnover	0.08	0.07	0.11	0.10	0.10	0.02
	Loans to Deposits Ratio of Bank Subsidiary (%)	99.27	106.71	83.73	86.70	84.01	104.48
	NPL Ratio of Bank Subsidiary (%)	1.00	0.88	0.50	0.77	1.74	1.12
	NPL Ratio of Bills Finance Subsidiary (%)	0.61	0.32	0.53	1.35	1.01	0.92
	The Group's Average Operating Revenue Per Employee	5,374	5,404	6,546	7,191	7,695	1,031.35
	The Group's Average Profit Per Employee	1,955	2,025	3,078	3,010	2,655	81.83
Profitability	Return on Assets (%)	7.82	7.27	10.81	10.81	10.07	1.46
	Return on Equity (%)	8.67	8.46	12.60	13.57	12.10	1.49
	Net Margin (%)	97.43	99.73	97.84	98.14	95.64	85.36
	Earnings Per Share（NT$）	1.54	1.50	2.09	2.22	1.84	0.07
Financial Structure (%)	Debt Ratio	11.53	11.56	9.08	22.41	21.16	11.36
	Liabilities to Net Worth Ratio	13.04	13.07	9.99	28.87	26.84	12.81
	FHC's Double Leverage Ratio	109.89	107.32	104.57	116.68	119.80	109.89
Leverage Ratio (%)	Operating Leverage Ratio	1.00	1.00	1.00	1.01	1.00	1.00
	FHC's Financial Leverage Ratio	1.03	1.03	1.02	1.02	1.03	1.16
Growth Rates (%)	Growth Rate of Assets	（2.89）	7.41	（1.95）	7.98	17.78	（3.69）
	Growth Rate of Profit	5.73	（28.43）	3.57	18.14	187.36	（76.57）
Cash Flows	Cash Flow Ratio	90.01	198.36	193.85	34.00	188.20	NA
	Cash Flow Adequacy Ratio	84.74	84.06	89.27	112.19	245.65	NA
	Cash Flow for Operating to Cash Flow from Investing	270.80	NA	637.11	445.72	NA	NA
Operating Scale (%)	Market Share of Assets	12.81	13.33	13.38	14.62	15.14	-
	Market Share of Net Worth	12.62	13.56	14.01	13.41	14.28	-
	Market Share of Deposits of Bank Subsidiary	5.45	4.80	3.46	3.38	3.28	-
	Market Share of Loans of Bank Subsidiary	5.39	5.33	2.90	2.74	2.70	-
BIS Ratio	Capital of Adequate Ratio (%)						
	Mega International Commercial Bank *	10.54	10.34	10.93	10.82	10.22	-
	Mega Securities Co., Ltd.	285.20	261.36	277.26	273.23	386.39	-
	Mega Bills Finance Co., Ltd.	11.72	12.33	14.21	13.75	14.33	-
	Chung Kuo Insurance Co., Ltd.	927.56	1,080.43	934.31	1,168.98	1,007.70	-
	Mega Finance Group	108.99	110.57	119.46	108.42	114.25	

Analysis of deviation over 20% for 2007:
1. NPL ratio of bills finance subsidiary increased 90.63% mainly because NPL increased and credit balance decreased.
2. The decline of growth rate of assets is mainly due to decrease in equity investments accounted for by the equity method.
3. The increase in growth rate of profitability is mainly due to increase in investment income.
4. The increase in cash flow ratio is mainly due to increase in short term borrowing.

Note 2: Formulas of above financial analysis are as follows:

1.Operating Ability

(1) Total Assets Turnover = Net Revenue/Total Assets

(2) Loans to Deposits Ratio of Bank Subsidiary = Total Loans Outstanding/Total Deposits Outstanding

(3) NPL Ratio = Non-Performing Loans/Total Loans Outstanding

(4) The Group's Average Operating Revenue Per Employee = Net Revenue（Revenue）/Total Number of Group's Employee

(5) The Group's Average Profit per Employee = Net Income/Total Number of the Group's Employee

2.Profitability

(1) Return on Assets = 〔Net Income + Interest Expense × （１ - Tax Rate）〕/ Average Total Assets

(2) Return on Equity = Net Income/Average Shareholders' Equity

(3) Net Margin = Net Income/Net Revenue

(4) Earnings Per Share =（Net Income - Preferred Stock Dividend）/Weighted Average Number of Shares Outstanding

3.Financial Structure

(1) Debt Ratio = Total Liabilities/Total Assets

(2) Liabilities to Net Worth Ratio = Total Liabilities/Total Shareholders' Equity

(3) Financial Holding Company's Double Leverage Ratio = Equity Investment made under Article 36, Paragraph 2 and Article 37 of Financial Holding Company Act/New Worth

4.Leverage

(1) Operating Leverage = (Net Revenue - Variable Cost)/Net Income Before Tax

(2) Financial Holding Company's Financial Leverage = (Net Income Before Tax + Interest Expense)/Net Income Before Tax

5.Growth Rates

(1) Growth Rate of Assets = (Total Assets - Total Assets of Previous Year)/Total Assets of Previous Year

(2) Growth Rate of Profit = (Net Income before Tax - Net Income before Tax of Previous Year)/Net Income before Tax of Previous Year

6.Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities/（Due to Other Banks and Overdrafts + Commercial Paper Payable + Financial Liabilities at Fair Value Through Profit or Loss + Bills and Bonds Sold under Repurchase Agreements + Payables with Maturity within One Year）

(2) Cash Flow Adequacy Ratio = Five-Year Sum of Net Cash from Operating Activities/Five-Year Sum of Capital Expenditures and Cash Dividends

(3) Cash Flow for Operating to Cash Flow from Investing = Net Cash Provided by Operating Activities/Net Cash Provided by Investing Activities

7.Operating Scale

(1) Market Share of Assets = Total Assets/Total Assets of all Financial Holding Companies

(2) Market Share of New Worth = New Worth/Total Net Worth of all Financial Holding Companies

(3) Market Share of Deposits of Bank Subsidiary = Total Deposits /Total Deposits of all Financial Institutions

(4) Market Share of Loans of Bank Subsidiary = Total Loans /Total Loans of all Financial Institutions

8.BIS Ratio

(1) Group Capital Adequacy Ratio = Group's Net Eligible Capital/Group's Statutory Capital Requirement

(2) Group's Net Eligible Capital = Financial Holding Company's Eligible Capital +（Financial Holding Company's Shareholding Ratio × Subsidiary's Eligible Capital）- Statutory Deduction Items

(3) Group's Statutory Capital Requirement = Financial Holding Company's Statutory Capital Requirement + Financial Holding Company's Shareholding Ratio × Subsidiary's Statutory Capital Requirement

8.3 Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheet of Mega Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2007, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company and its subsidiaries as of and for the year ended December 31, 2006 were audited by other independent accountants whose report dated March 16, 2007, expressed a modified unqualified opinion due to the adoption of newly issued Statements of Financial Accounting Standards of the Republic of China.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mega Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with "Guidelines for Preparation of Financial Reports by Financial Holding Companies", "Guidelines for Preparation of Financial Reports by Publicly Listed Banks", "Guidelines for Preparation of Financial Reports by Publicly Listed Bills Finance Companies", "Guidelines for Preparation of Financial Reports by Securities Firms", "Guidelines for Preparation of Financial Reports by Futures Commission Merchants", "Guidelines for Preparation of Financial Reports by Industry of Property and Casualty Insurance", "Guidelines for Preparation of Financial Reports by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the consolidated financial statements, the financial instruments of Mega Financial Holding Co., Ltd. and its subsidiaries are measured in accordance with the Statements of Financial Accounting Standards (SFAS) No. 34, "Accounting for Financial Instruments" and No. 36, "Presentation and Disclosure of Financial Instruments" effective January 1, 2006.

The consolidated financial statements of Mega Financial Holding Co., Ltd. and its subsidiaries as of and for the year ended December 31, 2007 expressed in US dollars were translated from the New Taiwan dollar consolidated financial statements using the exchange rate of US$1:NT$32.484 at December 31, 2007 solely for the convenience of the readers. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers

PricewaterhouseCoopers
March 11, 2008

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

8.4 Consolidated Financial Statements and Notes

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

ASSETS	Notes	December 31, 2007		December 31, 2006
		NT$	US$ (Unaudited-Note 2)	NT$
Cash and cash equivalents	4 (1) and 5	$ 99,998,170	$ 3,078,382	$ 52,169,496
Due from the Central Bank and call loans to banks	4 (2) and 5	249,729,453	7,687,768	256,139,063
Financial assets at fair value through profit or loss	4 (3) and 6	210,393,327	6,476,830	245,932,121
Bills and bonds purchased under resell agreements		4,765,687	146,709	5,365,413
Receivables, net	4 (4)	123,958,757	3,815,994	107,852,796
Loans, net	4 (5) and 5	1,210,579,613	37,266,950	1,126,900,618
Available-for-sale financial assets, net	4 (6) and 6	255,517,877	7,865,961	275,375,623
Held-to-maturity financial assets, net	4 (7) and 6	90,448,402	2,784,399	96,908,980
Equity investments accounted for by the equity method, net	4 (8)	2,582,607	79,504	3,053,116
Other financial assets, net	4 (9)	29,112,851	896,221	33,415,543
Real estate investments, net	4 (10)	379,312	11,677	384,048
Property and equipment, net	4 (11)	23,853,592	734,318	24,610,375
Intangible assets, net		344,927	10,618	291,861
Other assets, net	4 (12) and 6	9,169,867	282,289	9,745,637
TOTAL ASSETS		$2,310,834,442	$71,137,620	$2,238,144,690

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 11, 2008.

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	December 31, 2007		December 31, 2006
		NT$	US$ (Unaudited-Note 2)	NT$
Due to the Central Bank and financial institutions	4 (13) and 5	$ 369,971,867	$11,389,357	$ 371,033,111
Funds borrowed from the Central Bank and other banks	4 (14)	42,997,399	1,323,649	56,438,426
Financial liabilities at fair value through profit or loss	4 (15) and 5	53,104,691	1,634,795	50,247,952
Bills and bonds sold under repurchase agreements	4 (16)	246,995,517	7,603,605	315,710,030
Commercial paper payable, net	4 (17)	23,732,467	730,589	15,816,828
Payables	4 (18) and 5	65,261,108	2,009,023	74,834,630
Deposits	4 (19) and 5	1,232,608,275	37,945,089	1,071,926,588
Bonds payable	4 (20)	33,215,871	1,022,530	43,527,894
Other loans	4 (21)	18,898,300	581,773	9,355,000
Accrued pension liability	4 (22)	1,656,078	50,981	1,623,579
Reserve for operations and liabilities	4 (23)			
Reserve for insurance		4,592,497	141,377	4,530,343
Other reserve		4,173,434	128,477	4,264,586
Other financial liabilities	4 (24)	8,729,674	268,738	9,745,929
Other liabilities	4 (25)	10,245,842	315,412	8,665,784
Total Liabilities		2,116,183,020	65,145,395	2,037,720,680
Stockholders' Equity				
Capital stock				
Common stock	4 (26)	110,594,262	3,404,576	111,694,492
Capital surplus	4 (27)	45,182,901	1,390,928	45,631,626
Retained earnings				
Legal reserve	4 (28)	13,618,148	419,226	11,964,622
Special reserve	4 (28)	354,967	10,927	354,967
Unappropriated retained earnings	4 (28)	20,066,193	617,726	22,291,780
Equity adjustments				
Unrealized revaluation increment		447,960	13,790	447,960
Cumulative translation adjustments		1,473,232	45,353	779,965
Unrealized gains or losses on financial instruments		2,250,169	69,270	8,999,935
Treasury stock	4 (29)	-	-	(2,431,355)
Net loss not recognized as pension cost		(20,086)	(618)	(34,857)
Minority interest		683,676	21,047	724,875
Total Stockholders' Equity		194,651,422	5,992,225	200,424,010
Commitments and Contingent Liabilities	7			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$2,310,834,442	$71,137,620	$2,238,144,690

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share Amounts)

	Notes	2007 NT$	2007 US$ (Unaudited-Note 2)	2006 NT$
Interest income	5	$71,209,366	$2,192,137	$65,913,401
Less: Interest expense	5	(44,913,630)	(1,382,639)	(42,143,482)
Interest income, net		26,295,736	809,498	23,769,919
Revenues other than interest, net				
Service fee revenue and commissions, net	5	9,327,077	287,128	7,144,277
Insurance revenue, net		1,166,545	35,911	1,409,919
Gains from financial assets and liabilities at fair value through profit or loss		4,544,830	139,910	5,223,268
Realized gain on available-for-sale financial assets, net		2,507,705	77,198	2,792,373
Realized gain on held-to-maturity financial assets, net		172	5	3,802
Investment income from equity investments accounted for by the equity method		190,338	5,859	207,473
Gain on real estate investments		22,113	681	224,149
Foreign exchange gain		2,752,618	84,738	6,028,758
Loss on asset impairment	4 (8) (9)	(2,122,754)	(65,347)	(3,585,217)
Gains on financial instruments carried at cost, net		760,059	23,398	591,293
Bad debts and overdue accounts recovered		205,063	6,313	938,112
Other revenue except for interest income	5	1,284,819	39,552	2,334,340
Net revenue		46,934,321	1,444,844	47,082,466
Bad debts expense on loans	4 (5)	(6,600,801)	(203,202)	(9,451,091)
Provisions for insurance reserve		(67,376)	(2,074)	(155,636)
Operating expenses				
Personnel expenses	4 (30)	(12,881,152)	(396,538)	(12,537,224)
Depreciation and amortization	4 (30)	(1,180,243)	(36,333)	(1,272,382)
Other business and administrative expenses	5	(6,172,560)	(190,019)	(6,668,058)
Income before income tax		20,032,189	616,678	16,998,075
Income tax expense	4 (31)	(2,917,631)	(89,817)	(2,061,075)
Income before cumulative effect of changes in accounting principles		17,114,558	526,861	14,937,000
Cumulative effect of changes in accounting principles (Net of tax benefit of $12,462)	3	-	-	1,148,103
Consolidated net income		$17,114,558	$526,861	$16,085,103
Consolidated net income attributable to:				
Stockholders of the Company		$17,070,391	$525,501	$16,535,257
Minority interest		44,167	1,360	(450,154)
		$17,114,558	$526,861	$16,085,103

Earnings per share (in dollars)

	2007 Before Taxes	2007 After Taxes	2006 Before Taxes	2006 After Taxes
Income before cumulative effect of changes in accounting principles	$1.81	$1.55	$1.54	$1.35
Cumulative effect of changes in accounting principles	-	-	0.10	0.10
Consolidated net income	$1.81	$1.55	$1.64	$1.45
Consolidated basic earnings per share attributable to:				
Stockholders of the Company	$1.80	$1.54	$1.69	$1.50
Minority interest	0.01	0.01	(0.05)	(0.05)
	$1.81	$1.55	$1.64	$1.45

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 11, 2008.

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2007 and 2006

(Expressed in Thousands of Dollars)

	2007		2006
	NT$	US$ (Unaudited-Note 2)	US$
Cash Flows from Operating Activities			
Consolidated net income	$17,070,391	$525,501	$16,535,257
Consolidated net income (loss) attributable to minority interest	44,167	1,360	(450,154)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:			
Provisions for loan losses	6,600,801	203,202	9,451,091
Investment income accounted for under the equity method in excess of cash dividends received	(96,098)	(2,958)	(92,934)
Gain on disposal of assets, net	(121,723)	(3,747)	(604,200)
Loss on asset impairment	2,122,754	65,348	3,585,217
Provision for loss and related expense on disposal of structured notes	-	-	1,940,724
Depreciation and amortization	1,191,131	36,668	1,281,618
Loss on abandonment of assets	76	2	-
Provisions for various reserves	67,376	2,074	155,636
Changes in assets			
Decrease in financial assets at fair value through profit or loss	35,538,794	1,094,040	37,486,735
Decrease (increase) in bills and bond investments under resell agreements	599,726	18,462	(1,611,602)
Increase in receivables	(17,238,676)	(530,682)	(14,937,312)
Decrease (increase) in available-for-sale financial assets	12,547,777	386,275	(40,417,085)
Decrease (increase) in other financial assets	2,718,782	83,696	(2,125,290)
Net change in deferred income tax assets/liabilities	(375,843)	(11,570)	(754,233)
Decrease (increase) in other assets	497,618	15,319	(6,232,505)
Changes in liabilities			
Increase in financial liabilities at fair value through profit or loss	2,856,739	87,943	1,639,766
(Decrease) increase in payables	(11,021,345)	(339,285)	3,897,477
Increase (decrease) in accrued pension liability	32,499	1,000	(144,259)
(Decrease) increase in other financial liabilities	(1,016,255)	(31,285)	4,122,346
Increase (decrease) in other liabilities	1,881,526	57,922	(1,260,665)
Net cash provided by operating activities	53,900,217	1,659,285	11,465,628
Cash Flows from Investing Activities			
Increase in bills discounts and loans	(89,351,804)	(2,750,641)	(38,667,672)
Decrease (increase) in due from the Central Bank and call loans to banks	6,411,096	197,362	(72,869,763)
Decrease in held-to-maturity financial assets	6,460,578	198,885	98,511,568
Increase in equity investments accounted for by the equity method	(100,000)	(3,078)	-
Increase in financial instruments carried at cost	-	-	(47,210)
Return of capital due to capital reduction of investees	220,000	6,773	76,808
Proceeds from sale of property and equipment	650,047	20,011	842,758
Acquisition of property and equipment	(676,337)	(20,821)	(1,030,254)
Net cash used in investing activities	(76,386,420)	(2,351,509)	(13,183,765)
Cash Flows from Financing Activities			
Increase in short-term debts	17,458,939	537,463	8,434,630
Increase in due to the Central Bank and financial institutions	(1,061,244)	(32,670)	(9,440,950)
Increase in deposits and remittances	160,681,687	4,946,487	34,546,480
Decrease in funds borrowed from the Central Bank and other banks	(13,441,027)	(413,774)	(11,745,954)
Decrease in bonds payable	(10,312,023)	(317,449)	(14,703,015)
Distribution of cash dividends, directors' and supervisors' remunerations and employees bonus	(15,312,687)	(471,392)	(15,874,898)
Decrease in minority interest	(85,366)	(2,628)	(36)
(Decrease) increase in bills and bonds payable under repurchase agreements	(68,714,513)	(2,115,334)	7,534,878
Increase in other liabilities	-	-	4,592,212
Net cash provided by financing activities	69,213,766	2,130,703	3,343,347
Effect of changes in exchange rate	700,485	21,564	95,411
Effect of new consolidated subsidiaries	400,626	12,333	-
Net increase in cash and cash equivalents	47,828,674	1,472,376	1,720,621
Cash and cash equivalents, beginning of year	52,169,496	1,606,006	50,448,875
Cash and cash equivalents, end of year	$99,998,170	$3,078,382	$52,169,496
Supplemental information:			
Interest paid	$44,570,590	$1,372,078	$42,085,321
Income tax paid	$1,700,617	$52,352	$2,645,109
Investing and Financing Activities not Affecting Cash Flows:			
Retirement of treasury stock	$2,431,355	$74,848	$3,649,000
One-year-maturity corporate bonds payable	$-	$-	$5,000,000

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 11, 2008.

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2007 and 2006

(Expressed in Thousands of Dollars)

	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Retained Earnings
For the year ended December 31, 2006					
Balance, January 1, 2006	$113,657,296	$46,404,318	$9,711,653	$377,611	$26,214,995
Earnings distribution for 2005					
Legal reserve	-	-	2,252,969	-	(2,252,969)
Cash dividends	-	-	-	-	(17,142,111)
Remunerations to directors and supervisors	-	-	-	-	(173,432)
Employee bonus	-	-	-	-	(27,749)
Reversal of special reserve due to gains on recovery of the Company’s stocks held by subsidiaries	-	-	-	(22,644)	22,644
Retired treasury stocks	(1,962,804)	(801,341)	-	-	(884,855)
Adjustments in other stockholders’ equity arising from long-term equity	-	28,649	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in cumulative translation adjustments	-	-	-	-	-
Unrealized loss on accrued pension cost	-	-	-	-	-
Consolidated net income for 2006	-	-	-	-	16,535,257
Changes in minority interest	-	-	-	-	-
Balance, December 31, 2006	$111,694,492	$45,631,626	$11,964,622	$354,967	$22,291,780
For the year ended December 31, 2007					
Balance, January 1, 2007	$111,694,492	$45,631,626	$11,964,622	$354,967	$22,291,780
Earnings distribution for 2006					
Legal reserve	-	-	1,653,526	-	(1,653,526)
Cash dividends	-	-	-	-	(16,589,139)
Remunerations to directors and supervisors	-	-	-	-	(148,817)
Employee bonus	-	-	-	-	(22,554)
Retired treasury stocks	(1,100,230)	(449,183)	-	-	(881,942)
Adjustments in other stockholders’ equity arising from long-term equity	-	458	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in cumulative translation adjustments	-	-	-	-	-
Unrealized loss on accrued pension cost	-	-	-	-	-
Consolidated net income for 2007	-	-	-	-	17,070,391
Changes in minority interest	-	-	-	-	-
Balance, December 31, 2007	$110,594,262	$45,182,901	$13,618,148	$354,967	$20,066,193
(In Thousand of US Dollars)					
For the year ended December 31, 2007(Unaudited-Note 2)					
Balance, January 1, 2007	$3,438,446	$1,404,742	$368,323	$10,927	$686,239
Earnings distribution for 2006					
Legal reserve	-	-	50,903	-	(50,903)
Cash dividends	-	-	-	-	(510,686)
Remunerations to directors and supervisors	-	-	-	-	(4,581)
Employee bonus	-	-	-	-	(694)
Retired treasury stocks	(33,870)	(13,828)	-	-	(27,150)
Adjustments in other stockholders’ equity arising from long-term equity	-	14	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in cumulative translation adjustments	-	-	-	-	-
Unrealized loss on accrued pension cost	-	-	-	-	-
Consolidated net income for 2007	-	-	-	-	525,501
Changes in minority interest	-	-	-	-	-
Balance, December 31, 2007	$3,404,576	$1,390,928	$419,226	$10,927	$617,726

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 11, 2008.

Unrealized Revaluation Increments	Cumulative Adjustments	Unrealized Gains or Losses on Financial Instruments	Treasury Stock	Net Loss Not Recognized as Pension Cost	Minority Interest	Total
$447,960	$481,603	($43,111)	($6,080,355)	($48,373)	$928,835	$192,052,432
-	-	-	-	-	-	-
-	-	-	-	-	-	(17,142,111)
-	-	-	-	-	-	(173,432)
-	-	-	-	-	-	(27,749)
-	-	-	-	-	-	-
-	-	-	3,649,000	-	-	-
-	-	-	-	-	-	28,649
-	-	9,043,046	-	-	-	9,043,046
-	298,362	-	-	-	-	298,362
-	-	-	-	13,516	-	13,516
-	-	-	-	-	(450,154)	16,085,103
-	-	-	-	-	246,194	246,194
$447,960	$779,965	$8,999,935	($2,431,355)	($34,857)	$724,875	$200,424,010
$447,960	$779,965	$8,999,935	($2,431,355)	($34,857)	$724,875	$200,424,010
-	-	-	-	-	-	-
-	-	-	-	-	-	(16,589,139)
-	-	-	-	-	-	(148,817)
-	-	-	-	-	-	(22,554)
-	-	-	2,431,355	-	-	-
-	-	-	-	-	-	458
-	-	(6,749,766)	-	-	-	(6,749,766)
-	693,267	-	-	-	-	693,267
-	-	-	-	14,771	-	14,771
-	-	-	-	-	44,167	17,114,558
-	-	-	-	-	(85,366)	(85,366)
$447,960	$1,473,232	$2,250,169	$-	($20,086)	$683,676	$194,651,422
$13,790	$24,011	$277,057	($74,848)	($1,073)	$22,315	$6,169,929
-	-	-	-	-	-	-
-	-	-	-	-	-	(510,686)
-	-	-	-	-	-	(4,581)
-	-	-	-	-	-	(694)
-	-	-	74,848	-	-	-
-	-	-	-	-	-	14
-	-	(207,787)	-	-	-	(207,787)
-	21,342	-	-	-	-	21,342
-	-	-	-	455	-	455
-	-	-	-	-	1,360	526,861
-	-	-	-	-	(2,628)	(2,628)
$13,790	$45,353	$69,270	$-	($618)	$21,047	$5,992,255

MEGA FINANCIAL HOLDING CO., LTD.AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

1.ORGANIZATION AND OPERATIONS

CTB Financial Holding Co., Ltd. was formed by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through a share swap on February 4, 2002 pursuant to the Financial Holding Company Act and other related Laws. The Company's shares have been publicly traded on the Taiwan Stock Exchange since February 4, 2002. On August 22, 2002, the Company further acquired Chung Hsing Bills Finance Corporation and Barits Securities Co., Ltd. ("BS") (which later merged with IS on January 31, 2003, with IS being the surviving entity and was later then renamed Barits International Securities Co., Ltd. ("BIS") as one of the subsidiaries of the Company through a second swap. On December 31, 2002, the Company also acquired 100% equity stock in both The International Commercial Bank of China ("ICBC"), an investee of the Company originally accounted for by the equity method with a 28% equity interest, and Chung Kuo Insurance Co., Ltd. ("CKI") through a further share swap and changed its name from CTB Financial Holding Co., Ltd. to Mega Financial Holding Co., Ltd. (the "Company"). During the period from 2003 to 2005, the Company had made its investments in Mega Asset Management Co., Ltd. ("MAM") 、Mega Investment Trust Co., Ltd. ("MITC"), Mega Life Insurance Agency Co., Ltd. ("MLIAC") and Mega CTB Venture Capital Co., Ltd. ("Mega CTB Venture Capital"). On May 23, 2006, International Investment Trust Co., Ltd. ("IIT") was acquired by the Company and ICBC through cash injection of capital.

In order to expand the economic scale of its business operations, two of the Company's subsidiaries, CTB and ICBC, entered into a merger agreement which is to be implemented by way of "absorption" , with CTB being the dissolving bank and ICBC, later renamed Mega International Commercial Bank Co., Ltd. being the surviving bank. In addition, IIT and MITC entered into a merger agreement, with the dissolving company and IIT simultaneously renamed Mega International Investment Trust Co., Ltd. being the surviving company, effective from September 17, 2007.

In coordination with the Mega Financial Holding's group image as well as business development, all subsidiaries have been renamed as "Mega" in 2006. A comparison of the former company names and the new company names is as follows:

Former Company Names	New Company Names
Barits International Securities Co., Ltd.	Mega Securities Co., Ltd.
Chung Hsing Bills Finance Corporation	Mega Bills Finance Co., Ltd.
China Insurance Co., Ltd.	Chung Kuo Insurance Co., Ltd.
International Commercial Bank of China	Mega International Commercial Bank Co., Ltd.
Barits International Futures Co., Ltd.	Mega Futures Co., Ltd.
Barits International Investment Services Corporation	Mega International Investment Services Co., Ltd.
International Commercial Bank of Cathay (Canada)	Mega International Commercial Bank Co., Ltd. (Canada)
International Commercial Bank Of China Public Co., Ltd. (Thailand)	Mega International Commercial Bank Public Co., Ltd.
Barits Holdings Limited	Mega Securities Holdings Co., Ltd.
Barits Ho Chong Securities Company Ltd.	Mega Securities (Hong Kong) Co., Ltd.
Barits International Asset Management Corporation	Mega International Asset Management Co., Ltd.
Barits Securities (Hong Kong) Ltd.	Mega Capital (Asia) Co., Ltd.
Barits Global Asset Management Ltd.	Mega Global Asset Management Co., Ltd.

The Company is mainly engaged in investment activities approved by the governing authorities and management of the investee companies. Background of the Company's subsidiaries is summarized below:

(1) CTB was established in Mainland China in 1907, five years before the founding of the Republic of China (ROC), and moved to Taiwan along with the central government of ROC in 1949. CTB resumed its operation in 1960 to continue its role of assisting the ROC government in implementing economic development programs. CTB's shares were publicly traded on the Taiwan Stock Exchange since September 1996 and the bank completed its privatization process in September 1999. On February 4, 2002, CTB became a wholly- owned subsidiary of the Company through share swap pursuant to the Financial Holding Company Act and was therefore delisted from the Taiwan Stock Exchange. As an industrial development bank, CTB is mainly engaged in extending medium- and long-term loans, equity and venture capital investments, international banking and trust related business. In line with the government's economic policy and economic development programs, CTB also assists major industries in developing strategies for improving the industrial infrastructure and promotes industrial development of the nation. As of August 21, 2006, CTB merged with ICBC and was dissolved after the merge.

(2) Mega Securities Co., Ltd. ("MS"; formerly known as International Securities Co., Ltd.) was incorporated on October 19, 1989, and became a wholly-owned subsidiary of the Company on February 4, 2002 through a share swap agreement. On October 31, 2002, MS' Board of Directors passed a resolution to merge with BS. On November 28, 2002, the merger was formally approved by the Securities and Futures Commission ("SFC") with the effective merger date set on January 31, 2003. International Securities Co., Ltd. is the surviving company after the merger and is subsequently renamed as Barits International Securities Co., Ltd. ("BIS"). On January 30, 2003, BIS further acquired all operations and properties of Chung Hsing Securities Corporation. Principal activities of MS include underwriting, brokerage and proprietary trading of securities, margin trading of securities and bills, issuance of stock warrants, and brokerage of overseas securities.

(3) Mega Securities Holdings Co., Ltd. ("MHL"), registered in the British Virgin Islands, is 100% owned by MS with an investment amount of NT$1,353,062 thousand. MHL is mainly involved in asset management and venture capital activities.

(4) Mega Futures Co., Ltd. ("MF") is 100% owned by MS with an investment amount of NT$607,600 thousand. MF is mainly engaged in brokerage of domestic and foreign futures trading, proprietary trading of domestic futures contracts, and settlement and consulting services for domestic futures trading.

(5) Mega Securities (Hong Kong) Co., Ltd., registered in Hong Kong, is 100% owned by MHL with an investment amount of HK$60,000 thousand dollars. Mega Securities (Hong Kong) Co., Ltd. is mainly engaged in brokerage of marketable securities.

(6) Mega International Asset Management Co., Ltd., registered in British Virgin Islands, is 100% owned by MHL with an investment amount of HK$116,260 thousand dollars. Mega International Asset Management is mainly engaged in investment consulting services.

(7) Mega Capital (Asia) Co., Ltd., registered in Hong Kong, is 100% owned by MHL with an investment amount of HK$80,000 thousand dollars. Mega Capital (Asia) Co., Ltd. is mainly engaged in investment consulting services.

(8) Mega Global Asset Management Co., Ltd. registered in British Cayman Islands, is 100% owned by MHL with an investment amount of HK$29,097 thousand dollars. Mega Global Asset Management Ltd. is mainly engaged in asset management services.

(9) Mega Bills Finance Co., Ltd. (MBF), established on May 3, 1976, became a wholly-owned subsidiary of the Company through a share swap agreement on August 22, 2002 and was delisted from the Taiwan Stock Exchange. MBF is mainly engaged in proprietary trading, brokerage and underwriting of short-term notes and bills and financial debentures, provision of guarantees for short-term notes and bills, arrangement of inter-bank call loans, corporate financial consulting and proprietary trading of government bonds and corporate bonds.

(10) Mega International Commercial Bank Co., Ltd. ("MICB") (formerly known as Bank of China), was restructured on December 17, 1971 in accordance with the Chinese commercial banking regulations. Shares were originally traded on the Taiwan Stock Exchange. On December 31, 2002, ICBC became a wholly-owned subsidiary of the Company through share swap and was delisted from the Taiwan Stock Exchange accordingly. On August 21, 2006, ICBC merged with CTB. MICB's major activities include foreign exchange and related operations, trade finance and guarantees, trust related business and other commercial banking business related to international trade.

(11) Mega International Commercial Bank (Canada) ("MICB Canada"), a wholly-owned subsidiary of MICB, was established in Canada with a capital base of NT$591,636 thousand. MICB Canada is mainly engaged in accepting deposits, extension of credits, negotiation of import/export bills, collections and foreign exchange related businesses.

(12) Yung Shing Industries Co. ("Yung Shing") is 99.56% owned by MICB with an investment amount of NT$95,219 thousand. The principal activities of Yung Shing include agency services for industrial and mining related businesses, import and export related businesses, services requested by customers (e.g. data processing, packaging and printing), editing, binding and copying of documents, and credit card agency services.

(13) Cathay Investment & Development Corporation (Bahamas) ("CIDC Bahamas"), registered in the Commonwealth of the Bahamas, is 100% owned by MICB with an investment amount of NT$200 thousand. CIDC Bahamas is mainly engaged in international investment and development activities.

(14) Mega International Commercial Bank Public Co., Ltd. ("MICBPC"), a wholly-owned subsidiary of MICB, was established in Thailand in March 2005 with a capital base of 4 billion Thai baht. MICBCPC is mainly engaged in accepting deposits, negotiation of import/export bills, collections, exchange of foreign currencies and extension of credits.

(15) Mega Investment Trust Co., Ltd. ("MITC") (Formerly known as International Investment Trust Co.,Ltd.) is a subsidiary of MICB, in which MICB's equity interest increased to 59.13% for the six-month period ended June 30, 2005. On May 23, 2006 and September 20, 2006 the Company and MICB participated in cash injection of capital for IIT and in turn achieved an equity interest of 97.76% together. IIT is primarily engaged in investment trust related businesses.

(16) Former Mega Investment Trust Co., Ltd. ("MITC") and International Investment Trust Co., Ltd. ("IIT") entered into a merger agreement, with former MITC as the dissolving company and IIT simultaneously renamed "Mega International Investment Trust Co., Ltd." being the surviving company, effective from September, 2007.

(17) Initially established by Bank of China (predecessor of MICB) in November 1931, Chung Kuo Insurance Co., Ltd. (CKI) merged with the Insurance Department of the Central Trust of China, in February 1972 and became a direct investee company of the Ministry of Finance (MOF). CKI completed its privatization process on May 5, 1994 and became a wholly-owned subsidiary of the Company through share swap on December 31, 2002. CKI is primarily engaged in general insurance business.

(18) Mega Asset Management Co., Ltd. ("MAM") was established by the Company on December 5, 2003 with a capital base of NT$2 billion. MAM is primarily engaged in purchases, evaluations, auctions, and management of financial institutions' loan assets.

(19) CTB I Venture Capital Co., Ltd. ("CTB I Venture Capital") is 40% owned jointly by MICB, MS and CKI with a total investment amount of NT$400 million. CTB I Venture Capital is primarily engaged in venture capital activities. Although the Company's equity interest in CTB I Venture Capital is less than 50%, CTB I Venture Capital is regarded as a subsidiary in which the Company has control due to the Company's significant influence over its financial, operational, and personnel policies.

(20) Mega CTB Venture Capital Co., Ltd. ("Mega CTB Venture Capital") was established by the Company on December 13, 2005 with an initial investment of NT$1 billion. Mega CTB Venture Capital is primarily engaged in venture capital investments as well as providing operational, managerial and consulting services.

(21) The number of employees of the Company and its subsidiaries amounted to 8,733 and 8,165 as of December 31, 2007 and 2006, respectively.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in conformity with the "Guidelines for Preparation of Financial Reports by Financial Holding Companies", "Guidelines for Preparation of Financial Reports by Publicly Listed Banks", "Guidelines for Preparation of Financial Reports by Publicly Listed Bills Finance Companies", "Guidelines for Preparation of Financial Reports by Securities Firms", "Guidelines for Preparation of Financial Reports by Futures Commission Merchants", "Guidelines for Preparation of Financial Reports by Industry of Property and Casualty Insurance", "Guidelines for Preparation of Financial Reports by Securities Issuers", "Business Accounting Law", "Regulation on Business Entity Accounting Handling " and accounting principles generally accepted in the Republic of China. Due to the characteristics of the banking industry, its business cycle cannot be accurately defined. Hence, the accounts on the accompanying consolidated financial statements are not categorized into current and non-current items. Nevertheless, accounts are properly categorized according to the nature of each accounts, and sequenced by their liquidity. The significant accounting policies of the Company are summarized below:

(1) Basis for preparation of consolidated financial statements

A. Beginning January 1, 2005, pursuant to the newly revised Statement of Financial Accounting Standards (SFAS) No.7, "Consolidated Financial Statements", the Company is required to consolidate accounts of the investee companies of which the Company directly or indirectly holds more than 50% of the common stocks, unless the Company considers that the individual total asset or total operating revenue of investees are immaterial. Under the newly revised SFAS No.7, the prior year financial statements are not required to be restated retroactively.

For investee companies of which the Company holds more than 50% of voting shares (including the Company and its subsidiaries' potential voting rights readily obtainable through execution and conversion) or which meet the requirements stipulated below, the Company is determined to have controlling interest over them and thus, a parent-subsidiary relationship is established. In this case, not only the equity method should be applied for the valuation of subsidiaries, but also the consolidated financial statement should be prepared.

(a) Under the agreements entered into by the Company with other investors, the equivalent voting shares of the investee held by the Company exceed 50%.

(b) Under the applicable regulations or agreements, the Company can control the investee's financial, operational and personnel policies.

(c) The Company has the right to employ or dismiss more than 50% of the members of the Board (or equivalent organization) in which the controlling power over the investee lies.

(d) The Company controls more than 50% of the voting rights in the investee's Board (or equivalent organization) in which the controlling power over the investee lies.

(e) The Company has controlling power in other matters.

B. All significant inter-company transactions and the respective balances have been eliminated from the consolidated financial statements. Please refer to Note 11 (4) for details.

C. The names of the subsidiaries that are included in the consolidated financial statements and the percentage of Company's ownership in each subsidiary are set forth below:

Investor	Subsidiary	Ownership (%) December 31, 2007	Ownership (%) December 31, 2006
The Company	MS	100.00	100.00
MS	MHL	100.00	100.00
MS	MF	100.00	100.00
MHL	Mega Securities (Hong Kong) Co., Ltd.	100.00	100.00
MHL	Mega International Asset Management Co., Ltd.	100.00	100.00
MHL	Mega Capital (Asia) Co., Ltd.	100.00	100.00
MHL	Mega Global Asset Management Co., Ltd.	100.00	100.00
The Company	MBF	100.00	100.00
The Company	MICB	100.00	100.00
MICB	MICB Canada	100.00	100.00
MICB	Yung Shing	99.56	95.22
MICB	CIDC Bahamas	100.00	100.00
MICB	MICBPC	100.00	100.00
The Company, MICB	MITC (formely known as IIT) (Note)	96.31	97.76
The Company	CKI	100.00	100.00
The Company	MAM	100.00	100.00
MICB, MS and CKI	CTB I Venture Capital	40.00	40.00
The Company	Mega CTB Venture Capital	100.00	100.00

Note:Former Mega Investment Trust Co., Ltd. ("MITC") and International Investment Trust Co., Ltd. ("IIT") entered into a merger agreement, with former MITC as the dissolving company and IIT simultaneously renamed "Mega International Investment Trust Co., Ltd." being the surviving company, effective from September, 2007.

D. Changes in the subsidiaries that are included in the consolidated financial statements as of December 31, 2007: None.

E. Details of the Company's subsidiaries that are not included in the consolidated financial statements are set forth below:

Investor	Subsidiary	Ownership (%) December 31, 2007	Ownership (%) December 31, 2006	Business Scope
The Company	Mega Investment Trust Co., Ltd. (Note)	-	93.96	Issuance of mutual funds
The Company	Mega Life Insurance Agency Co., Ltd.	100.00	100.00	Insurance brokerage
MICB	CTB Financial Management & Consulting Co., Ltd.	100.00	100.00	Management consulting
MS	Mega International Investment Services Co., Ltd.	100.00	100.00	Securities investment consulting
MICB	Cathay Investment & Warehousing Ltd.	100.00	100.00	Storage and warehousing of imported commodities
MICB	China Products Trading Company	68.27	68.27	Transportation and storage of farming products and by-products, and investments in the related businesses
MICB	Ramlett Finance Holdings, Inc.	100.00	100.00	Real estate investments
MICB and CKI	Cathay Insurance Company Inc.	86.46	86.46	General insurance
Yung Shing	Win Card Co., Ltd.	100.00	100.00	Business management
Yung Shing	ICBC Assets Management & Consulting Co., Ltd.	100.00	100.00	Investment consulting

Note:Former Mega Investment Trust Co., Ltd. ("MITC") and International Investment Trust Co., Ltd. ("IIT") entered into a merger agreement, with former MITC as the dissolving company and IIT simultaneously renamed "Mega International Investment Trust Co., Ltd." being the surviving company, effective from September, 2007.

As the individual total asset or operating revenue amounts of the above subsidiaries are immaterial, the accounts of these subsidiaries are not included in the Company's consolidated financial statements although the Company holds more than 50% equity interest in these subsidiaries.

(2) Foreign-currency transactions and translations

The Company maintains its accounts at the currencies in which transactions are denominated. Foreign currencies income and expenses are converted into New Taiwan Dollars (NT dollars or NT$) at the prevailing exchange rates at the end of each month. Foreign-currency denominated monetary financial assets or liabilities and other foreign-currency denominated assets or liabilities regulated by the Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement" and No. 36 "Financial Instruments : Disclosure and Presentation" are translated into NT dollars at the prevailing exchange rates at the end of each month. The resulting translation differences are recognized as gain or loss in the current period. However, for translation gains or losses associated with cash flow hedges, foreign net investment hedges and equity investments accounted for by the equity method, cumulative translation adjustments under stockholders' equity is recognized.

Non-monetary financial assets or liabilities regulated by SFAS No. 34 and No. 36 measured at fair value in foreign currency are translated using the prevailing rates at the end of each month. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

(3) Cash and cash equivalents

Cash and cash equivalents include cash, unrestricted bank deposits, and short-term investments in highly liquid instruments, which can be readily converted into cash without significant penalty and of which the values will not be significantly affected by fluctuation in interest rates. The above-mentioned short-term investments include treasury bills, negotiable certificates of deposit and banker's acceptances with maturity of three months or less.

(4) Financial assets and financial liabilities

The Group classified financial assets into categories such as, "financial assets at fair value through profit or loss", "available-for-sale financial assets", "held-to-maturity financial assets", "debt investments with no active market" and "financial assets carried at cost", in accordance with the ROC SFAS No. 34, "Regulations Governing the Preparation of Financial Reports by Financial Holding Company", "Guidelines for Preparation of Financial Reports by Publicly Listed Banks", "Guidelines for Preparation of Financial Reports by Publicly Listed Bills Finance Companies", "Guidelines for Preparation of Financial Report by Securities Firms", "Guidelines for Preparation of Financial Reports by Futures Commission Merchants", "Guidelines for Preparation of Financial Reports for the Non-life Insurance Companies" and "Guidelines Governing the Preparation of Financial Reports by Securities Issuers". On initial recognition, financial assets are measured at fair value. For financial assets at fair value through profit or loss which are not measured at fair value, transaction costs that are directly attributable to the acquisition or issuance of liability should be capitalized. Financial liabilities are classified as financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging purposes and financial liabilities carried at cost. Financial assets (or liabilities) designated as at fair value through profit or loss are composed of a group of financial assets, financial liabilities and others financial instruments under the administration of both the Company's risk management policy and investment strategy.

For financial assets acquired or sold by the Group during routine transactions, trade date accounting is adopted with the exception of stocks and mutual funds which adopt settlement date accounting. Routine transaction is defined as an acquisition or sale of a financial asset with a time to the exchange of assets within the period generally accepted in the market or standardized by regulations.

A. Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss consist of financial assets or liabilities held for trading and financial asset or liabilities designated as at fair value through profit or loss at initial recognition. Subsequent measurement is based on fair values and changes in fair values are recognized in profit or loss for the period.

B. Held-to-maturity financial assets

Investment in bonds with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets when the Group 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 calculated as the cost (amount initially recognized) minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the cost and the maturity amount, and less any loss on impairment or unrecoverable amount. While determining cash flows associated with the financial instruments for calculating the effective interest rate, the Group takes into consideration the contract terms of financial instruments including transaction fees paid or received, premiums or discounts and transaction cost, etc.

C. Available-for-sale financial assets

Available-for-sale financial assets include assets that are available for sale and all other non-derivative financial assets that do not fit into any of the other categories of financial assets mentioned above. Available-for-sale assets are measured at fair value. All changes in fair value, except impairment losses and foreign exchange rate losses for monetary financial assets, are recognized directly in equity until the asset is derecognized. When the financial asset is derecognized, the cumulative gain or loss that was previously recognized in equity is recognized in profit or loss in the income statement.

D. Debt investments with no active market

Debt investments with no active market are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses are recognized when such investments are derecognized, impaired, or amortized.

E. Financial assets and liabilities carried at cost

In the case when the fair value of equity investments with no active market can be reliably measured, the valuation method should be adopted for estimating the fair value. When the fair value can not be reliably measured, the equity investments are measured at their initial costs. The Group measures the cost of its non-monetary assets or liabilities denominated in foreign currencies originally carried at costs using the prevailing exchange rate at the trade date.

F. Derivative financial liabilities held for hedging purposes

Derivative financial liabilities held for hedging purposes refer to derivative financial liabilities that meet all hedge accounting criteria and are designated as effective hedging instruments. Such liabilities are measured at fair value.

The so-called fair value mentioned above refers to the closing market price on the balance sheet date for listed equity securities, the settlement price on the balance sheet date for derivative instruments with quoted price, the net asset value on the balance sheet date for open-ended mutual funds and the closing price or reference price on the balance sheet date for debt investments. For other financial instruments, the appropriate valuation method is applied for the estimation of their relative fair values.

(5) Bills and bonds purchased/ sold under resell/ repurchase agreements

Bonds and bills purchased under resell agreements refer to the actual payment made to the counterparty in transactions involving the purchase of securities, subject to an agreement by the purchaser to resell the securities. Such transaction is treated as margin trading. Bonds and bills sold under repurchase agreements refer to the actual receipts from the counterparty in transactions involving the sale of bonds and bills by one party, subject to an agreement by the seller to repurchase the securities. All related interest income or expenses are recognized on an accrual basis.

(6) Options

Transactions of TAIEX Options, MSO and equity options are stated at the premiums on the option contracts. The Group's position in the option contracts is mark-to-market monthly and the movement in the option position is recorded under "options bought", "liability on options written" and "unrealized gain (loss) on option contracts".

For transactions involving bond options, the premium associated with bond options purchased (or sold) is used as the basis for recognition. The option contracts is then measured at fair value each month and the resulting changes in the carrying value is recorded under "Long options - bond options", "Short options - bond options" and "Gain or loss on valuation - bond options".

Upon exercise of the options, the difference between the spot price and the strike price is credited or charged to current income. On the balance sheet date, the difference between the closing price of the outstanding option contracts and their cost is also credited or charged to current income.

(7) Margin deposits for futures trading - own capital

Margin deposits are guarantee deposits paid for futures and options trading using the Group's own capital. The Group's position in the futures contracts is mark-to-market daily and the movement in the margin deposits is recorded under "margin deposits for futures trading - own capital" and "unrealized gain (loss) on futures contracts".

Upon settlement of the futures contracts or exercise of the option contracts, the difference between the spot price and the contracted price is credited or charged to current income. On the balance sheet date, the difference between the closing price of the outstanding contracts and the average price is also credited or charged to current income.

Fixed income instruments are recorded at costs initially and are under custody of the designated custodian institution as stipulated in the contract. Interest income is recognized on an accrual basis during holding period, discounts or premiums arising from acquisition are amortized on a systematic manner. Fixed income instruments are measured at fair value at the balance sheet date.

(8) Margin trading of securities

A. Margin loans extended to stock investors are recorded as "marginal receivables" and the stocks purchased by the borrowers are held by MS as collateral. The collateral is recorded in the memorandum account and are returned to the borrowers when the loans are repaid.

B. Guarantee deposits received from stock investors on short sales are recorded as "margin deposits on short sales". The proceeds from short sales (less the securities transaction tax and service charges) are held by MS as guarantee deposits which are recorded as "payables on proceeds from short sales". The stocks lent to the customers are recorded in the memorandum account. When the stocks are returned to MS, the margin deposits and proceeds from the short sales are returned to the customers accordingly.

C. Loans borrowed by MS from other securities lenders when MS has insufficient fund to conduct margin trading are recorded as "margin loans from other securities lenders". When MS has insufficient stocks to conduct short selling, the guarantee deposits paid for the stocks borrowed from other securities lenders are recorded as "deposits paid to other securities lenders". The proceeds from short sales are then paid to the securities lenders as additional guarantees and are recorded as "refinancing guarantees receivable".

(9) Allowances for probable losses

A. Allowances for probable losses are provided for due from call loans to bank, receivables, bills discounted and loans based on a review of its collectibility on the balance sheet date.

B. In accordance with "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Non-accrual Loans, and Bad Debts", reserves set aside for probable loan losses are based on the estimation of potential unrecoverable exposures, net of collateral. A significant degree of management discretion is used in the estimation process, which includes the assessment of the borrower's ability to pay and of the value of the underlying collateral.

C. Balances of uncollectible accounts are written-off against allowance for probable losses only upon the approval by the Board of Directors.

(10) Bills Discounted and loans

A. Bills discounted and loans are recorded at the basis of outstanding principal amounts. Any unsettled bills discounted and loans upon maturity are to be reclassified to non-accrual loans along with the associated amount of accrued interest previously recorded within six month from the date of the maturity. In addition, interest receivable should no longer be accrued.

B. Non-accrual loans transferred from loans should be recorded under bills discounted and loans. For other non-accrual loans transferred from accounts other than loans, such as guarantees, acceptances and receivables on factoring should be recorded under "other financial assets".

(11) Equity investments accounted for by the equity method

A. The shares of CTB and IS held by the Company are accounted for in accordance with the rules stipulated by the Accounting Research and Development Foundation of the Republic of China (ARDF), which is summarized below:

Capital expenditure incurred by the Company to acquire equity interest in a financial institution through share swap is stated at the book value of the respective financial institution's assets less the book value of its liabilities. The par value of the new shares issued is recorded as common stock, and the amount in excess of the par value is recorded as capital surplus.

As ICBC was the Company's affiliate before joining the Company through share swap, its shares held by the Company are accounted for in accordance with the ARDF's rule, which is summarized below:

The Company's equity investment in a financial institution is stated at the book value of the respective financial institution's net assets. When the book value of the financial institution's net assets exceeds the par value of the Company's issued shares, the excess is recorded as capital surplus. Conversely, when the net assets' book value is less than the par value of the Company's issued shares, the difference is accounted for by issuing new shares at a discount.

B. CHBF, BS and CKI were acquired by the Company through a share swap agreement. The business combination of the three subsidiaries was accounted for by the pooling-of-interests method in accordance with the rule stipulated in the ARDF's Letter (90) Chi-Mi-Tze No.079.

C. The merger of BIS and BS, in which BIS was the surviving entity, was accounted for in accordance with the rule stipulated in the ARDF's Letter (91) Chi-Mi-Tze No.244. Under the rule, the book value of BIS' long-term investments in BS was treated as the cost of the new shares issued for acquisition of BS.

D. Two of the 100% wholly-owned subsidiaries of the Company, ICBC and CTB, conducted a merger with ICBC being the acquiring firm and CTB being the targeted firm. ICBC was later renamed Mega International Commercial Bank. The merger of the two subsidiaries was in fact, an organizational restructuring implemented under mutual control of the group; therefore, neither the purchase method nor the pooling-of-interest method is appropriate. In pursuant to the rules stipulated in the ARDF's Letter (91) Chi-Mi-Tze No. 243, the Company's carrying value of long-term investments in CTB is recognized as the cost of issuing shares for acquiring ICBC. An assessment for impairment on the carrying value of long-term investment must be conducted and the impairment amount assessed should be recognized immediately as loss, if any.

E. Regarding MITC and IIT merger, IIT is the surviving entity and renamed "Mega International Investment Trust Co., Ltd.", the related accounting treatments for the Company's carrying value of long-term investments in MITC is recognized as the cost of issuing shares for acquiring IIT pursuant to the Explanatory Letter (91) Chi-Mi-Tze No. 244 of the ARDF.

F. If any financial institution which is originally one of the Company's affiliated companies subsequently become the Company's subsidiaries through swap of all their outstanding shares, the new shares are issued at a discount when the book value of the respective financial institutions' net assets is less than the par value of the Company's issued shares. The cost of the swapped shares recorded by the respective financial institutions is based on the original book value of the swapped shares. The affiliated companies referred to above are defined as the financial institutions of which the Company holds more than 25% of the total voting shares or total capital, or in which the Company holds more than half of their directors' seats, either appointed or elected directly or indirectly. For the accounting of financial institutions and financial holding corporations which were non-affiliated companies under the original condition, the accounting principle stipulated in the SFAS No.25 "Business Combination-Accounting Treatment under Purchase Method" should be applied accordingly.

G. Investments in the companies, of which the Company holds more than 20% of the voting shares or over which the Company can exercise significant influence, are accounted for by the equity method. However, effective from January 1, 2006, the principles stated in the Statement of Financial Accounting Standards (SFAS) No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statement, No.5 "Accounting for Long-Term Equity Investments", No.25 "Business Combination - Purchase-Price Accounting" is applied for the accounting for difference between the initial investments and the net worth of the respective investee companies. Pursuant to the procedures for the allocation of acquisition cost stated in the SFAS No.25 "Business Combination- Purchase-Price Accounting", an analysis is performed on such differences and differences attributable to goodwill are no longer amortized.

H. Unrealized gains (losses) resulting from the downstream transactions with the investees accounted for under the equity method are eliminated based on the Company's percentage of shareholding. Where the Company has controlling power over the investees, the unrealized gains (losses) are fully eliminated and are recognized only upon realization.

I. Unrealized gains (losses) resulting from the upstream transactions with the investees accounted for by the equity method are eliminated based on the Company's percentage of shareholding.

J. The impairment in the long-term equity investments accounted for by the equity method is accounted for in accordance with the SFAS No.35, "Accounting for Asset Impairment".

K. The cost on disposal of equity investments is calculated using the weighted-average method.

(12) Capital expenditure

When the economic benefit generated from the expenditure is limited to the current period or when no economic benefit is expected, the expenditures shall be expensed in the current period. When the economic benefit generated from the expenditure is related to future years, the expenditures shall be capitalized unless the amount of expenditure is immaterial, in which case, the expenditure shall be recognized as current expense regardless of the length of the economic benefit.

(13) Valuation and depreciation of properties and equipment

A. Except for land, all properties and equipments are depreciated on a straight-line basis according to their value after revaluation increment. Major improvements and renewals are capitalized as cost, and repairs and maintenance are expensed as incurred. Relevant promulgated principle should be applied if impairment exists. Upon sale or disposal of properties and equipment, the related cost, revaluation increment, accumulated depreciation and accumulated impairment loss are written-off, and any gain or loss is credited or charged to non-interest income.

B. When an impairment loss on a specified asset is identified, the related depreciation is recalculated based on the adjusted value over the estimated useful lives. The residual value of a property or equipment that is still in use at the end of the original estimated useful life is depreciated using the straight-line method over its revised estimated useful life.

(14) Asset impairment

A. Pursuant to SFAS No. 35, the Company assesses indicators for impairment for all its assets within the scope of SFAS No. 35 on each balance sheet date. If impairment indicators exist, the Company shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU") and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair values less costs to sell and the values in use.

B. For previously recognized losses, the Company shall assess, on 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 is required to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years.

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

(15) Derecognition of financial assets and liabilities

A. Financial assets

All or part of a financial asset is derecognized when the contractual rights of the asset expire. When all or part of a financial asset is transferred and contractual rights of the asset is given up, the cash flow received from the clearing house within a certain limit is treated as sale.

When the transfer of financial asset does not qualify as lost of contractual rights, then such transfer of asset is recognized as guaranteed loan. Reacquiring rights of such assets will no longer be accounted as derivative financial assets.

B. Financial liabilities

All or part of a financial liability is derecognized when the obligation specified in the contract binding the financial liability is either discharged, cancelled or expired.

Where there has been an exchange between an existing borrower of debt instruments and the Company with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, then the transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss from extinguishment of the original financial liability is recognized in the income statement.

(16) Impairment of financial assets

The Group is required to assess at each balance sheet date whether there is any objective evidence of impairment. Impairment calculation and recognition for financial assets with different valuation model is as follows:

A. Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount equal to the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit but rather as adjustments in equity. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

B. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment is recognized in profit or loss.

C. Financial assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity instrument or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of loss is recorded as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market's rate of return for a similar financial asset. Such impairment loss can not be reversed.

(17) Bonds payable

When issuing corporate bonds, issuing prices are recognized based on issuing terms. Premiums and discounts on corporate bonds payable are valuation accounts and shall be classified as additions to or reductions of corporate bonds payable. Bonds shall be amortized during the period of bond circulation and recorded as an adjustment in interest expense.

(18) Liability on issuance of stock warrants/repurchase of stock warrants issued

Issuance of stock warrants and its subsequent valuation are accounted for by the fair value method and are recorded as "liability on issuance of stock warrants". For the warrants that are issued under repurchase agreements, the repurchase amount is recorded under "repurchase of stock warrants issued" which is a contra account of "liability on issuance of stock warrants". At expiration of the stock warrants, the amount of the unexercised warrants is reversed after being revalued by the fair value method. A gain on the unexercised expired stock warrants is recognized accordingly.

(19) Reserves for insurance

The basis for recognizing reserves for insurance as pursuant to the "Regulations on Setting Reserves for Insurance Industry" (RSRII) promulgated by the Department of Insurance is set forth below:

A. Unearned premium reserve

Unearned premium reserves are provided as required by the Insurance Law, RSRII and other related regulations. The amounts provided and recovered by the actuaries are recognized as expense and revenue for the current period, respectively.

B. Special reserve

The special reserve is set aside in accordance with the Insurance Law and other related regulations. The provision amount reviewed by the actuaries and the amount of the reserve reversed are charged and credited to current income, respectively, according to the insurance category.

C. Claim reserve

The claim reserve is provided in accordance with the "Insurance Law", "Regulations Governing the Setting Aside of Various Reverses by Insurance Enterprises" and other related regulations. For the retained business, the claim reserve for losses incurred but not reported is set aside on a policy-by-policy basis. In the following year when the claim reserve is released, adjustment is made to the provision based on the actual amount of the claims. For losses not incurred and not reported, the claim reserve is set aside based on the retained earned premiums pursuant to the Explanatory Letter Jin-Guan-Bao No. 09402504721 of the FSC dated December 31, 2005 and the prescribed provision rate computed by the actuary. In the following year when the claim reserve is released, adjustment is also made to the provision based on the actual amount of the claims.

(20) Reserves for liabilities and losses

Reserves for liabilities and losses are mainly provided for guarantee liabilities and trading losses. Reserve for guarantee liabilities is estimated at 1% of the ending balance of guarantee accounts but the amount of such reserve cannot exceed the total guarantee commissions received for the current year. Pursuant to the Rules Governing the Administration of Securities Firms (RGASF), 10% of the excess of gains on proprietary trading of securities over its losses must be set aside as reserve for trading losses on a monthly basis until the cumulative balance of such reserve reaches NT$200 million. Such reserve can only be used to offset the excess of securities trading losses over gains. As required by the SFC, securities firms are also required to set aside an amount equal to 0.28% of the monthly brokerage trading volume as reserve for default losses until the balance of such reserve reaches NT$200 million. Such reserve can only be used to offset default losses or other losses as approved by the SFC.

(21) Financial asset securitization

A. Under the "Financial Assets Securitization Act", MICB securitized part of its enterprise loans and transferred those loans to the special purpose trustee in return for the issuance of the related beneficiary certificates. Having surrendered the control of contractual rights on the loans and transferred to a special purpose trustee, MICB derecognized all the enterprise loans and recorded gain or loss accordingly. In accordance with the Explanatory Letter (96) Ji-Mi-Zi No.0000000304, subordinated beneficiary certificates retained for the originator means the originator still holds the retained interests of the subordinated beneficiary securities. The retained interests of the subordinated beneficiary securities may be unable to recover most of the original investment cost due to the reasons other than obligor's credit deterioration (such as effects of risk associated with beneficiary securities). Under this case, it should be reclassified as available-for-sale financial assets or financial assets at fair value through profit or loss. Except for subordinated beneficiary certificates retained for credit enhancement which was reclassified as other financial assets instead.

B. The gain or loss on the sale of the loans is the difference between the proceeds and carrying amount of the loans. The above-mentioned carrying amount of the loans should be allocated in proportion to the fair values of the part retained and the part sold on the date of sale. Since quotes are not available for loans and retained interests, MICB estimates fair value at the present value of expected cash flows, using management's key assumptions on credit losses and discount rates commensurate to the risks involved.

C. The interest income on the subordinated beneficial securities held by MICB is recognized upon its receipt from the trustees.

(22) Pensions

A. Pensions are accounted for in accordance with the Statement of Financial Accounting Standards (SFAS) No.18, "Accounting for Pensions". Minimum accrued pension liability and net pension cost are recognized based on actuarial calculations. Prior service costs and pension gain (loss) are amortized on a straight-line basis over the average remaining service years of the employees.

B. The ROC Labor Pension Act (the "Act"), which adopts a defined contribution scheme, takes effect from 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 based on 6% of the employees' monthly wages.

(23) Capital surplus

A. Pursuant to the Company Law, capital surplus arising from share issue premium and donations can be capitalized with the stockholders' resolution. However, according to the SFC regulations, capital surplus arising from share issue premium generated by cash injection is allowed to be capitalized only once a year and is subject to a specified limit. In addition, capitalization is prohibited in the year when the cash is injected.

B. As per the rule stipulated by SFC, capital surplus arising from share swap between financial institutions can be appropriated as cash dividends and capitalized in the year of the share swap according to Section 4 of Article 47 of the Financial Holding Company Act, if the capital surplus arises from the unappropriated earnings generated prior to share swap. In addition, the capitalization amount is not subject to the limit stipulated in Article 8 of the Securities and Exchange Law.

(24) Legal reserve

Pursuant to the Company Law, 10% of the Company's after-tax net income in the current year must be appropriated as legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can be used to offset deficits but cannot be used for the purpose of cash dividend distributions.

(25) Special reserve

If there are any negative stockholders' equity items recorded by the Company, such as unrealized losses on declines in market value of long-term equity investments and cumulative translation adjustments, the Company is required to set aside a special reserve with an amount equal to the total amount of the negative items but not exceeding the limits listed below before the earnings are appropriated.

A. The special reserve set aside for the negative stockholders' items which occur in the current year should not exceed the sum of after-tax net income generated in that year plus the unappropriated retained earnings accumulated for previous years.

B. The special reserve set aside for the negative stockholders' items which occur in previous years should not exceed the amount of the unappropriated retained earnings accumulated for previous years less the amount of special reserve set aside in (1).

According to the regulation stipulated by SFC, the Company is required to set aside a special reserve with an amount equal to the excess of the book value of the Company's shares held by its subsidiaries over their market value, and the reserve cannot be appropriated. If the market value recovers in the future, the special reserve can be reversed by the recovered amount in proportion to the percentage of shareholding.

(26) Treasury stock

A. Costs incurred on the stock buyback are debited to "treasury stock". The book value of the treasury stock is computed based on the weighted-average book value of the common stock and preferred stock purchased, and is computed separately depending on the reasons for the buyback. When treasury stock is retired, "treasury stock" is credited, and "capital surplus -share issue premium" and "common stock" are debited according to the ratio of retiring treasury stock to total issued stock. Where the book value of the retiring treasury stock exceeds the sum of its par value and share issue premium, the difference is debited to capital surplus arising from treasury stock of the same kind. If the capital surplus is insufficient to cover the difference, retained earnings are debited for the remaining amount. Where the book value of the retiring treasury stock is less than the sum of its par value and share issue premium, the difference is credited to the capital surplus arising from treasury stock of the same kind. When the securities holders exercise the right of conversion by returning the treasury stock, it should be recorded at the book value of the securities converted, and the book value of the securities converted is considered as the disposal price of the treasury stock.

B. Under the SFC's regulation, a financial institution's shares, which are originally bought back in accordance with Section 1 of Article 28-2 of the Securities and Exchange Law and are subsequently transformed into the Company's shares in accordance with Article 31 of the Financial Holding Company Act because the respective financial institution becomes the Company's subsidiary, are still treated as treasury stock of the respective financial institution and are recorded as a negative item under stockholders' equity. Those shares should also be accounted for as the Company's treasury stock. When a financial institution holds the shares of another financial institution, which is incorporated into a financial holding company through share swap, and the former consequently becomes the stockholder of the respective financial holding company, the original accounting treatment for those shares should be maintained. As per the SFC's regulation, the Company's shares held by its subsidiaries are treated as treasury stock of the Company.

C. Shares of the Company held by its subsidiaries are required to be stated in the financial statements as treasury stock of the Company.

(27) Income taxes

A. Inter-period and intra-period income taxes are allocated in accordance with the SFAS No.22, "Accounting for Income Taxes". Income tax effects arising from taxable temporary differences are recognized as deferred income tax liabilities. Income tax effects arising from deductible temporary differences, loss carryforwards and income tax credits are recognized as deferred income tax assets, and a valuation allowance is provided based on the expected realizability of the deferred income tax assets.

B. In accordance with the "Basic Income Tax Regulation" effective from January 1, 2006, the current income tax recognized is the higher of the basic tax calculated according to such regulation and the income tax assessed by standards of the National Tax Administration. In addition, the Company is also required to consider the minimum expected future income tax payable when assessing the realizability of deferred income tax assets.

C. Income tax credits are accounted for in accordance with the SFAS No.12, "Accounting for Income Tax Credits". Recognition of income tax credits arising from acquisitions of equipment and technology is deferred, whereas those arising from research and development, staff training and equity investments are recognized in the current period. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense for the year when the tax is levied.

D. Pursuant to Article 49 of the Financial Holding Company Act and the relevant provisions of the Income Tax Law, the tax returns of the Company's domestic subsidiaries can be filed jointly with the Company if the Company holds more than 90% of the outstanding shares of these subsidiaries and the holding period exceeds twelve months. Under the joint tax return scheme, only the subsidiaries' returns on corporate income tax and the 10% tax surcharge on surplus retained earnings can be filed jointly with the Company. Other tax matters shall be handled separately by the Company and its domestic subsidiaries.

(28) Earnings per share

A. Earnings per share are computed in accordance with the SFAS No.24, "Earnings Per Share". Basic earnings per share are computed for the simple capital structure, and basic and diluted earnings per share are computed for the complex capital structure. Basic earnings per share are computed by dividing the net income (loss) attributed to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing the net income (loss) attributed to common stockholders, taking into account the dilutive effects of dividends and interest expense on potential common shares and other income and expenses arising from conversion of the convertible bonds, by the weighted-average number of common shares outstanding plus the weighted-average number of potential common shares to be converted from the convertible bonds.

B. Any capital increase through cash injection is incorporated in the calculation on a weighted-average basis according to the circulation period. Where there is capitalization of retained earnings or capital surplus, basic earnings per share for prior and current years are adjusted retroactively.

C. The decrease in the number of outstanding shares resulting from buyback of treasury stock is accounted for on a weighted-average basis.

(29) Derivative financial instruments

A. The Group entered into various derivative contracts, including forward currency contracts, cross-currency swaps and interest rate swaps, etc. Such derivative financial instruments are initially recognized at fair value on the date when a derivative contract is entered into and subsequently measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to income if a derivative instrument in a fair value hedge is terminated or the hedge designation removed for the period.

B. Convertible bond asset swaps

The underlying assets of the convertible bond asset swaps are the convertible bonds underwritten by MS or those held by MS for proprietary trading. Premiums paid for the options bought are classified as assets and the balance of the premiums upon exercise of the options are treated as the cost of the convertible bonds acquired. Premiums received on the options written are classified as liabilities, and the options are marked to market on the balance sheet date. The resultant gain (loss) is credited or charged to current income.

C. Structured financial instruments

The structured financial instruments issued by MS include equity-linked notes (ELN) and principal-guaranteed notes (PGN).

The equity-linked notes (ELN) issued by MS comprise fixed income securities and options. The fixed income securities are classified as liabilities whereas the options are classified as assets. The amount received from the counterparty on the contract date is the present value of the contract principal amount discounted by the estimated discount rate less the balance of the option premiums. The interest expense implied in the fixed income securities is amortized by the interest method or the straight-line method during the contract period and is recorded as gain (loss) on ELN. The options are valued by the fair value method on the balance sheet date and the resultant gain or loss is recognized in the current period.

The principal-guaranteed notes (PGN) issued by MS comprise fixed income securities and options. They are both classified as liabilities and are listed separately in the financial statements. The present value of the fixed income securities is the product of the contract notional amount and the principal-guaranteed rate (contract notional amount x principal-guaranteed rate), discounted by the estimated interest rate. The interest expense implied in the fixed income securities is amortized by the interest method or the straight-line method during the contract period and is recorded as gain (loss) on PGN. The options are valued by the fair value method. That is, the value of the options equals the contract notional amount less the value of the fixed income securities and the resulting gain or loss is recognized in the income for the period. The fair value of options should be determined either as the market price of instruments with equivalent terms for trading or the amount calculated using the option-pricing model.

Acquisition of the fixed income securities is initially stated at cost and subsequently restated by the lower of cost or market value method on the valuation date. These securities are required to be kept by the custodians as specified in the contract.

(30) Recognition of interest income, service fees and financial income

A. Bank subsidiaries

Interest income for loans is recognized on an accrual basis except for loans classified as non-accrual loans. The accrual of income from non-accrual loans is discontinued and subsequent interest receipts are credited to income upon collection. In accordance to the regulations established by the Ministry of Finance, interest income arising from emergency loans and renewal of agreements is recorded as deferred revenue and subsequently recognized as income upon interest receipts. Service fee income is recognized when the services are rendered.

B. Securities subsidiaries

Interest income and expenses arising from margin trading of securities, bonds sold under repurchase agreements and those purchased under resell agreements, and interest-bearing securities are recorded under the respective accounts in the income statement. Financial income or expenses derived from activities other than those mentioned above are recorded as non-operating income or expenses.

(31) Premiums income and acquisition cost of insurance policies

The premiums income derived from underwriting business is recognized in the year when the respective policies are issued. The associated expenses such as commissions, agency cost and service charges are recognized accordingly. Income and expenses derived from received and ceded reinsurance business are recorded on the date on which the bills are received. The associated expenses and income such as reinsurance commission expenses/income and reinsurance service charges/fee income are also recorded accordingly. In line with the matching principle, the unearned premium reserve, special reserve and claim reserve set aside for received and ceded reinsurance business are incorporated into the respective reserves set aside for underwriting business.

(32) Contingent losses

At the balance sheet date, if an asset is considered to be impaired or liability has occurred, such loss is recorded as contingent losses for the current year where the amount of loss can be reasonably estimated. When the amount of the loss cannot be reasonably estimated or when it is probable that loss has been incurred, the obligation is disclosed as a contingent liability in the notes to the financial statements.

(33) Use of estimates

In preparing the consolidated financial statements in conformity with generally accepted accounting principles in the R.O.C., the management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues, costs of revenues, and expenses during the reporting period. Therefore, actual results could differ from those estimates.

(34) Convenience translation into US dollars (Unaudited)

The Company and its subsidiaries maintains its accounting records and prepares its financial statements in New Taiwan dollars. The United States dollar amounts disclosed in the 2007 financial statements are presented solely for the convenience of the readers and were translated into US dollars using the exchange rate prevailing at December 31, 2007 of US$1:NT$32.484. Such translation amounts are not in accordance with generally accepted accounting principles in the Republic of China and should not be construed as representation that the New Taiwan dollar amounts represent, or have been or could be converted into United States dollars at that or any other rate.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Effective from January 1, 2006, the Group adopted R.O.C. Statement of Financial Accounting Standards (SFAS) No. 34, "Accounting for Financial Instruments" and SFAS No. 36, "Presentation and Disclosure for Financial Instruments". All financial instruments as of the effective date are recognized according to the following:

A. Accounting for derivative instruments

The Group recognizes all derivative financial instruments as either assets or liabilities at fair value. With the exception of those designated as hedging instruments, the difference between the carrying value and the fair value of all derivative financial instruments are recognized as cumulative effect of changes in accounting principles.

B. Accounting for financial instruments at fair value through profit or loss

The Group reclassifies its financial assets and financial liabilities at fair value according to appropriate categories as of the effective date and measure each at fair value individually. Difference between the carrying value and the fair value of the financial instruments at fair value through profit or loss which is to be measured at fair value is recognized as cumulative effect of changes in accounting principles. Difference between the carrying value and the fair value of those classified under the available-for-sale financial instruments which is also measured at fair value is recognized directly in equity.

C. The Group revalues the costs of its non-monetary assets denominated in foreign currencies originally carried at costs using the prevailing exchange rate at the trade date. Cumulative loss originally recognized in equity is then transferred among accounts of other financial assets.

D. Summary of the effect of first time adoption of the above mentioned SFAS:

	Recognized as Cumulative Effect of Changes in Accounting Principles (after income tax)	Recognized as Adjustments in Equity
	NT$	NT$
Financial assets at fair value through profit or loss:		
MICB	$707,005	$-
MBF	25,889	-
MS	453,309	-
CKI	15,858	-
Available-for-sale financial assets：		
The Company	-	(40,405)
MICB	-	3,141,356
MBF	-	7,005,819
IIT	-	6,218
Financial liabilities at fair value through profit or loss:		
The Company	(56,537)	-
MICB	7,671	-
MBF	(5,092)	-
Total	$1,148,103	$10,112,988

The above mentioned changes in accounting principle resulted in the NT$1,148,103 thousand (US$35,240 thousand-unaudited) and NT$0.10 dollar (US$0.0030 dollar-unaudited) increase in the consolidated net income and after-tax basic earnings per share attributed to stockholders of the Company for the year ended December 31, 2006.

(2) Effective from January 1, 2007, the Group adopted R.O.C. SFAS No. 37, "Accounting for Intangible Assets". Such change in accounting principle had no significant effect on the Group's net income, earnings per share and total assets as of and for the year ended December 31, 2007.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Due from banks	$79,348,123	$2,442,683	$25,238,421
Checks for clearance	991,498	30,523	8,338,181
Cash on hand	10,509,877	323,540	10,659,362
Bank deposits	7,862,144	242,031	7,466,727
Cash equivalents	1,234,072	37,990	414,349
Petty cash	52,456	1,615	52,456
Total	$99,998,170	$3,078,382	$52,169,496

(2) Due from the Central Bank and call loans to banks

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Due to banks	$493	$15	$33,194
Call loans to banks	203,581,873	6,267,143	227,920,168
Reserve for deposits-category A	9,257,892	284,999	7,435,752
Reserve for deposits-category B	21,692,591	667,793	19,139,082
Reserve for deposits-foreign currency	8,685,437	267,376	512,653
Due from the Central Bank	6,511,810	200,462	1,100,289
Less: Allowance for bad debts	(643)	(20)	(2,075)
Total	$249,729,453	$7,687,768	$ 256,139,063

As required by relevant laws, the reserves for deposits are calculated at prescribed rates on the average balances of various deposit accounts. The reserve for deposits - category A and foreign currency deposits accounts are non-interest bearing and call on demand. Reserve for deposits - category B earns interest but its use is restricted under relevant regulations.

(3) Financial assets at fair value through profit or loss

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Financial assets held for trading, net	$129,337,518	$3,981,576	$182,271,966
Financial assets designated as at fair value through profit or loss, net	81,055,809	2,495,254	63,660,155
Total	$210,393,327	$6,476,830	$245,932,121

A.Financial assets held for trading are listed as follows：

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Stocks	$6,244,100	$192,221	$9,318,290
Commercial papers	81,370,935	2,504,954	94,833,104
Beneficiary certificates	2,366,343	72,846	3,176,753
Negotiable certificates of time deposit	5,127,248	157,839	27,325,738
Corporate bonds	24,344,760	749,438	16,451,303
Government bonds	1,468,165	45,197	15,475,011
Bank debentures	2,371,582	73,008	6,188,660
Other bonds	4,850,401	149,317	6,643,581
Derivative financial instruments	1,012,795	31,178	2,326,119
Others	181,189	5,578	533,407
Total	$129,337,518	$3,981,576	$182,271,966

B.Financial assets designated as at fair value through profit or loss are listed as follows:

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Stocks	$2,839	$88	$10,605
Corporate bonds	20,392,313	627,765	23,226,004
Government bonds	7,823,105	240,830	11,441,033
Bank debentures	11,244,013	346,140	20,728,045
Derivative financial instruments	1,502,719	46,260	1,055,646
Certificates of time deposit	40,090,820	1,234,171	7,198,822
Total	$81,055,809	$2,495,254	$63,660,155

Please refer to Note 6 for details of the aforementioned financial assets at fair value through profit or loss provided as collaterals as of December 31, 2007 and 2006.

(4) Receivables, net

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Accounts receivable	$69,663,698	$2,144,554	$62,008,879
Notes receivable	-	-	169,950
Tax refundable	2,243,455	69,063	1,698,208
Accrued income	159,134	4,899	173,522
Interest receivable	9,786,698	301,277	9,899,276
Acceptances receivable	12,300,295	378,657	11,702,274
Premiums receivable	664,841	20,467	715,563
Indemnity refundable on reinsurance	462,782	14,246	211,500
Intercourse guarantees receivable	81,619	2,513	53,472
Marginal receivables	19,707,735	606,691	14,070,824
Refinancing guarantees receivable	-	-	7,100
Financing margin deposits receivable	-	-	6,249
Recovery of accounts receivable	1,553,245	47,816	-
Loan receivable purchase	6,738,880	207,452	-
Other receivables	2,431,384	74,849	8,798,721
Total	125,793,766	3,872,484	109,515,538
Less: Allowance for bad debts	(1,835,009)	(56,490)	(1,662,742)
Receivables, net	$123,958,757	$3,815,994	$107,852,796

Please refer to Note 6 for details of the aforementioned receivables provided as collateral as of December 31, 2007 and 2006.

(5) Loans, net

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Import/Export bills negotiated	$17,086,493	$525,997	$14,283,370
Bills and notes discounted	156,111	4,806	146,304
Short-term loans	200,278,793	6,165,460	193,100,888
Short-term secured loans	118,651,496	3,652,613	102,748,057
Overdrafts	493,823	15,202	378,861
Secured overdrafts	736,342	22,668	1,267,069
Medium-term loans	245,081,671	7,544,689	223,467,110
Medium-term secured loans	208,515,684	6,419,027	193,534,118
Long-term loans	125,018,742	3,848,625	120,957,437
Long-term secured loans	293,349,754	9,030,592	280,231,033
Non-accrual loans	10,121,680	311,590	8,533,524
Total	1,219,490,589	37,541,269	1,138,647,771
Less:Allowance for bad debts-			
bills, discounts, loans and overdrafts	(8,910,976)	(274,319)	(11,747,153)
Loans, net	$1,210,579,613	$37,266,950	$1,126,900,618

A. For the years ended December 31, 2007 and 2006, the subsidiary, MICB, had not written-off bills discounted and loans without initiating any legal proceedings to collect such bills discounted and loans.

B. As of December 31, 2007 and 2006, MICB's balances of bills and loans for which interest revenue was no longer accrued amounted to NT$10,121,680 thousand (US$311,590 thousand-unaudited) and NT$7,827,742 thousand, respectively. The unrecognized interest revenue on the above bills and loans amounted to NT$470,746 thousand (US$14,492 thousand-unaudited) and NT$373,144 thousand for the years ended December 31, 2007 and 2006, respectively.

C. The changes in allowance for probable losses on bills and loans of MICB are summarized as follows:

January 1, 2007 to December 31, 2007	NT Specific Risk	NT General Risk	NT Total	US(Unaudited) Specific Risk	US(Unaudited) General Risk	US(Unaudited) Total
Balance, January 1, 2007	$3,804,096	$7,643,124	$11,447,220	$117,107	$235,289	$352,396
Provisions	8,387,622	(2,714,813)	5,672,809	258,208	(83,574)	174,634
Write-off-net	(10,297,679)	-	(10,297,679)	(317,008)	-	(317,008)
Recovery of written-off credits	2,072,779	-	2,072,779	63,809	-	63,809
Effects of exchange rate changes	(55,325)	71,172	15,847	(1,703)	2,191	488
Balance, December 31, 2007	$3,911,493	$4,999,483	$8,910,976	$120,413	$153,906	$274,319

January 1, 2006 to December 31, 2006	NT Specific Risk	NT General Risk	NT Total
Balance, January 1, 2006	$5,436,753	$4,773,131	$10,209,884
Provisions	3,583,045	2,850,066	6,433,111
Write-off-net	(7,322,491)	-	(7,322,491)
Reclassification	(17,360)	-	(17,360)
Recovery of written-off credits	2,115,202	-	2,115,202
Effects of exchange rate changes	8,947	19,927	28,874
Balance, December 31, 2006	$3,804,096	$7,643,124	$11,447,220

MICB's financial statements included provisions for probable credit losses and guarantee losses based on information available to the Bank, including defaults to the extent they can be determined or estimated.

(6) Available-for-sale financial assets, net

	December 31, 2007 NT$	December 31, 2007 US$(Unaudited)	December 31, 2006 NT$
Government bonds	$146,957,625	$4,524,000	$169,997,627
Bank debentures	24,138,317	743,083	18,640,717
Corporate bonds	41,051,595	1,263,748	44,482,272
Certificates of time deposit	5,198,706	160,039	-
Stocks	15,255,599	469,634	16,893,940
Beneficiary securities	16,282,717	501,254	17,248,500
Beneficiary certificates	2,153,706	66,301	1,864,617
Commercial papers	4,300,516	132,389	6,049,005
Treasury bills	179,096	5,513	-
Acceptance bill	-	-	198,945
Total	$255,517,877	$7,865,961	$275,375,623

A. The Company's subsidiaries recognized impairment loss in the amount of NT$569,395 thousand (US$17,528 thousand-unaudited) and NT$127,290 thousand for the years ended December 31, 2007 and 2006, respectively.

B. Please refer to Note 6 for details of the aforementioned available-for-sale financial assets provided as collateral as of December 31, 2007 and 2006.

The Mega International Commercial Bank invested in subordinated beneficiary securities of "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2" amounting to NT$1,685,279 thousand and NT$384,870 thousand, respectively, and the expected maturity dates are December 2010 and April 13, 2011, respectively. The Mega International Commercial Bank reclassified the aforesaid subordinated beneficiary securities from "other financial assets - non active market" to "available-for-sale financial assets" in accordance with the Explanatory Note (96) No. 0000000304 of the Accounting Research and Development Foundation of the R.O.C. dated November 19, 2007.

The Mega International Commercial Bank also acts as a credit impaired asset put and clean up put provider of "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2". When the credit rating of senior beneficiary securities (assets backed commercial paper) will not be at least "twA-3", the rating institution will send "Credit Impaired Asset Notice", and then The Mega International Commercial Bank should purchase the credit impaired assets in order to maintain the rating of senior beneficiary securities not lower than "twA-3".

Both securitized trust assets are New Taiwan dollar-denominated bonds and U.S. residential mortgage backed securities. Special purpose trusts are rated by Taiwan Ratings Corporation and U.S. residential mortgage backed securities are rated by Standard & Poor. As of December 31, 2007, no default occurred in the asset pool. Special purpose trust reserve is sufficient for the cash flow model required by special purpose trust; no actual loss has been incurred.

As of December 31, 2007, the credit rating of senior beneficiary securities issued by "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" remained "twA-2". The credit rating of partial U.S. residential mortgage backed securities amounting to US$33,207 thousand dollars of the "First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2" was downgraded by Standard & Poor. To maintain the credit rating of "twA-3" as the senior beneficiary securities was revolving issued on January 14, 2008, The Mega International Commercial Bank purchased the credit impaired assets in the amount of US$33,207 thousand dollars in accordance with the "Trust Agreement" and "Credit Impaired Asset Put and Clean Up Put Agreement". The Mega International Commercial Bank set aside reserve for loss amounting to NT$806,598 thousand (US$24,831 thousand-unaudited) in the end of 2007.

(7) Held-to-maturity financial assets, net

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Bank debentures	$9,969,272	$306,898	$6,679,649
Beneficial securities	210,600	6,483	210,600
Certificate of time deposit by Central Bank	76,410,000	2,352,235	82,510,000
Government bonds	2,686,501	82,703	4,035,869
Corporate bonds	1,172,029	36,080	3,342,262
Others	-	-	130,600
Total	$90,448,402	$2,784,399	$96,908,980

Please refer to Note 6 for details of the aforementioned held-to-maturity financial assets pledged as collateral as of December 31, 2007 and 2006.

(8) Equity investments accounted for by the equity method, net

Investee Company	December 31, 2007			December 31 2006	
	NT$	US$	Percentage of Shareholding	NT$	Percentage of Shareholding
CTB Financial Management & Consulting Co., Ltd.	$76,838	$2,365	100.00	$79,490	100.00
Mega International Investment Services Co., Ltd.	106,510	3,279	100.00	326,509	100.00
Mega Life Insurance Agency Co., Ltd.	52,166	1,606	100.00	40,130	100.00
Win Card Co., Ltd.	68,991	2,124	100.00	67,279	100.00
Cathay Investment & Warehousing Ltd.	48,007	1,478	100.00	45,987	100.00
ICBC Assets management & consulting Co., LTD.	288,428	8,879	100.00	178,778	100.00
Ramlett Finance Holdings Inc.	-	-	100.00	-	100.00
Mega Investment Trust Co., Ltd.	-	-	-	400,626	93.96
China Products Trading Company	65,757	2,024	68.27	63,916	68.27
Cathay Insurance Company Inc.	13,659	421	56.09	10,036	56.09
IP fundseven limited	235,557	7,251	25.00	138,553	25.00
An Feng Enterprise Co., Ltd.	11,260	347	25.00	10,704	25.00
Taiwan Bill Finance Corporation	1,270,335	39,106	24.55	1,369,440	24.55
United Venture Corporation	191,982	5,910	25.31	169,889	25.31
Everstrong Iron & Foundry & Mfg. Corporation	32,468	1,000	22.22	28,420	22.22
China Real Estate Management Co., Ltd.	120,649	3,714	20.00	123,359	20.00
Total	$2,582,607	$79,504		$3,053,116	

Note:Former Mega Investment Trust Co., Ltd. ("MITC") and International Investment Trust Co., Ltd. ("IIT") entered into a merger agreement, with former MITC as the dissolving company and IIT simultaneously renamed "Mega International Investment Trust Co., Ltd." being the surviving company, effective from September, 2007.

The equity investments accounted for by the equity method are not pledged as collateral as of December 31, 2007 and 2006.

(9) Other financial assets, net

	December 31, 2007		December 31, 2006
	NT$	US$	NT$
Financial assets carried at cost	$26,525,767	$816,580	$28,876,962
Debt investments with no active market	1,546,281	47,601	4,758,749
Restricted assets-certificate of deposit	681,200	20,970	600,000
Margin deposits from client	1,452,846	44,725	1,120,556
Futures margin deposits	17,935	552	-
Remittance purchased	46,550	1,433	95,235
Non-accrual loans transferred from accounts other than loans	1,294,995	39,866	113,964
Others	-	-	235,957
Subtotal	31,565,574	971,727	35,801,423
Less:Accumulated impairment-Financial assets carried at cost	(1,900,929)	(58,519)	(2,304,860)
Accumulated impairment-Non-accrual loans transferred from accounts other than loans	(551,788)	(16,987)	(62,845)
Allowance for bad debts-Remittance purchased	(6)	-	(18,175)
Subtotal	(2,452,723)	(75,506)	(2,385,880)
Net	$29,112,851	$896,221	$33,415,543

A. For the years ended December 31, 2007 and 2006, the amounts of impairment loss recognized by the Bank due to investees operating at loss over an extended period of time were NT$1,512,964 thousand (US$46,576 thousand-unaudited) and NT$2,573,540 thousand, respectively.

B. Of the beneficiary securities balance disclosed above, NT$1,070,000 thousand (matured and paid off on December 18,2007) were subordinated debentures issued by the Bank. In December 16, 2004, the Bank sold part of its enterprise loans under securitization transactions. The Bank entrusted these loans to the special purpose trustee - The Hong Kong and Shanghai Banking Corporation Limited (HSBC, Taipei Branch) for issuing beneficiary certificates. The investors of the subordinated certificates have a right over any remaining interest paid after fixed interest has been paid to the holders of the senior certificates in accordance with the principal amount. When the debtors fail to pay on schedule, the investors and HSBC, Taipei Branch have no recourse to the other assets of the Bank. Due to the holders of subordinated certificates having a lower priority claim than the holders of senior certificates on the assets of the trust, the value of the subordinated certificates is subject to credit, prepayment and interest rate risks on the transferred financial assets.

(a) The terms and key economic assumptions used in measuring retained interests were as follows:
(Unit: NT thousand dollars)

Terms	Enterprise Loans under Securitization
Date of issuance	December 16, 2004
Carrying amount of enterprise loans	NT $5,350,000
Gain (loss) on securitization	$0

	Senior		
Series of certificates	First Tranche	Second Tranche	Subordinated
Principal amount	NT$3,424,000	NT$856,000	NT$1,070,000
Annual interest	Floating interest rate plus 0.4%	Floating interest rate plus 1.0%	-

Key assumptions used in measuring retained interests	December 31, 2006
Prepayment rate	0%
Expected weighted-average life	3 years
Expected credit losses (September 30, 2006 and September 30, 2007)	0%
Discounted rate for residual cash flows (September 30, 2006 and September 30, 2007)	1.631%

(b) Cash flows:

Proceeds from new securitizations amounted to NT$4,280,000 thousand.

(c) As of December 31, 2007, the enterprise loans under securitization were fully refunded in accordance with the trust contracts.

(10) Real estate investments, net

	December 31, 2007					
	Cost		Accumulated depreciation		Balance	
	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	US$(Unaudited)
Land	$179,691	$5,532	$-	$-	$179,691	$5,532
Buildings and equipment	277,795	8,552	(78,174)	(2,407)	199,621	6,145
Real estate investments, net	$457,486	$14,084	($78,174)	($2,407)	$379,312	$11,677

	December 31, 2006		
	Cost	Accumulated depreciation	Balance
Land	$179,691	$-	$179,691
Buildings and equipment	277,795	(73,438)	204,357
Real estate investments, net	$457,486	($73,438)	$384,048

The abovementioned real estate investments are not pledged as collateral as of December 31, 2007 and 2006.

(11) Property and equipment, net

	December 31, 2007				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Balance
	(In Thousands of NT Dollars)				
Land	$11,511,865	$2,602,459	$-	($155,393)	$13,958,931
Buildings and structures	12,903,195	47,863	(4,859,748)	-	8,091,310
Machinery	3,625,330	-	(2,798,003)	-	827,327
Computers	887,015	-	(523,078)	-	363,937
Officie equipment	29,246	-	(19,611)	-	9,635
Transportation equipment	274,953	-	(200,649)	-	74,304
Miscellaneous equipment	1,545,651	-	(1,155,920)	-	389,731
Leasehold improvements	189,800	-	(82,700)	-	107,100
Subtotal	30,967,055	2,650,322	(9,639,709)	(155,393)	23,822,275
Prepayments for equipment	31,317	-	-	-	31,317
Total	$30,998,372	$2,650,322	($9,639,709)	($155,393)	$23,853,592

	December 31, 2007				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Balance
	(In Thousands of US Dollars-Unaudited)				
Land	$354,386	$80,115	$-	($4,784)	$429,717
Buildings and structures	397,217	1,474	(149,604)	-	249,087
Machinery	111,604	-	(86,135)	-	25,469
Computers	27,306	-	(16,103)	-	11,203
Officie equipment	900	-	(604)	-	296
Transportation equipment	8,464	-	(6,177)	-	2,287
Miscellaneous equipment	47,582	-	(35,584)	-	11,998
Leasehold improvements	5,843	-	(2,546)	-	3,297
Subtotal	953,302	81,589	(296,753)	(4,784)	733,354
Prepayments for equipment	964	-	-	-	964
Total	$954,266	$81,589	($296,753)	($4,784)	$734,318

	December 31, 2006				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Balance
	(In Thousands of NT Dollars)				
Land	$11,716,251	$2,602,459	$-	($37,682)	$14,281,028
Buildings and structures	12,962,385	47,863	(4,533,080)	-	8,477,168
Machinery	4,472,704	-	(3,141,010)	-	1,331,694
Computers	62,855	-	(35,696)	-	27,159
Office equipment	6,184	-	(1,715)	-	4,469
Transportation equipment	286,195	-	(204,145)	-	82,050
Miscellaneous equipment	1,438,900	-	(1,132,311)	-	306,589
Leasehold improvements	138,186	-	(60,901)	-	77,285
Subtotal	31,083,660	2,650,322	(9,108,858)	(37,682)	24,587,442
Prepayments for equipment	22,933	-	-	-	22,933
Total	$31,106,593	$2,650,322	($9,108,858)	($37,682)	$24,610,375

A. As required by government regulations, the land and other property and equipment of the Company's subsidiaries were revalued in 1975, 1991 and 1995. As of December 31, 2007 and 2006, the revaluation increments for land and other property and equipment amounted to NT$2,650,322 thousand (US$81,589 thousand-unaudited), and were recorded under property and equipment. Reserve for land revaluation increment tax amounted to NT$915,128 thousand (US$28,172 thousand-unaudited) and NT$1,000,574 thousand and as of December 31, 2007 and 2006, respectively, and was recorded under "other liabilities".

B. Please refer to Note 6 for details of the property and equipment pledged as collateral as of December 31, 2007 and 2006.

(12) Other assets

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Prepayments	$2,177,355	$67,029	$2,470,382
Refundable deposits	1,359,961	41,866	1,401,690
Restricted assets	54,846	1,688	400,621
Guarantee deposits held for operation and funds for security settlements	1,324,411	40,771	1,287,825
Deferred income tax assets	1,524,148	46,920	1,709,984
Other deferred assets	159,868	4,921	639,881
Idle assets, net	-	-	133,084
Client's position-debit	277,368	8,539	-
Foreclosed property	574,242	17,678	392,604
Rental assets, net	229,254	7,057	361,050
Temporary payment	550,767	16,955	473,720
Others	937,647	28,865	474,796
Total	$9,169,867	$282,289	$9,745,637

A. The bond funds managed by MITC (formerly known as IIT) including structured notes, in order to secure fund beneficiary's equity, MICB and Lehman Brothers act as arrangers and manage cash flow issues of the structured notes via securitization.

As MITC acts as either a guarantee agent or reserve agent, appropriating cash reserve amounted to NT$805,663 thousand (recorded as refundable deposits) based on trust contract designated for special purpose, serving for safeguard against various future payments and distribution obligations stipulated in the contract (guarantee amounts up to NT$1,078,000 thousand). MITC not only appropriated cash reserve amounted to NT$160,000 thousand (recorded as refundable deposits) to trustee but also agreed to recover MICB's any losses resulting from issuing and middling beneficiary securities and subordinated beneficiary securities and acting as a guarantee agent.

B. Please refer to Note 6 for details of the above other assets provided as collateral as of December 31, 2007 and 2006.

(13) Due to the Central Bank and financial institutions

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Due to the Central Bank	$254,569,232	$7,836,758	$244,467,271
Due to other banks	20,416,238	628,501	18,638,175
Overdrafts on banks	101,419	3,122	3,441,585
Call loans from banks	17,381,911	535,092	42,253,228
Due to Taiwan Post	77,503,067	2,385,884	62,232,852
Total	$369,971,867	$11,389,357	$371,033,111

(14) Funds borrowed from the Central Bank and other banks

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Funds borrowed from the Central Bank	$26,411,115	$813,050	$23,703,108
Funds borrowed from other banks	16,586,284	510,599	32,735,318
Total	$42,997,399	$1,323,649	$56,438,426

(15) Financial liabilities at fair value through profit or loss

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Financial liabilities held for trading	$1,616,805	$49,772	$1,044,520
Financial liabilities designated as at fair value through profit or loss	51,487,886	1,585,023	49,203,432
Total	$53,104,691	$1,634,795	$50,247,952

(16) Bills and bonds sold under repurchase agreements

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Bankers' acceptances	$166,013	$5,111	$248,286
Commercial paper	77,513,877	2,386,217	73,372,121
Negotiable certificates of deposits	29,185	898	3,734,979
Treasury bills	-	-	4,863,439
Government bonds	121,643,157	3,744,710	170,436,907
Bank debentures	5,828,749	179,434	16,578,855
Corporate bonds	34,490,466	1,061,768	38,427,808
Transportation Development Bond	373,730	11,505	2,508,074
Others	6,950,340	213,962	5,539,561
Total	$246,995,517	$7,603,605	$315,710,030

(17) Commercial papers payable, net

	Guarantee organization	December 31, 2007 NT$	December 31, 2007 US$(Unaudited)	December 31, 2006 NT$
Commercial papers of domestic	China Bills Finance Corp.	$1,335,000	$41,097	$970,000
"	Fuhwa Bank	-	-	50,000
"	Far Eastern International	-	-	50,000
"	Shanghai Commercial Bank	200,000	6,157	-
"	Ta Chang Bank	-	-	100,000
"	Taishin Bills Finance Corp.	2,015,000	62,031	-
"	Chinatrust Bills Finance Corp.	250,000	7,696	200,000
"	International Bills Finance Corp.	3,620,000	111,440	2,120,000
"	Taiwan Finance Corp.	200,000	6,157	75,000
"	Mega Bills Finance Co., Ltd.	1,300,000	40,020	3,020,000
"	Grand Bills Finance Corp.	1,700,000	52,333	200,000
"	HuaNan Bills Finance Corp.	360,000	11,082	-
"	Taching Bill Finance Ltd.	1,330,000	40,943	-
Foreign commercial papers		11,436,815	352,075	9,035,739
Total		23,746,815	731,031	15,820,739
Less: Unamortized discount		(14,348)	(442)	(3,911)
Net		$23,732,467	$730,589	$15,816,828

As of December 31, 2007 and 2006, none of the aforementioned commercial papers payable was provided for guarantees, and the interest rate ranged from 1.662% to 2.570% and 1.19% to 1.90% for the years ended December 31, 2007 and 2006, respectively.

(18) Payables

	December 31, 2007 NT$	December 31, 2007 US$(Unaudited)	December 31, 2006 NT$
Accounts payable	$17,420,815	$536,289	$9,800,177
Accrued expenses	3,844,382	118,347	4,101,677
Interest payable	6,681,476	205,685	6,255,945
Taxes payable	3,484,785	107,277	3,137,317
Dividends payable	11,915,317	366,806	10,466,858
Acceptances	12,745,936	392,376	11,930,908
Collections for others	994,511	30,615	1,140,407
Commissions payable	126,945	3,908	119,341
Insurance claims payable	48,277	1,486	48,628
Due from other insurers	274,685	8,456	416,639
Payables on reinsurance operations	570,299	17,556	596,402
Margin deposits on short sales	968,162	29,804	1,277,766
Payables on proceeds from short sales	1,094,425	33,691	1,466,782
Margin loans from other securities lenders	-	-	3,001
Payables - check for clearing	-	-	20,515,067
Futures traders' equity	1,318,604	40,593	1,051,638
Other payables	3,772,489	116,134	2,506,077
Total	$65,261,108	$2,009,023	$74,834,630

(19) Deposits

	December 31, 2007 NT$	December 31, 2007 US$(Unaudited)	December 31, 2006 NT$
Checking account deposits	$24,026,222	$739,633	$26,429,876
Demand deposits	267,395,465	8,231,605	232,137,341
Time deposits	534,000,682	16,438,883	418,798,106
Savings deposits	394,556,676	12,146,185	385,085,876
Remittances	12,629,230	388,783	9,475,389
Total	$1,232,608,275	$37,945,089	$1,071,926,588

(20) Bonds payable

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Bank debentures, net	$19,215,871	$591,549	$18,627,894
Domestic unsecured corporate bonds	14,000,000	430,981	24,900,000
Total	$33,215,871	$1,022,530	$43,527,894

A. The Company issued its first domestic unsecured corporate bonds in December 2002 with a total amount of NT$15,000,000 thousand and the principal to be repaid at maturity. In December 2005, the Company redeemed Bond C upon its maturity. The terms on corporate bonds are as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. First domestic unsecured corporate bonds
Date of issuance	December 16, 2002 ~ December 25, 2002
Face value	NT$5 million
Place of issuance	Taiwan, R.O.C.
Issue price	100%
Principal amount	NT$15,000,000 thousand
Interest rate	Bond A-1: 2.95%
	Bond A-2: 2.9286%
	Bond B: Average interest rate on two-year time deposits + 0.25%
	Bond C: Average interest rate on one-year time deposits + 0.25%
	Bond D: 5.45% - floating rate A, but not less than 0%
	Bond E-1: 3.85% for first year; 4.90% - floating rate B from second to fifth year, but not less than 0%
	Bond E-2: 3.75% for first year; 4.65% - floating rate B for second and third years, but not less than 0% ;floating rate B + 0.4% for fourth and fifth years, but not exceeding 3%
Period	Bonds A-1, A-2, B, D, E-1 and E-2: 5 years
	Bond C: 3 years
Guarantor	None
Trustee	Chinatrust Commercial Bank
Underwriter	None
Lawyer	Shintai Law Office
Certified public accountant	Ernst & Young
Method of repayment	Principal to be repaid in lump sum at maturity based on the face value
Outstanding principal	-
Clauses on redemption and early repayment	None
Restricted clauses	None
Use of proceeds	Investments

Average interest rate on time deposits: Average of the fixed board rates on time deposits offered by Chang Hwa Commercial Bank, First Commercial Bank, Hua Nan Commercial Bank and Bank of Taiwan on the date on which the interest rates are set for Bonds B and C.

Floating rate A: USD 6-month LIBOR appearing on Reuters Page 3750 at 11:00 am of London time on the date on which the interest rate is set for Bond D.

Floating rate B: Interest rate appearing on TWD-Reuters-6165 for the 90-day promissory notes at 11:00 am of the date on which the interest rates are set for Bonds E-1 and E-2.

B. The Company issued its first domestic unsecured corporate bonds for 2007 in October 2007 with a total amount of NT$4,000,000 thousand. The terms on corporate bonds are as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. First domestic unsecured corporate bonds
Date of issuance	October 25, 2007
Face value	NT$1 million
Place of issuance	Taiwan, R.O.C.
Issue price	100%
Principal amount	NT$4,000,000 thousand
Interest rate	Bond A: 2.7%
	Bond B: floating rate + 0.27% (Note)
	Bond C: 2.8%
Period	Bonds A and B: 3 years
	Bond C: 5 years
Guarantor	None
Trustee	Bank SinoPac
Underwriter	None
Lawyer	Fang-Gui Guo Law Office
Certified public accountant	PricewaterhouseCoopers
Method of repayment	Principal to be repaid in lump sum at maturity based on the face value
Outstanding principal	NT$4,000,000 thousand
Clauses on redemption and early repayment	None
Restricted clauses	None
Use of proceeds	Loan repayment

Note: Floating rate : 90 day TWD BACP rate appearing on TWD-Reuters-6165 at 11:00 am of Taipei time on the date on which the interest rate is set for Bond B.

C. On August 21, 2007, the Board of Directors resolved to issue unsecured corporate bonds with a maximum amount of NT$15,000,000 thousand which was to be issued on several dates. Second unsecured corporate bonds for the 2007 fiscal year were issued amounting to NT$ 3,700,000 thousand, and reported to the Financial Supervisory Commission of Executive Yuan on December 28, 2007, with effective date on January 31, 2008, and issued on February 4, 2008.

D. Financial bonds issued by MICB were as follows: (in thousand dollars)

Name of bond	Issuing amount	Interest rate	Total issued amount	December 31, 2007 (NTD)	December 31, 2007 (USD) (Unaudited)	December 31, 2006 (NTD)	Remark
16-19 Development Financial bond	2002.01.08-2007.01.08	3.260%	$10,000; 100,000	$-	$-	$75,000	Interest is paid yearly. The principal is repaid upon 48 months.1/2 of the principal is repaid at every 12 months.
16-18 Development Financial bond	2002.01.08-2007.01.08	3.210%	10,000	-	-	250,000	Interest is paid yearly. The principal is repaid upon 24 months.1/4 of the principal is repaid at every 12 months.

Name of bond	Issuing amount	Interest rate	Total issued amount	December 31, 2007 (NTD)	December 31, 2007 (USD) (Unaudited)	December 31, 2006 (NTD)	Remark
16-22 Development Financial bond	2002.01.11-2007.01.11	Floating rate	10,000	-	-	25,000	Interest is paid yearly. The principal is repaid upon 24 months.1/4 of the principal is repaid at every 12 months.
16-25 Development Financial bond	2002.02.18-2007.02.18	2.810%	10,000	-	-	25,000	Interest is paid yearly. The principal is repaid upon 30 months.1/6 of the principal is repaid at every 6 months.
16-26 Development Financial bond	2002.02.18-2007.02.18	2.850%	10,000	-	-	25,000	Interest is paid yearly. The principal is repaid upon 24 months.1/4 of the principal is repaid at every 12 months.
16-27 Development Financial bond	2002.02.18-2007.02.18	2.950%	10,000	-	-	150,000	Interest is paid yearly. The principal is repaid upon 48 months.1/2 of the principal is repaid at every 12 months.
16-33 Development Financial bond	2002.04.12-2007.04.12	3.330%	10,000	-	-	50,000	Interest is paid yearly. The principal is repaid upon 48 months.1/2 of the principal is repaid at every 12 months.
16-2 Development Financial bond	2001.06.22-2008.06.22	3.920%	600,000	75,000	2,309	225,000	Interest is paid yearly. The principal is repaid upon 42 months.1/8 of the principal is repaid at every 6 months.
18-106 Development Financial bond	2003.09.17-2008.09.17	Floating rate	3,600,000	3,600,000	110,824	3,600,000	Interest is paid quarterly.The principal and interest are repaid at 60 months.
16-12 Development Financial bond	2001.11.12-2008.11.12	2.760%	400,000	66,667	2,052	133,334	Interest is paid yearly. The principal is repaid upon 24 months.1/6 of the principal is repaid at every 12 months.
16-20 Development Financial bond	2002.01.08-2009.01.08	3.500%	720,000	240,000	7,388	400,000	Interest is paid yearly. The principal is repaid upon 36 months.1/9 of the principal is repaid at every 6 months.
16-28 Development Financial bond	2002.02.18-2009.02.18	3.000%	140,000	46,667	1,437	70,000	Interest is paid yearly. The principal is repaid upon 24 months.1/6 of the principal is repaid at every 12 months.

Name of bond	Issuing amount	Interest rate	Total issued amount	December 31, 2007 (NTD)	December 31, 2007 (USD) (Unaudited)	December 31, 2006 (NTD)	Remark
16-29 Development Financial bond	2002.02.18-2009.02.18	3.130%	600,000	163,637	5,037	272,728	Interest is paid yearly. The principal is repaid upon 24 months.1/11 of the principal is repaid at every 6 months.
93-1 Financial bond	2004.03.16-2009.03.16	Floating rate	10,000	-	-	1,000,000	Interest is paid every half year.The principal is repaid at maturity.
16-34 Development Financial bond	2002.04.12-2009.04.12	3.380%	330,000	110,000	3,386	183,333	Interest is paid yearly. The principal is repaid upon 36 months.1/9 of the principal is repaid at every 12 months.
19-6 Development Financial bond	2004.11.26-2009.11.26	2.350%	500,000	500,000	15,392	500,000	Interest is paid yearly. The principal and interest are repaid at 60 months.
19-7 Development Financial bond	2004.11.26-2009.11.26	2.350%	500,000	500,000	15,392	500,000	Interest is paid yearly. The principal and interest are repaid at 60 months.
19-8 Development Financial bond	2004.11.26-2009.11.26	2.350%	500,000	500,000	15,392	500,000	Interest is paid yearly. The principal and interest are repaid at 60 months.
19-9 Development Financial bond	2004.11.26-2009.11.26	2.350%	500,000	500,000	15,392	500,000	Interest is paid yearly. The principal and interest are repaid at 60 months.
93-2A Financial bond	2004.05.28-2009.11.28	Floating rate	10,000	-	-	300,000	Interest is paid every half year.The principal is repaid at maturity.
93-2B Financial bond	2004.05.28-2009.11.28	Floating rate	10,000	-	-	200,000	Interest is paid every half year.The principal is repaid at maturity.
93-3A Financial bond	2004.05.28-2009.11.28	Floating rate	10,000	-	-	300,000	Interest is paid every half year.The principal is repaid at maturity.
93-3B Financial bond	2004.05.28-2009.11.28	Floating rate	10,000	-	-	300,000	Interest is paid every half year.The principal is repaid at maturity.
93-4A Financial bond	2004.05.28-2009.11.28	Floating rate	10,000	-	-	300,000	Interest is paid every half year.The principal is repaid at maturity.
93-4B Financial bond	2004.05.28-2009.11.28	Floating rate	10,000	-	-	300,000	Interest is paid every half year.The principal is repaid at maturity.

Name of bond	Issuing amount	Interest rate	Total issued amount	December 31, 2007 (NTD)	December 31, 2007 (USD) (Unaudited)	December 31, 2006 (NTD)	Remark
93-5 Financial bond	2004.05.28-2009.11.28	Floating rate	10,000	-	-	300,000	Interest is paid every half year.The principal is repaid at maturity.
93-6 Financial bond	2004.06.29-2010.01.29	2.700%	2,200,000	2,200,000	67,726	2,200,000	Interest is paid yearly. The principal is repaid at maturity.
93-7A Financial bond	2004.10.12-2010.04.12	2.850%	500,000	500,000	15,392	500,000	Interest is paid yearly. The principal is repaid at maturity.
93-7B Financial bond	2004.10.12-2011.04.12	3.000%	4,500,000	4,500,000	138,530	4,500,000	Interest is paid yearly. The principal is repaid at maturity.
93-2C Financial bond	2004.05.28-2011.05.28	Floating rate	10,000	-	-	200,000	Interest is paid every half year.The principal is repaid at maturity.
93-2D Financial bond	2004.05.28-2011.05.28	Floating rate	10,000	-	-	200,000	Interest is paid every half year.The principal is repaid at maturity.
93-2E Financial bond	2004.05.28-2011.05.28	Floating rate	10,000	-	-	200,000	Interest is paid every half year.The principal is repaid at maturity.
93-3C Financial bond	2004.05.28-2011.05.28	Floating rate	10,000	-	-	300,000	Interest is paid every half year.The principal is repaid at maturity.
96-1 Development Financial bond	2007.09.27-2014.09.27	Floating rate	5,000,000	5,000,000	153,922	-	Interest is paid every 7 months.The principal is repaid at maturity.
96-3 Development Financial bond	2007.12.28-2014.12.28	Floating rate	300,000	300,000	9,235	-	Interest is paid every 8 months.The principal is repaid at maturity.
96-4 Development Financial bond	2007.12.28-2014.12.28	Floating rate	400,000	400,000	12,314	-	Interest is paid every 9 months.The principal is repaid at maturity.
				13,900	428	43,500	Maturity but not yet collected
				$19,215,871	$591,549	$18,627,895	

E. In June 2003, MBF issued its first unsecured corporate bonds totaling NT$5 billion with the principal to be repaid at maturity. Details are as follows:

Bonds	Trustee	Issue Period	Interest Rate	Principal Amount	December 31, 2007		December 31, 2006	Method of Interest Payment	Method of Principal Repayment
First unsecured corporate bonds	Bank SinoPac	Jun. 17, 2003 ~ Jun. 30, 2008	1.48%	NT$5,000,000	NT$5,000,000	US$153,922 (Unaudited)	NT$5,000,000	Simple interest payable semi-annually	Principal to be repaid in lump sum at maturity

F. In October 2006, MS issued its first domestic unsecured corporate bonds for the 2006 fiscal year with a total amount of NT$ 2 billion and the principal to be repaid at maturity.

G. In June 2007, MS issued its first domestic unsecured corporate bonds for the 2007 fiscal year with a total amount of NT$ 3 billion and the principal to be repaid at maturity.

	December 31, 2007	
Name of the corporate bonds issued	First unsecured corporate bonds issued by Mega Securities Co., Ltd. in 2006	First unsecured corporate bonds issued by Mega Securities Co., Ltd. in 2007
Date of issuance	October 19, 2006	June 22, 2007
Face value	NT$1 million	NT$1 million
Place of issuance	Taiwan, R.O.C.	Taiwan, R.O.C.
Issue price	NT$1 million	NT$1 million
Principal amount	NT$2 billion	NT$3 billion
Interest rate	2.06%	2.13%
Period	3 years Maturity: October 19, 2009	3 years Maturity: June 22, 2010
Guarantor	None	None
Trustee	Taishin Bank Trust Department	Taishin Bank Trust Department
Underwriter	None	None
Lawyer	Shintai Law Office	Shintai Law Office
Certified public accountant	Ernst & Young	Ernst & Young
Method of repayment	Principal to be repaid in lump sum at maturity	Principal to be repaid in lump sum at maturity
Outstanding principal	NT$2 billion	NT$3 billion
Clauses on redemption and early repayment	None	None
Restricted clauses	None	None

(21) Other loans

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Credit loans	$9,785,000	$301,225	$6,195,000
Secured loans	9,113,300	280,548	3,160,000
Total	$18,898,300	$581,773	$9,355,000

A. For the year ended, December 31 2007 and 2006, the interest rates ranged from 1.59% to 3.45% and 1.40% to 2.0666%, respectively.

B. Please refer to Note 6 for details of the aforementioned other loans provided as collateral.

(22) Accued Pension Liabilities

A. Net pension cost comprises the following:

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Service cost	$553,305	$17,033	$568,573
Interest cost	235,554	7,251	597,954
Expected return on plan assets	(167,725)	(5,163)	(496,988)
Unrealized amortization on net transition obligation	59,708	1,838	16,503
Unrecognized service cost in prior period	2,604	80	2,603
Unrecognized pension gain or loss	(344)	(10)	32
Net pension cost	$683,102	$21,029	$688,677

B. Funded status of the pension plan and reconciliation of accrual pension liabilities are as follows:

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Benefit obligation			
Vested benefit obligation	($5,894,880)	($181,470)	($5,362,332)
Non-vested benefit obligation	(2,502,621)	(77,042)	(2,475,141)
Accumulated benefit obligation	(8,397,501)	(258,512)	(7,837,473)
Effect of future salary increments	(3,191,399)	(98,245)	(1,809,170)
Projected benefit obligation	(11,588,900)	(356,757)	(9,646,643)
Fair value of plan assets	7,304,167	224,854	6,650,340
Funded status	(4,284,733)	(131,903)	(2,996,303)
Unrealized net transaction obligation	230,892	7,108	254,689
Unamortized service cost in prior year	156,311	4,812	189,704
Unamortized gain or loss on pension	2,196,799	67,627	856,151
Unrecognized gain or loss on pension	106,389	3,275	138,992
Minimum pension liabilities should be recognized	(61,736)	(1,900)	(66,812)
Accrued pension liabilities	($1,656,078)	($50,981)	($1,623,579)

C. Actuarial assumptions

	December 31, 2007	December 31, 2006
Discount rate	3.00%	2.50%~3.50%
Expected rate of return on plan assets	2.00%~3.00%	1.75%~3.00%
Rate of compensation increase	2.50%~3.00%	1.50%~2.75%

D. Effective July 1, 2005, the Company established a funded defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the“Act”). Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the labors’ individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in one time. The pension costs under the defined contribution pension plan for the years ended December 31, 2007 and 2006 were NT$138,560 thousand (US$4,265 thousand-unaudited) and NT$107,421 thousand, respectively.

(23) Reserves for operations and liabilities

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Reserve for insurance business	$4,592,497	$141,377	$4,530,343
Reserves for guarantee liabilities	3,578,435	110,160	3,710,900
Reserves for default losses	217,911	6,708	214,334
Reserves for securities trading losses	283,184	8,718	320,850
Other reserves	93,904	2,891	18,502
Total	$8,765,931	$269,854	$8,794,929

(24) Other financial liabilities

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Appropriated loan fund	$8,549,274	$263,184	$9,631,177
Appropriations for loans	110,195	3,393	112,569
Others	70,205	2,161	2,183
Total	$8,729,674	$268,738	$9,745,929

(25) Other liabilities

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Advance receipt	$2,596,311	$79,926	$1,326,309
Receipts under custody	251,650	7,747	266,078
Temporary receipts and suspense accounts	3,413,300	105,076	3,154,717
Land increment duty reserves	915,128	28,172	1,000,574
Refundable deposits	2,276,205	70,071	2,177,148
Debit items for securities consignment trading	-	-	108,447
Other liabilities to be settled	418,682	12,889	373,349
Accounts under custody	188,618	5,806	170,060
Deferred revenue	177,839	5,475	53,690
Others	8,109	250	35,412
Total	$10,245,842	$315,412	$8,665,784

(26) Capital stock

A. As of December 31, 2007 and 2006, the Company's authorized capital was NT$120 billion of common stock with a par value of NT$10 per share.

B. The Board of Directors of the Company resolved a resolution on March 21, 2006 to retire 196,280 thousands shares of treasuring stocks pursuant to Section 2 of Article 31 of the Financial Holding Company Act with March 27, 2006 as the date for capital reduction. The Financial Supervisory Commission (FSC) Executive Yuan has issued a letter, Jin-Kuan-Yin-(6)-Zi-No. 09500047160 authorizing the aforementioned capital reduction. As of December 31, 2006, the Company's authorized capital was NT$111,694,492 thousand which was divided into 11,169,449 thousand shares of common stock.

C. The Board of Directors of the Company resolved a resolution on May 15, 2007 to retire 110,023 thousands shares of treasuring stocks with July 17, 2007 as the date for capital reduction. The Financial Supervisory Commission (FSC) Executive Yuan has issued a letter, Jin-Kuan-Yin-(6)-Zi-No. 09600225350 authorizing the aforementioned capital reduction. As of December 31, 2007, the Company's issued capital was NT$110,594,262 thousand which was divided into 11,059,426 thousand shares of common stock.

(27) Capital surplus

A. The capital surplus of the Company consisted of consolidation premium from share exchange and accumulated adjustments on paid-in capital from investments under equity method. As of December 31, 2007 and 2006, capital surplus amounted to NT$45,182,901 thousand (US$1,390,928 thousand-unaudited) and NT$45,631,626 thousand, respectively.

B. As per the rule stipulated by SFC, capital surplus arising from share exchange which comes from the original financial institution's undistributed earnings can either be distributed as cash dividends or capitalized in the year of the share exchange according to Section 4 of Article 47 of the Financial Holding Company Act. However, the amount to be capitalized should not exceed the specific percentage of capital surplus stated in Article 8 of the Securities and Exchange Law.

(28) Appropriation of earnings and dividend policy

A. Dividends are distributed not only in accordance with the Company's Articles of Incorporation which regulate the appropriation of retained earnings but also the business development needs of the Company. This principle is applied for the stability of the Company's operations and business financing requirements. According to the Company's Articles of Incorporation, the after-tax net income shall be used to offset the accumulated deficit first and then be appropriated to the legal reserve at the rate regulated by the governing authority. The remainder shall be appropriated to the special reserve, if necessary, and an appropriated portion can be retained according to the Company's financing requirements. Any remaining income will be distributed in the following order based on the resolution of the stockholders.

(a) Dividends

Cash dividends should exceed 50% of the total distributed amount, and the remainder will be in the form of stock dividends.

(b) Remuneration to directors and supervisors

Remuneration to directors and supervisors should not exceed 1% of the total distributed amount.

(c) Bonus to employees

Bonus to employees ranges from 0.02% to 0.16% of the total distributed amount and can be distributed in the form of cash or stocks based on the stockholders' resolution. Employees of the affiliated companies may be entitled to the Company's stock bonus at the Board's discretion.

B. Appropriation of the 2006 and 2005 earnings was resolved by the Board of Directors on April 27, 2007 and April 21, 2006, respectively and the stockholders on June 15, 2007 and June 23, 2006. Details of the earnings appropriation are set forth below:

	Appropriated Amount			Dividend Per Share (in dollars)		
	2006		2005	2006		2005
	NT$	US$(Unaudited)	NT$	NT$	US$(Unaudited)	NT$
Cash dividends	$16,589,139	$510,686	$17,142,111	$1.50	$0.0460	$1.55
Remuneration to directors and supervisors	148,817	4,581	173,432			
Cash bonus to employees	22,554	694	27,749			

C. With respect to the appropriation of the 2006 and 2005 earnings, after taking bonus to employees and remunerations to directors and supervisors into account, expected earnings per share after tax were decreased from NT$1.51 dollar to NT$1.48 dollar and from NT$2.09 dollar to NT$2.08 dollar, respectively.

	2006	2005
Net profit after tax	$16,535,257	$22,529,693
Cash dividends to employees	(22,554)	27,749
Stock dividends to employees	-	-
Remunerations to directors and supervisors	(148,817)	173,432
	$16,363,886	$22,328,512
Weighted-average outstanding shares (in thousand shares)	$11,059,426	$10,757,539
Expected earnings per share (in dollars)	$1.48	$2.08

D. Information relating to the appropriation of the Company’s 2007 earnings is available from the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(29) Treasury stock

	December 31, 2007											
	Beginning balance			Increase			Decrease			Ending balance		
Reasons for stock buyback	Number of shares	NT$	US$ (Unaudited)	Number of shares	NT$	US$ (Unaudited)	Number of shares	NT$	US$ (Unaudited)	Number of shares	NT$	US$ (Unaudited)
Shares of the Company held by itself												
Shares bought back to be reissued to employees	110,023	$2,431,355	$74,848	-	$-	$-	110,023	$2,431,355	$74,848	-	$-	$-

	December 31, 2006							
	Beginning balance		Increase		Decrease		Ending balance	
Reasons for stock buyback	Number of shares	NT$	Number of shares	NT$	Number of shares	NT$	Number of shares	NT$
Shares of the Company held by itself								
Shares bought back to be reissued to employees	110,023	$2,431,355	-	$-	-	$-	110,023	$2,431,355
Shares of MICB originally held by the Company and treated as treasury stock due to swap of 100% shares	196,280	3,649,000	-	-	196,280	3,649,000	-	-
Total	306,303	$6,080,355	-	-	196,280	$3,649,000	110,023	$2,431,355

A. On November 7, 2002, the Company acquired a 28% equity stake in ICBC, totaling 1,043,734 thousand shares. As ICBC joined the Company on December 31, 2002 through swap of 100% shares, the 1,043,734 thousand shares acquired on November 7, 2002 were transformed into the Company's treasury stock which represented 1,398,545 thousand shares of the Company's stock. The original acquisition cost of the above treasury stock was NT$25,999,995 thousand with a book value of NT$18.59 dollar per share.

The treasury stock of the Company is treated as the underlying asset for issuing euro-convertible bonds. The convertible bonds had expired on August 13 and September 24, 2005 respectively and a total of 1,202,265 thousand shares were converted. As of March 31, 2007, the remaining ECBs entitling to 196,280 thousand shares had met the 3 year expiration deadline as stipulated in Section 2 of Article 3 of the Financial Holding Company Act and authorization from the Banking Department of Executive Yuan finance surveillance management committee has been issued for retirement of such outstanding shares on March 27, 2006. For further information, please refer to Note 4(26).

B. For the purpose of reissuing the Company's shares to its employees, the Company purchased a total of 132,010 thousand shares of its issued stock in May, June, July, September and October 2002 and 110,023 thousand shares of its issued stock in April and May 2004 in accordance with Section 1 of Article 28-2 of the Securities and Exchange Law. The above treasury stock is required to be reissued to the Company's employees within three years from the date on which the treasury stock was purchased. The shares which are not reissued to the employees before the end of the three-year period are treated as the unissued shares of the Company and should be retired accordingly. The 132,010 thousand shares bought back in 2002 were all reissued to the Company's employees in August 2004. The treasury stock of 110,023 thousand shares the Company bought back has been approved by Banking Bureau, Financial Supervisory Commission, Executive Yuan as capital reduction, effective July 17, 2007, please refer to Note 4(26) for details. As of December 31, 2007, the Company does not hold any treasury stocks.

C. Treasury stock of the Company is prohibited from being pledged as collateral and is not entitled to dividends and voting rights.

(30) Personnel expenses, depreciation and amortization

Expenses relating to personnel, depreciation and amortization summarized by function for the years ended December 31, 2007 and 2006 are as follows:

	For the Year Ended December 31, 2007				For the Year Ended December 31, 2006		
	Operating Costs	Operating Expenses	Total		Operating Costs	Operating Expenses	Total
	NT$	NT$	NT$	US$(Unaudited)	NT$	NT$	NT$
Personnel expenses							
Salaries and wages	$-	$10,646,014	$10,646,014	$327,731	$-	$10,138,068	$10,138,068
Labor and health insurance	-	545,065	545,065	16,779	-	524,448	524,448
Pension	-	840,851	840,851	25,885	-	1,262,939	1,262,939
Others	-	849,222	849,222	26,143	-	611,769	611,769
Total	$-	$12,881,152	$12,881,152	$396,538	$-	$12,537,224	$12,537,224
Depreciation	$9,308	$1,059,490	$1,068,798	$32,902	$7,623	$1,122,215	$1,129,838
Amortization	$1,581	$120,753	$122,334	$3,766	$1,613	$150,167	$151,780

(31) Income taxes

The income taxes of the Group is computed in accordance with SFAS No.22, "Accounting for Income Taxes" on an individual basis. However, their annual returns on corporate income tax and the 10% tax surcharge on surplus retained earnings are filed jointly under Article 49 of the Financial Holding Company Act and the relevant provisions of the Income Tax Law. The receipts (disbursements) arising from the joint tax return scheme are recorded as "other receivables (payables)", and adjustments are made on a reasonable, systematic, and consistent basis to the current year's deferred income tax assets (liabilities) or income tax refundable (income tax payable) based on the above amount of receipts (disbursements). The amount recorded under "other receivables (payables)" is eliminated from the consolidated financial statements.

A. The income taxes comprise the following:

Item	For the Year Ended December 31, 2007		For the Year Ended December 31, 2006
	NT$	US$(Unaudited)	NT$
Income tax payable-current period	$3,132,018	$96,417	$2,701,800
10% tax on unappropriated retained earnings	688	21	580,450
Separate tax expenses	624,137	19,214	791,312
Deferred income tax benefit	(515,911)	(15,882)	(817,907)
Adjustments of prior years' income tax	(221,078)	(6,806)	(709,808)
Effect of joint filing of income tax returns	(133,204)	(4,101)	(484,772)
Alternative Minimum Tax	30,981	954	-
Total	$2,917,631	$89,817	$2,061,075

B. Deferred income taxes as of December 31, 2007 and 2006 consisted of deferred income tax assets - net (shown as other assets), as follows:

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
(A)Total deferred income tax assets	$4,298,787	$132,336	$2,748,647
(B)Total deferred income tax liabilities	$2,620,516	$80,671	$942,265
(C)Valuation allowance for deferred income tax assets	$154,123	$4,745	$96,397
(D)Temporary differences resulting in deferred income tax assets and liabilities :			
Organization costs	$198	$6	$1,164
Pension expenses	1,425,860	43,894	1,401,086
Unrealized FX gains (losses)	(2,942,387)	(90,580)	(1,799,376)
Miscellaneous reserves	4,979,645	153,295	237,208
Allowance for doubtful accounts	2,085,908	64,213	1,922,785
Difference between financial reports and tax return on depreciation ratio of property and equipment	204	6	668,921
Provision for impairment losses	311,492	9,589	45,604
Foreign investees accounted for under the profit or loss method	(1,308,179)	(40,271)	(999,973)
Net changes in deferred income tax assets incurred by foreign branches	1,003,604	30,895	970,360
Unrealized gains on financial instruments	(6,231,497)	(191,833)	(969,710)
Unrealized losses on financial instruments	5,109,227	157,284	322,026
Others	2,279,001	70,158	5,425,430

C. Imputation tax credit

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Balance of imputation tax credit	$342,081	$10,531	$1,331,149

	2006	2005
Actual tax credit rate for individual stockholders	8.97%	4.31%

The tax credit rate for individual stockholders is computed as follows:

$$\frac{\text{Stockholders' account balance of imputation tax credit as of the dividend distribution date}}{\text{Cumulative unappropriated retained earnings recorded in the books (including capital surplus arising from the subsidiaries' unappropriated earnings for 1998 and the years between 1998 and the share swap)}}$$

The abovementioned balance of imputation on tax credit and tax credit rate for individual stockholders are from the Company's information.

D. Unappropriated retained earnings

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
1998 and onwards	$20,066,193	$617,726	$22,291,780

E. Assessment of income tax returns

(a) The Company's income tax returns through 2002 had been assessed by the National Tax Authority (NTA). However, an additional tax of NT$5,129 thousand was levied on the Company as the NTA reduced the amounts of interest and operating expenses filed by the Company. The Company did not agree with the NTA's assessment and had filed a tax appeal. As of the date the financial statements were issued, the appeal was still under review.

(b) MICB's income tax returns through 2001 have been assessed by the NTA. However, MICB did not agree with the NTA's assessments on the income tax returns filed for 1996, 1997, 1998, 2000 and 2002 and has filed a tax appeal. As of the date of issuing this report, all the abovementioned years are under the re-examinations except for 1997 appealing to High Court.

(c) MS' income tax returns through 2002 have been assessed by the NTA. Additional income taxes of NT$29,751 thousand, NT$72,209 thousand, NT$51,305 thousand, and NT$19,275 thousand were levied by the NTA for 1999, 2000, 2001 and 2002, respectively, as the NTA revised downward the withholding taxes paid on the interest income from bonds pertaining to former purchasers, revised upward the premium income received from issuance of stock warrants, and disagreed with the expenses recognized for the securities transactions. MS did not agree with the assessments and filed tax appeals on its 1999, 2000, 2001 and 2002 tax returns. MS has been submitted for an administrative litigation on 1999 tax return. MS won against the NTA for 2000 and 2001 tax return in the High Court, but it has not been assessed by the NTA. The 2002 tax return was re-examined.

(d) As of December 31, 2007, MBF's income tax returns through 2002 had been assessed by the NTA. Based on the NTA's reassessment, 60% of the withholding taxes that had been paid by MBF would be refunded. The provision set aside by MBF for withholding taxes on interest income from bonds pertaining to former purchasers based on the unassessed income tax returns amounted to NT$2,426,065 thousand (US$74,685 thousand-unaudited).

(e) CKI's income tax returns through 2002 has been assessed by the NTA.

(f) MAM's income tax returns through 2003 has been assessed by the NTA.

(g) MITC (formerly known as IIT) and CTB I Venture's income tax return through 2004 have been assessed by the NTA.

(h) Mega CTB Venture Capital's income tax return through 2005 has been assessed by the NTA.

(32) Earnings per share (EPS)

(In thousand shares)	For the Year Ended December 31, 2007	For the Year Ended December 31, 2006
Weighted-average number of shares outstanding	11,059,426	11,059,426

	For the Year Ended December 31, 2007				For the Year Ended December 31, 2006	
	Pre-tax		After-tax		Pre-tax	After-tax
(In thousand dollars)	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	NT$
Consolidated net income from continuing operations	$20,032,189	$616,679	$17,114,558	$526,861	$16,998,075	$14,937,000
Cumulative effect of changes in accounting principles	-	-	-	-	1,135,641	1,148,103
Consolidated net income	$20,032,189	$616,679	$17,114,558	$526,861	$18,133,716	$16,085,103
Consolidated net income attributed to:						
Stockholders of the Company			$17,070,391	$525,501		$16,535,257
Minority interest			44,167	1,360		(450,154)
			$17,114,558	$526,861		$16,085,103

(In dollars)	For the Year Ended December 31, 2007 Pre-tax NT$	US$(Unaudited)	After-tax NT$	US$(Unaudited)	For the Year Ended December 31, 2006 Pre-tax NT$	After-tax NT$
Basic earnings per share						
Consolidated net income from continuing operations	$1.81	$0.0557	$1.55	$0.0477	$1.54	$1.35
Cumulative effect of changes in accounting principles	-	-	-	-	0.10	0.10
Consolidated net income	$1.81	$0.0557	$1.55	$0.0477	$1.64	$1.45

(In dollars)	December 31, 2007 NT$	US$(Unaudited)	December 31, 2006 NT$
Consolidated after-tax basic earnings per share attributed to:			
Stockholders of the Company	$1.54	$0.0474	$1.50
Minority interest	0.01	0.0003	(0.05)
	$1.55	$0.0477	$1.45

5. RELATED PARTY TRANSACTIONS

(1) Names of the related parties and their relationship with the Company

Related Party	Relationship with the Company
Taiwan Post Co., Ltd. (Taiwan Post)	Director of the Company
Bank of Taiwan (BOT)	Director of the Company
Chinatrust Financial Holding Co., Ltd. (CFHC)	Director of the Company
Mega Investment Trust Co., Ltd. (MITC)	Subsidiary of the Company (Note)
Win Card Co., Ltd. (Win Card)	Indirect subsidiary of the Company
Taiwan Finance Corporation (TFC)	MICB is the director of TFC
Hoan Insurance Agency Co., Ltd. (Hoan)	CKI's director is also the director of Hoan.
Chinatrust Commercial Bank(CCB)	Subsidiary of the Company's director
Chinatrust Securities Co.,Ltd.(CSC)	Subsidiary of the Company's director
Chinatrust Asset Managenent Company(CAMC)	Subsidiary of the Company's director
Chinatrust Bills Finance Corporation(CBFC)	Subsidiary of the Company's director
Grand Bills Finance Corporation(GBFC)	Subsidiary of the Company's director
Other related parties	The Company's directors, supervisors, managers, their relatives, associated companies and substantial related parties

Note:IIT and MITC entered into a merger agreement, with the dissolving company and IIT renamed Mega Internnatioal Investment Trust Co., Ltd. being the surviving company, effective from September 17, 2007.

(2) Significant transactions with related parties

Related party transactions with an amount exceeding $100 million (US$3.08 million-unaudited) are set forth below.

A. Deposits

Details of the related parties' deposits placed with MICB and recorded under "deposits and remittances" are as follows:

	December 31, 2007 NT$	US$(Unaudited)	December 31, 2006 NT$
Others (individual amounts accounting for less than 10% of the total amount)	$49,098,435	$1,511,465	$32,459,217

B. Credits extended

Details of the credits extended to the related parties by MICB and recorded under "bills, discounts and loans" are as follows:

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Others (individual amounts accounting for less than 10% of the total amount)	$108,891,720	$3,352,165	$114,122,394

C. Sales of securities and bonds

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Taiwan Post	$271,448,573	$8,356,377	$355,851,719
CCB	79,879,318	2,459,036	175,273,256
CBFC	61,072,484	1,880,079	109,412,931
CSC	40,604,350	1,249,980	68,426,729
BOT	31,507,466	969,938	74,650,339
CFHC	9,287,361	285,906	59,470,139
GBFC	5,914,788	182,083	19,083,207
CAMC	-	-	52,982,467
Other (individual amounts accounting for less than 10% of the total amount)	3,517,861	108,295	3,877,063
Total	$503,232,201	$15,491,694	$919,027,850

Terms and conditions on the above transactions are not materially different from those with non-related parties.

D. Transactions with other financial institutions

(a) Due from banks/call loans to banks

	December 31, 2007			December 31, 2006	
	NT$	% of the Account	US$(Unaudited)	NT$	% of the Account
BOT	$323,283	0.13	$9,952	$2,386,420	0.93

(b) Due to other banks/call loans from banks

	December 31, 2007			December 31, 2006	
	NT$	% of the Account	US$(Unaudited)	NT$	% of the Account
Taiwan Post	$77,677,955	21.00	$2,391,268	$72,132,852	19.44
CCB	103,023	0.03	3,172	-	-
BOT	-	-	-	3,300,000	0.89
Total	$77,780,978	21.03	$2,394,440	$75,432,852	20.33

E. Short-term borrowing:

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
CCB	$350,000	$10,775	$-

F. Collaterals

	Collaterals	December 31, 2007		December 31, 2006
		NT$	US$(Unaudited)	NT$
BOT	Restricted assets - certificates of time deposit	$200,000	$6,157	$200,000
	Available-for-sale financial assets - government bonds	2,897,800	89,207	731,678
	Financial assets at fair value through profit or loss- Negotiable certificates of deposits	1,514,762	46,631	3,407,335
	Total	$4,612,562	$141,995	$4,339,013

G. Refundable deposits

	Collaterals	December 31, 2007 NT$	December 31, 2007 US$(Unaudited)	December 31, 2006 NT$
BOT	Available-for-sale financial assets - government bonds	$110,427	$3,399	$117,591

H. Derivative transactions

December 31, 2007

Name of the related parties	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Balance on balance sheet Item	Balance on balance sheet Balance
CFHC	Interest rate swaps	December 16, 2002~ December 25, 2007	$3,400,000	($389)	Valuation adjustment on financial liabilities held for trading purpose -interest rate swaps	$-

December 31, 2006

Name of the related parties	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Balance on balance sheet Item	Balance on balance sheet Balance
CFHC	Interest rate swaps	December 16, 2002~ December 25, 2007	$3,400,000	($1,105)	Valuation adjustment on financial liabilities held for trading purpose -interest rate swaps	($389)

I. Others

(a) As of December 31, 2006, the amount authorized by MAM to its related parties, Taiwan Finance Corporation, to issue a promissory note is NT$75,000 thousand (US$2,309 thousand-unaudited).

(b) The insurance coverage provided by CKI for Hoan Insurance Agency Co., Ltd.'s premiums received under custody was NT$694,665 thousand (US$21,385 thousand-unaudited) and NT$783,649 thousand for the years ended December 31, 2007 and 2006, respectively, and the associated commission expense and brokerage expenses were NT$175,298 thousand (US$5,396 thousand-unaudited) and NT$187,641 thousand, respectively. As of December 31, 2007 and 2006, premiums receivable from the above transactions amounted to NT$57,202 thousand (US$1,761 thousand-unaudited) and NT$46,205 thousand, respectively, and commissions payable amounted to NT$45,125 thousand (US$1,389 thousand-unaudited) and NT$71,065 thousand, respectively.

(c) For the years ended December 31, 2007 and 2006, MS incurred service fees of NT$16,920 thousand (US$521 thousand-unaudited) and NT$14,769 thousand for both domestic and international investment consulting services entrusted to Mega International Investment Services Co., Ltd.

(d) MICB has been outsourcing its credit card operations to Win Card Co., Ltd. since 2001. The operational costs incurred for the years ended December 31, 2007 and 2006 were NT$233,093 thousand (US$7,176 thousand-unaudited) and NT$272,882 thousand, respectively.

6. PLEDGED ASSETS

Asset	Carrying amount December 31, 2007 NT$	Carrying amount December 31, 2007 US$(Unaudited)	Carrying amount December 31, 2006 NT$
Financial assets at fair value through profit or loss	$4,124,763	$126,978	$13,573,250
Available-for-sale financial assets	22,371,087	688,680	2,643,133
Loans receivable purchased	4,578,514	140,947	3,129,020
Held-to-maturity financial assets	15,145,078	466,232	16,870,495
Property and equipment, net	3,146,982	96,878	3,134,283
Other assets	1,209,606	37,237	2,065,007
Total	$50,576,030	$1,556,952	$41,415,188

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7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The Company

As of December 31, 2007, the total amount of the contracts entered into by the Company for the set up of information system, was NT$27,825 thousand (US$857 thousand-unaudited), and the accrued amount on the above expenditures was NT$22,387 thousand (US$689 thousand-unaudited).

(2) The subsidiaries

A. MICB

(a) As of December 31, 2007 and 2006, MICB's commitments and contingent liabilities were as follows:

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Loan commitments	$767,760,942	$23,635,049	$711,645,832
Securities sold under repurchase agreement	14,476,121	445,638	36,172,152
Securities purchased under resell agreement	1,736,024	53,442	1,685,951
Credit card line commitments	53,180,868	1,637,140	56,940,044
Guarantees issued	160,571,451	4,943,094	158,066,012
Letters of credit	77,498,324	2,385,738	66,249,634
Customers' securities under custody	452,130,840	13,918,570	504,014,182
Properties under custody	277,207	8,534	322,936
Guarantee effects	77,371,263	2,381,827	76,356,394
Collections for customers	333,981,119	10,281,404	276,855,776
Agency loans payable	6,834,036	210,382	7,966,672
Travelers' checks consigned-in	2,603,503	80,147	2,409,943
Payables on gold consigned-in	32,299	994	32,450
Payables on consignments-in	5,760	177	6,843
Agent for government bonds	289,952,166	8,926,000	342,458,703
Short-dated securities under custody	41,463,892	1,276,441	33,418,962
Investments for customers	346,307	10,661	600,347
Trust liability	334,967,444	10,311,767	249,154,576
Certified notes paid	13,838,334	426,005	76,865,302
Total	$2,629,027,900	$80,933,010	$2,601,222,711

(b) For premises occupied by its branches, the Bank has renewable lease agreements expiring on various dates up to 2021. Rentals are payable monthly, quarterly or semiannually. Refundable deposits on these leases totaled NT$123,349 thousand (shown as other assets). Rentals for the next five years are as follows:

	Amount	
Year	NT$	US$(Unaudited)
2008	435,426	13,404
2009	378,732	11,659
2010	321,333	9,892
2011	159,060	4,897
2012 and onwards	108,780	3,349
Total	$1,403,331	$43,201

(c) Please refer to Note 4(6).

B. MS

(a) MS has entered into proxy delivery agreements with Grand Cathay Securities and Fubon Securities. Under these agreements, Grand Cathay Securities and Fubon Securities agree to be MS' first and second proxies. If MS is unable to fulfill its obligations to the Taiwan Stock Exchange, the proxies must act upon the said obligations. MS has reciprocated by agreeing to act as the first or second proxy for Grand Cathay Securities and Fubon Securities.

(b) Two of MS' former brokers conducted a fraudulent transaction in November 1994 and embezzled NT$56,823 thousand from Lu-Kang Credit Cooperative (LKCC) by taking advantage of LKCC's operational flaws when it was dealing with the settlement of the above transaction. LKCC claimed that they had to pay the NT$56,823 thousand in advance for MS and thus, cancelled MS' NT$60 million time deposit placed with LKCC without MS' consent and deducted NT$56,823 thousand from the cancelled deposit. MS filed a lawsuit against LKCC for the return of the NT$56,823 thousand as well as execution of provisional seizure of the properties of the said securities brokers' joint guarantors.

The NT$56,823 thousand was recorded by MS under "other assets-other receivables." For executing the provisional seizure, MS pledged NT$19,000 thousand time deposit to the Court, which is recorded under "other assets-guarantee deposits paid".

Per the ruling stated in Docket #14 of Designation appellate 3, the Tai-chung Branch of the Taiwan High Court has ruled against the Company for all charges. MS filed an appeal to the High Court on May 20, 2005, which has yet to be heard. MS has set aside NT$40,287 thousand as an allowance for bad debts as recommended by its legal consultant. Taiwan Supreme Court Taichung Branch judged against the Company as stated in Chong-Shang-Geng-(3)-Zi No.14 of 2003. The Company had applied for an appeal on May 20, 2005 and the judgment was returned back to the court for new trial on August 24, 2006 which had yet to be pronounced in Jin-Shang-Geng-(4)-Zi No.5 of 2006 by the Taiwan Supreme Court Taichung Branch. The amount of bad debts estimated and recognized by the Company according to their legal consultant was NT$40,287 thousand.

(c) As a result of a dispute on a rental property located at Section 4 of Chunghsiao East Road, Taipei, the lessee brought legal action against MS, claiming NT$5,860 thousand (US$180 thousand-unaudited) for compensation plus 5% annual interest calculated from the date on which the lawsuit was filed to the date on which the compensation is paid. The case is pending the court's ruling.

(d) MS has entered into several operating lease agreements for its branch offices. As of December 31 2007, the annual minimum rents payable (excluding the adjustments for the consumer price index) for the next five years were as follows:

	Amount	
Year	NT$	US$(Unaudited)
2008	$58,640	$1,805
2009	34,513	1,063
2010	15,330	472
2011	5,264	162
After 2012	720	22
Total	$114,467	$3,524

(e) As of December 31, 2007 and 2006, the checks written by MS and pledged to the Taiwan Stock Exchange as guarantee deposits for settlement of securities transactions amounted to NT$30,000 thousand (US$924 thousand-unaudited).

(f) MS' 1999, 2000, 2001 and 2002 income tax returns have been assessed by the NTA. However, MS did not agree with the NTA's assessments and has filed tax appeals.

C. MBF

(a) As of December 31, 2007 and 2006, MBF's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Bills and bonds sold under repurchase agreements	$203,409,282	$6,261,830	$246,101,509
Guarantees for commercial papers	109,110,000	3,358,884	146,123,800

(b) As of December 31, 2006, the expected future rent expense to be incurred for the long-term lease signed by MBF for renting office space is presented as follows:

	Amount	
Year	NT$	US$(Unaudited)
2008	$44,260	$1,363
2009	44,031	1,355
2010	43,274	1,332
Total	$131,565	$4,050

D. CKI

(a) As of December 31, 2007 and 2006, CKI issued letters of credit as a result of conducting re-insurance business, the unused amounts of which were USD $26 thousand and USD $44 thousand, respectively.

(b) As of December 31, 2007 and 2006, the expected future rent expense to be incurred for the several building leases signed by CKI for business use is presented as follows:

Year	Amount NT$	Amount US$(Unaudited)
2008	$4,261	$131
After 2009	2,787	86
Total	$7,048	$217

E. MAM

(a) Details of the assets rented by MAM under operating lease as of December 31, 2007 are set forth below:

Lessor	Leasehold Asset	Lease Period	Rent per Month		Accrued Rent for the Following Years (Unaudited)	
MICB	6F., No.91, Hengyang Rd., Taipei	April 1 , 2006- December 31, 2010	NT$526	US$16	NT$18,920	US$583
Pro Leasing & Rnetal	Cars for business use	January 31, 2007- January 30, 2010	46	1	1,138	35
EasyRent Ltd.	Cars for business use	January 20, 2005- February 19, 2009	63	2	913	28
Total					NT$20,971	US$646

(b) In March 2005, MAM entered into revolving commercial paper facility agreements with MBF and International Bills Finance Corporation for a total limit of $200 million (US$6.16 million-unaudited). Under the agreements, MAM can issue commercial paper within the specified limit during the agreement period (three years). MAM had drawdowns amounting to NT$200,000 thousand (US$6,157 thousand-unaudited) as of December 31, 2007.

F. CTB I Venture

CTB Financial Management & Consulting Co., Ltd. acts as agent to deal with management, investment, assignment and re-investment of all assets on behalf of CTB I Venture and conduct enterprise operation, management and consultation service for CTB I Venture's investee companies. In accordance with the contract, CTB I Venture should pay 2% per annum of the total issued capital as management fee which is payable quarterly to CTB Financial Management & Consulting Co., Ltd.

G. CTB Venture Capital

CTB Financial Management & Consulting Co., Ltd. acts as an agent to deal with management, investment, assignment and re-investment of all assets on behalf of CTB Venture Capital and conduct enterprise operation, management and consultation service for CTB Venture Capital's invstee companies. In accordance with the contract, CTB Venture Capital should pay 2% per annum of average of beginning year and ending year of the total issued capital stock as management fee which is payable quarterly to CTB Financial Management & Consulting Co., Ltd.

8. SIGNIFICANT DISASTER LOSS

(1) The Company

None.

(2) The subsidiaries

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

(1) The Company

All the second unsecured corporate bonds for the fiscal year 2007 were issued on February 4, 2008. Please refer to Note 4(20) C for details.

(2) The subsidiaries

MICB

On February 19, 2008, the credit rating of partial U.S. residential mortgage backed securities amounting to US$92,809 thousand dollars of the "The First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2" was downgraded by Standard & Poor, and the "Credit Impaired Asset Notice" was sent by Taiwan Rating Corporation. The Bank purchased the assets in the amount of US$92,809 thousand dollars in accordance with the "Trust Agreement" and "Credit Impaired Asset Put and Clean Up Put Agreement" on February 26, 2008. The impairment loss on assets at fair value is approximately NT$2.45 billion (US$0.754 billion-unaudited).

10. OTHERS

(1) Financial instruments information:

A. Fair Value

Non-derivative financial instruments	December 31, 2007 NT$ Carrying Value	December 31, 2007 NT$ Fair Value	December 31, 2007 US$(Unaudited) Carrying Value	December 31, 2007 US$(Unaudited) Fair Value	December 31, 2006 NT$ Carrying Value	December 31, 2006 NT$ Fair Value
Assets						
Cash and cash equivalents	$99,998,170	$99,998,170	$3,078,382	$3,078,382	$52,169,496	$52,169,496
Due from the Central Bank and call loans to banks	249,729,453	249,729,453	7,687,768	7,687,768	256,139,063	256,139,063
Financial assets held for trading						
Stocks	6,244,100	6,244,100	192,221	192,221	9,318,290	9,318,290
Commercial papers	81,370,935	81,370,935	2,504,954	2,504,954	94,833,104	94,833,104
Beneficiary certificates	2,366,343	2,366,343	72,846	72,846	3,176,753	3,176,753
Negotiable certificates of time deposit	5,127,248	5,127,248	157,839	157,839	27,325,738	27,325,738
Corporate bonds(including convertible corporate bonds)	24,344,760	24,344,760	749,438	749,438	16,451,303	16,451,303
Government bonds	1,468,165	1,468,165	45,197	45,197	15,475,011	15,475,011
Bank debentures	2,371,582	2,371,582	73,008	73,008	6,188,660	6,188,660
Other bonds	4,850,401	4,850,401	149,317	149,317	6,643,581	6,643,581
Financial assets at fair value through profit or loss						
Stocks	2,839	2,839	87	87	10,605	10,605
Corporate bonds	20,392,313	20,392,313	627,765	627,765	23,226,004	23,226,004
Governments bonds	7,823,105	7,823,105	240,829	240,829	11,441,033	11,441,033
Bank debentures	11,244,013	11,244,013	346,140	346,140	20,728,045	20,728,045
Certificate of deposits	40,090,820	40,090,820	1,234,171	1,234,171	7,198,822	7,198,822
Securities purchased under resale agreements	4,765,687	4,765,687	146,709	146,709	5,365,413	5,365,413
Receivables-net	123,958,757	123,958,757	3,815,994	3,815,994	107,852,796	107,852,796
Loans-net	1,210,579,613	1,210,579,613	37,266,950	37,266,950	1,126,900,618	1,126,900,618
Available-for-sale financial assets						
Stocks	15,255,599	15,255,599	469,634	469,634	16,893,940	16,893,940
Commercial papers	4,300,516	4,300,516	132,389	132,389	6,049,005	6,049,005
Governments bonds	146,957,625	146,957,625	4,524,000	4,524,000	169,997,627	169,997,627
Corporate bonds	41,051,595	41,051,595	1,263,748	1,263,748	44,482,272	44,482,272
Acceptances securities	-	-	-	-	198,945	198,945
Beneficiary certificates	2,153,706	2,153,706	66,301	66,301	1,864,617	1,864,617
Beneficiary securities	16,282,717	16,282,717	501,253	501,253	17,248,500	17,248,500
Certificate of deposits	5,198,706	5,198,706	160,039	160,039	-	-
Bank debentures	24,138,317	24,138,317	743,083	743,083	18,640,717	18,640,717
Treasury bills	179,096	179,096	5,513	5,513	-	-
Held-to-maturity financial assets	90,448,402	90,448,402	2,784,399	2,784,399	96,908,980	96,908,980
Other financial assets	29,112,851	29,112,851	896,221	896,221	33,415,543	33,415,543

Liabilities						
Due to the Central Bank and commercial banks	(369,971,867)	(369,971,867)	(11,389,357)	(11,389,357)	(371,033,111)	(371,033,111)
Borrowed Funds	(42,997,399)	(42,997,399)	(1,323,649)	(1,323,649)	(56,438,426)	(56,438,426)
Financial liabilities at fair value through profit or loss	(49,323,996)	(49,323,996)	(1,518,409)	(1,518,409)	(47,456,520)	(47,456,520)
Securities sold under repurchase agreements	(246,995,517)	(246,995,517)	(7,603,605)	(7,603,605)	(315,710,030)	(315,710,030)
Commercial papers payable- net	(23,732,467)	(23,732,467)	(730,589)	(730,589)	(15,816,828)	(15,816,828)
Payables	(65,261,108)	(65,261,108)	(2,009,023)	(2,009,023)	(74,834,630)	(74,834,630)
Deposits	(1,232,608,275)	(1,232,608,275)	(37,945,089)	(37,945,089)	(1,071,926,588)	(1,071,926,588)
Bonds payable	(33,215,871)	(33,215,871)	(1,022,530)	(1,022,530)	(43,527,894)	(43,527,894)
Other borrowings	(18,898,300)	(18,898,300)	(581,773)	(581,773)	(9,355,000)	(9,355,000)
Other financial liabilities	(8,729,674)	(8,729,674)	(268,738)	(268,738)	(9,745,929)	(9,745,929)

	December 31, 2007				December 31, 2006	
Non-hedging derivative	NT$		US$(Unaudited)		NT$	
financial instruments	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets						
Financial assets held for trading	$1,012,795	$1,012,795	$31,178	$31,178	$2,326,119	$2,326,119
Financial assets at fair value through profit or loss	1,502,719	1,502,719	46,260	46,260	1,055,646	1,055,646
Liabilities						
Financial liabilities held for trading	(1,616,850)	(1,616,850)	(49,774)	(49,774)	(1,044,520)	(1,044,520)
Financial liabilities at fair value through profit or loss	(2,163,890)	(2,163,890)	(66,614)	(66,614)	(1,746,912)	(1,746,912)

B. The assumptions and methods adopted by the Group to estimate the fair values of the above financial instruments are summarized below.

(a) The fair values of short-term financial instruments are approximated using their carrying value. Since they are either short term in nature and the estimated future receipts or payments are closely related to their carrying value, it is reasonable that their fair value to be determined based on their carrying value. This method applies to cash and cash equivalents, due from the Central Bank and call loans to banks, bonds and bills purchased under resell agreements, receivables, short-term loans, commercial paper payables and payables.

(b) Among financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and other financial assets, the fair value of investments is determined by reference to the close price at the balance sheet date for listed shares and depositary receipts, net asset value for open-ended funds, the quoted price at the balance sheet date for bonds, the clearing value, quoted price or value defined by model theory for derivative financial instruments, and valuation techniques for financial instruments with no active market.

(c) Bills and loans, securities sold under agreements to repurchase, deposits and bonds issued are financial assets and liabilities with mainly floating interests. Thus, their carrying values are deemed to be equivalent to their fair values.

(d) Since financial assets carried at cost are composed of unlisted stocks or those not actively traded in the market and whose fair values cannot be reliably estimated, they are measured at cost in compliance with the statements of financial accounting standards.

The fair values of partial financial instruments and non-financial instruments are not required to be disclosed, the total fair values of the above table do not represent total fair values of the Group.

C. The fair value of financial assets and liabilities either determined using public quoted prices in the active market or estimated using valuation methods are as follows:

	December 31, 2007				December 31, 2006	
	Quoted market prices		Amount determined by a valuation technique		Quoted market prices	Amount determined by a valuation technique
	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	NT$
Non-derivative financial instruments						
Assets						
Cash and cash equivalents	$-	$-	$99,998,170	$3,078,382	$-	$52,169,496
Due from the Central Bank and call loans to banks	-	-	249,729,453	7,687,768	-	256,139,063
Financial assets held for trading						
Stocks	6,244,100	192,221	-	-	9,318,290	-
Commercial papers	-	-	81,370,935	2,504,954	-	94,833,104
Beneficiary certificates	-	-	2,366,343	72,846	-	3,176,753
Negotiable certificates of time deposit	-	-	5,127,248	157,839	-	27,325,738
Corporate bonds (including convertible corporate bonds)	-	-	24,344,760	749,438	-	16,451,303
Government bonds	1,468,165	45,197	-	-	15,475,011	-
Financial debentures	-	-	2,371,582	73,008	-	6,188,660
Other bonds	-	-	4,850,401	149,317	-	6,643,581
Financial assets at fair value through profit or loss						
Stocks	2,839	87	-	-	10,650	-
Corporate bonds	-	-	20,392,313	627,765	-	23,226,004
Governments bonds	7,823,105	240,829	-	-	11,441,033	-
Financial debentures	-	-	11,244,013	346,140	-	20,728,045
Certificate of deposits	-	-	40,090,820	1,234,171	-	7,198,822
Receivables-net	-	-	123,958,757	3,815,994	-	107,852,796
Loans-net	-	-	1,210,579,613	37,266,950	-	1,126,900,618
Available-for-sale financial assets						
Stocks	15,255,599	469,634	-	-	16,893,940	-
Commercial papers	-	-	4,300,516	132,389	-	6,049,005
Governments bonds	146,957,625	4,524,000	-	-	169,997,627	-
Corporate bonds	-	-	41,051,595	1,263,748	-	44,482,272
Acceptances securities	-	-	-	-	-	198,945
Beneficiary certificates	2,153,706	66,301	-	-	1,864,617	-
Beneficiary securities	-	-	16,282,717	501,253	-	17,248,500
Certificate of deposits	-	-	5,198,706	160,039	-	-
Financial debentures	-	-	24,138,317	743,083	-	18,640,717
Treasury bills	-	-	179,096	5,513	-	-
Held-to-maturity financial assets	-	-	90,448,402	2,784,399	-	96,908,980
Other financial assets	-	-	29,112,851	896,221	-	33,415,543
Liabilities						
Due to the Central Bank and commercial banks	-	-	(369,971,867)	(11,389,357)	-	(371,033,111)
Borrowed Funds	-	-	(42,997,399)	(1,323,649)	-	(56,438,426)
Financing liabilities at fair value through profit or loss	-	-	(49,323,996)	(1,518,409)	-	(7,456,520)
Payables	-	-	(65,261,108)	(2,009,023)	-	(74,834,630)
Deposits	-	-	(1,232,608,275)	(37,945,089)	-	(1,071,926,588)
Bonds payable	-	-	(33,215,871)	(1,022,530)	-	(43,527,894)
Other borrowings	-	-	(18,898,300)	(581,773)	-	(9,335,000)
Other financial liabilities	-	-	(8,729,674)	(268,738)	-	(9,745,929)

	December 31, 2007				December 31, 2006	
	Quoted market prices		Amount determined by a valuation technique		Quoted market prices	Amount determined by a valuation technique
	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	NT$
Derivative financial instruments						
Assets						
Financial assets held for trading	$-	$-	$1,012,795	$31,178	$-	$2,326,119
Financial assets at fair value through profit or loss	-	-	1,502,719	46,260	-	1,055,646
Liabilities						
Financial liabilities held for trading	-	-	(1,616,805)	(49,772)	-	(1,044,520)
Financial liabilities at fair value through profit or loss	-	-	(2,163,890)	(66,614)	-	(1,746,912)

D. Net income arising from derivative financial instruments at fair value through profit or loss for the year ended December 31, 2007 amounted to $5,521,243 thousand (US$169,968 thousand-unaudited).

E. The interest income arising from other than financial assets at fair value through profit or loss for the year ended December 31, 2007 amounted to $67,540,554 thousand (US$2,079,194 thoudand-unaudited).

F. The adjustment in equity arising from available-for-sale financial assets for the year ended December 31, 2007 amounted to $6,740,574 thousand (US$207,504 thousand-unaudited).

(2) Information On Financial Risk

A. MICB

(a) Market risk

The Bank sets up risk managing indicators according to the characteristics of the products to achieve the goal of risk management. The Bank controls market risk through the treasury department, evaluates market risk exposure limits approved by the Board of Directors, and informs related units when it is over the limit.

The Bank establishes various specialist committees in head office and overseas branches to perform the role of implementing the risk management policies and procedures. Each sub-risk management team reviews limits on monitoring and managing risk exposures under the respective supervision and reports to head office management team.

Market risk reports which include the monitoring of outstanding position limitation of loss and quantitative measures of risk indicators are provided to risk management sector to manage risk exposure, risk premium and capital allocation. The indicators are calculated by the valuation models.

The Bank formally documented in writing its intention to apply hedge accounting and follows the requirement of related accounting standards. Risk management sector should assess the effectiveness of the hedge relationship periodically.

(b) Credit risk

i. Credit risk represents the risk of loss that the Bank would incur if the counterparty fails to perform the Bank's contractual obligations.

The concentrations of credit risk exist when the counterparty to financial instrument transactions are either concentrated in certain individuals or group of individuals engaged in similar activities or having activities in the same region, which would impair their ability to meet contractual obligations under negative economic or other conditions. The Bank has not transacted with one single customer or entered into one single transaction which would expose the Bank to concentration risk. However, the Bank is likely exposed to industry concentration risk.

For credit cards, no collateral is required, but the credit status of each cardholder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit.

ii. The maximum credit risk exposure amounts of financial instruments held by the Bank are as follows:

	December 31, 2007				December 31, 2006	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
Financial assets	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	NT$
Financial assets at fair value through profit or loss	$84,905,748	$2,613,771	$86,848,050	$2,673,564	$70,639,090	$71,696,659
Available-for-sale financial assets	103,654,258	3,190,933	103,654,258	3,190,933	103,255,194	103,255,194
Bills discounted and loans	1,210,579,613	37,266,950	1,210,579,613	37,266,950	1,126,494,768	1,126,494,768
Held-to-maturity financial assets	90,248,402	2,778,242	90,248,402	2,778,242	96,508,980	96,508,980
Off-balance sheet commitments and guarantees	2,629,027,900	80,933,010	2,629,027,900	80,933,010	2,601,222,711	2,601,222,711
Total	$4,118,415,921	$126,782,906	$4,120,358,223	$ 126,842,699	$3,998,120,743	$ 3,999,178,312

The amounts summarized above are valued from derivative financial instruments with positive fair value and off-balance sheet commitments and guarantees.

iii. The Bank strictly assesses and evaluates each credit application for loan facility, guarantee and letters of credit. Collaterals, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the result of the credit worthiness evaluation. As of December 31, 2007 and 2006, collaterals secured approximately 51.37% and 51.13%, respectively, of total loans (excluding overdue loans). When a borrower defaults, the Bank would enforce the foreclosure of the collaterals and guarantees to lower the Bank's credit risk. As disclosing the maximum credit risk exposure amount, the Bank would not consider the fair value of collaterals. However, the Bank is likely exposed to industry concentration risk. The Bank's information on industry concentration of credit risk is as follows:

	December 31, 2007				December 31, 2006	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	NT$
Industry type						
Manufacturing	$440,094,841	$13,548,049	$440,094,841	$13,548,049	$418,436,841	$418,436,841
Financial institution, insurer, real estate and leasing	200,936,331	6,185,702	200,936,331	6,185,702	144,902,586	144,902,586
Government institution	29,102,378	895,899	29,102,378	895,899	67,036,791	67,036,791
Individuals	258,148,329	7,946,938	258,148,329	7,946,938	235,647,944	235,647,944
Others	464,080,456	14,286,432	464,080,456	14,286,432	441,686,112	441,686,112
Total	$1,392,362,335	$42,863,020	$1,392,362,335	$42,863,020	$1,307,710,274	$1,307,710,274
Geographic region						
Domestic	$1,188,514,315	$36,587,684	$1,188,514,315	$36,587,684	$1,039,536,519	$1,039,536,519
North America	62,058,111	1,910,421	62,058,111	1,910,421	45,238,078	45,238,078
Others	141,789,909	4,364,915	141,789,909	4,364,915	222,935,677	222,935,677
Total	$1,392,362,335	$42,863,020	$1,392,362,335	$42,863,020	$1,307,710,274	$1,307,710,274

Note: The above figures as of December 31, 2007 and 2006 include bills and loans (excluding bills purchased and overdue loans-factoring without recourse), guarantees and acceptances.

Contract amounts of significant credit risk concentration are as follows:

December 31, 2007			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the Current Year (%)
1	Formosa Plastics Group	$49,369,886	32.38
2	BENQ Group	20,888,282	13.70
3	Far Eastern Group	16,053,053	10.53
4	CHIMEI Group	15,463,029	10.14
5	Shin Kong Group	10,572,324	6.93
6	Taiwan Cement Group	10,386,663	6.81
7	Uni-President Group	10,186,244	6.68
8	Ta Tung Group	9,520,800	6.24
9	China Steel Group	8,732,980	5.73
10	China Airlines Group	8,249,085	5.41

Note 1:Ranking the top ten enterprise groups other than government and government enterprises according to their total outstanding loan amount.

Note 2: Definition of enterprise group is based on Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), bills purchased, without recourse factoring, acceptance receivable and guarantees.

Profile of concentration of credit risk and credit extensions of related parties

	December 31, 2007		December 31, 2006	
Amount of credit extensions to related parties	$89,594,879		$101,595,089	
Ratio of credit extensions to related parties (%)	6.65		8.00	
Ratio of credit extensions secured by stocks (%)	3.29		3.09	
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount)	Industry	Ratio	Industry	Ratio
	Manufacturing	34.60%	Manufacturing	34.80%
	Transportation, storehouse and correspondence industry	9.36%	Transportation, storehouse and correspondence industry	9.48%
	Wholesale and retail sales industry	7.73%	Wholesale and retail sales industry	6.81%

The non-financial information listed above were not audited by independent accountants.

Note 1:Total amount of credit extensions include loans, bills discounted, acceptances receivable, guarantees receivable, and advance accounts for factoring receivable.

Note 2:The ratio of credit extensions to related parties = the amount of credit extensions to related parties / the total amount of all credit extensions.

Note 3:The ratio of credit extensions secured by stocks = the amount of credit extensions secured by stocks / the total amounts of all credit extensions.

iv. Liquidity risk

The capital and working capital of the Bank were sufficient to execute all the obligation of contracts and had no liquidity risk. The possibility of the derivative financial instruments held by the Bank being unable to liquidate quickly with minimal loss in value is low.

The management policy of the Bank is to match the contractual maturity profile and interest rate of its assets and liabilities. As a result of the uncertainty, the maturities and interest rates of assets and liabilities usually do not fully match. The gap may result in potential gain or loss. The Bank applied the appropriate grouping of assets and liabilities.

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2007

Unit: thousands of New Taiwan dollars

	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call loans from banks	$249,729,452	$249,729,452	$-	$-	$-	$-	$249,729,452	$249,729,452
Financial assets at fair value through profit or loss (Note)	50,217,250	50,217,250	28,927,689	28,927,689	1,694,296	1,694,296	80,839,235	80,839,235
Investments in bills and bonds under resale agreements	1,729,123	1,729,123	-	-	-	-	1,729,123	1,729,123
Bills discounted and loans	337,403,058	335,836,805	453,597,355	450,808,120	428,490,176	423,934,688	1,219,490,589	1,210,579,613
Available-for-sale financial assets (Note)	37,420,663	37,420,663	47,922,452	47,922,452	8,009,912	8,009,912	93,353,027	93,353,027
Held-to-maturity financial assets	79,533,674	79,533,674	9,695,241	9,695,241	1,019,487	1,019,487	90,248,402	90,248,402
Other financial assets (Note)	513,906	351,852	1,416,345	1,416,345	-	-	1,930,251	1,768,197
Total Assets	756,547,126	754,818,819	541,559,082	538,769,847	439,213,871	434,658,383	1,737,320,079	1,728,247,049
Liabilities								
Due to the Central Bank and commercial banks	364,581,867	364,581,867	-	-	-	-	364,581,867	364,581,867
Funds borrowed from Central Bank and other banks	42,997,399	42,997,399	-	-	-	-	42,997,399	42,997,399
Financial liabilities at fair value through profit or loss	11,858,095	11,858,095	37,465,901	37,465,901	-	-	49,323,996	49,323,996
Bills and bonds payable under repurchase agreements	14,505,960	14,505,960	-	-	-	-	14,505,960	14,505,960
Time deposit	654,710,080	654,710,080	18,628,420	18,628,420	-	-	673,338,500	673,338,500
Financial bonds payable	3,755,567	3,755,567	15,460,304	15,460,304	-	-	19,215,871	19,215,871
Other financial liabilities	20,096,284	20,096,284	-	-	-	-	20,096,284	20,096,284
Total Liabilities	1,112,505,252	1,112,505,252	71,554,625	71,554,625	-	-	1,184,059,877	1,184,059,877
Net liquidity gap	($355,958,126)	($357,686,433)	$470,004,457	$467,215,222	$439,213,871	$434,658,383	$553,260,202	$544,187,172

(Note) Exclusive of stocks, beneficiary certificates and derivatives.

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2007

Unit: thousands of US dollars(Unaudited)

	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call loans from banks	$7,687,768	$7,687,768	$-	$-	$-	$-	$7,687,768	$7,687,768
Financial assets at fair value through profit or loss (Note)	1,545,907	1,545,907	890,521	890,521	52,158	52,158	2,488,586	2,488,586
Investments in bills and bonds under resale agreements	53,230	53,230	-	-	-	-	53,230	53,230
Bills discounted and loans	10,386,746	10,338,530	13,963,716	13,877,851	13,190,807	13,050,570	37,541,269	37,266,950
Available-for-sale financial assets (Note)	1,151,972	1,151,972	1,475,263	1,475,263	246,580	246,580	2,873,815	2,873,816
Held-to-maturity financial assets	2,448,396	2,448,396	298,462	298,462	31,384	31,384	2,778,242	2,778,242
Other financial assets (Note)	15,820	10,831	43,602	43,602	-	-	59,422	54,433
Total Assets	23,289,839	23,236,634	16,671,564	16,585,699	13,520,929	13,380,692	53,482,332	53,203,025
Liabilities								
Due to the Central Bank and commercial banks	11,223,429	11,223,429	-	-	-	-	11,223,429	11,223,429
Funds borrowed from Central Bank and other banks	1,323,648	1,323,648	-	-	-	-	1,323,648	1,323,648
Financial liabilities at fair value through profit or loss	365,044	365,044	1,153,365	1,153,365	-	-	1,518,409	1,518,409
Bills and bonds payable under repurchase agreements	446,557	446,557	-	-	-	-	446,557	446,557
Time deposit	20,154,848	20,154,848	573,464	573,464	-	-	20,728,312	20,728,312
Financial bonds payable	115,613	115,613	475,936	475,936	-	-	591,549	591,549
Other financial liabilities	618,652	618,652	-	-	-	-	618,652	618,652
Total Liabilities	34,247,791	34,247,791	2,202,765	2,202,765	-	-	36,450,556	36,450,556
Net liquidity gap	($10,957,952)	($11,011,157)	$14,468,799	$14,382,934	$13,520,929	$13,380,692	$17,031,776	$16,752,469

(Note) Exclusive of stocks, beneficiary certificates and derivatives.

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2006

Unit: thousands of New Taiwan dollars

	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call loans from banks	$256,141,138	$256,139,063	$-	$-	$-	$-	$256,141,138	$256,139,063
Financial assets at fair value through profit or loss (Note)	24,080,329	24,080,329	36,195,792	36,195,792	3,560,282	3,560,282	63,836,403	63,836,403
Investments in bills and bonds under resale agreements	1,577,099	1,577,099	-	-	-	-	1,577,099	1,577,099
Bills discounted and loans	307,404,007	304,973,980	417,220,328	413,935,225	413,317,653	407,585,563	1,137,941,988	1,126,494,768
Available-for-sale financial assets (Note)	32,712,195	32,712,195	54,386,447	54,386,447	5,695,849	5,695,849	92,794,491	92,794,491
Held-to-maturity financial assets	86,267,790	86,267,790	10,030,590	10,030,590	210,600	210,600	96,508,980	96,508,980
Other financial assets (Note)	144,239	99,041	2,753,560	2,717,738	2,070,149	2,070,149	4,967,948	4,886,928
Total Assets	708,326,797	705,849,497	520,586,717	517,265,792	424,854,533	419,122,443	1,653,768,047	1,642,237,732
Liabilities								
Due to the Central Bank and commercial banks	49,424,611	49,424,611	305,708,500	305,708,500	-	-	355,133,111	355,133,111
Funds borrowed from Central Bank and other banks	56,438,426	56,438,426	-	-	-	-	56,438,426	56,438,426
Financial liabilities at fair value through profit or loss	4,500,000	4,500,000	42,956,520	42,956,520	-	-	47,456,520	47,456,520
Bills and bonds payable under repurchase agreements	36,129,690	36,129,690	-	-	-	-	36,129,690	36,129,690
Time deposits	361,786,344	361,786,344	58,242,372	58,242,372	-	-	420,028,716	420,028,716
Financial bonds payable	600,000	600,000	18,027,895	18,027,895	-	-	18,627,895	18,627,895
Other financial liabilities	18,779,486	18,779,486	-	-	-	-	18,779,486	18,779,486
Total Liabilities	527,658,557	527,658,557	424,935,287	424,935,287	-	-	952,593,844	952,593,844
Net liquidity gap	$180,668,240	$178,190,940	$95,651,430	$92,330,505	$424,854,533	$419,122,443	$701,174,203	$689,643,888

(Note) Exclusive of stocks, beneficiary certificates and derivatives.

v. Cash flow risk and fair value risk of interest rate fluctuation

Interest rate risk is the risk to earnings and value of financial instruments caused by fluctuations in interest rate. The risk is considered to be material to the Bank, and the Bank enters into interest rate swap contracts to manage the risk.

As of December 31, 2007, expected repricing and maturity dates of interest-bearing financial instruments are not affected by dates of related contracts. The interest rate risk of subsidiaries is presented by the book value of financial assets and financial liabilities and is classified by the earlier of the expected repricing date or expected maturity date.

B. MS

(a) Derivative financial instruments

i. Stock warrants

1) Please see 7) below for details of stock warrants issued by MS.

2) The purpose of issuing derivative financial instruments is to generate reasonable profits by controlling the risk within a tolerable limit.

3) Credit risk

As proceeds from the stock warrants issued by MS have all been received, there is no credit risk.

4) Market risk

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

a) Delta risk hedging strategy

(i) Hedge instruments

The hedge instruments are mainly the underlying securities and are supplemented by the title certificates of the underlying securities.

(ii) Risk hedging strategy

The dynamic hedging method is adopted by referring to the delta risk value calculated using MS' risk model. Under this method, when the values of the underlying securities fluctuate, MS will trade the underlying securities or the title certificates of those securities to maintain its position in gains (losses) on the stock warrants being neutral to the delta risk.

b) Vega risk hedging strategy

(i) Hedge instruments

The hedge instruments are mainly the warrants listed in the domestic market with the same underlying securities (including the warrants issued by MS) and are supplemented by the convertible bonds issued by the companies of the underlying securities.

(ii) Risk hedging strategy

The strategy adopted in vega hedge is primarily through buying the significantly underpriced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by MS. As convertible bonds inherent the risk of early redemption by the bond issuers, coupled with the liquidity risk (large difference between the buying and selling prices) and the interest rate risk, the hedging strategy would become complicated and inefficient if convertible corporate bonds are used as hedge instruments. Therefore, convertible bonds will not be used as the primary hedge instruments unless the underlying securities of the stock warrants issued show volatile price movements, and the terms on the convertible bonds and their liquidity meet the risk hedging requirements of MS.

5) Amount and timing of expected future cash flows

When the options on the stock warrants are exercised by the warrant holders, MS can opt to settle the contracts by cash or by delivery of the underlying securities. As a result, cash inflows or outflows will occur, respectively. The amount and timing of the cash flows depend on the amount of the stock warrants exercised by the warrant holders and the exercise date.

6) Accounting policies

Issuance of stock warrants and its subsequent valuation are accounted for by the fair value method and are recorded as " liabilities on stock warrants issued ". For the warrants that use the derivative products issued by MS as the hedge instruments, if the unrealized gain arising from the increase in the market value of the hedge instruments exceeds the loss arising from the variation in the warrants' value upon valuation at year-end, the excess amount is deferred. Conversely, if the loss arising from the variation in the warrants' value exceeds the unrealized gain arising from the increase in the market value of the hedge instruments, the excess amount is recognized as current loss. For the warrants that are issued under repurchase agreements, the repurchase amount is recorded under " stock warrants repurchased " which is a contra account of " liability for stock warrants issued ". At expiration of the warrants, the amount of the unexercised warrants is reversed after being revalued by the fair value method. A gain on the unexercised expired stock warrants is recognized accordingly.

7) Fair values and carrying values

The stock warrants issued by MS are all American-style warrants with the contract periods ranging from six months to one year, starting from the date on which the warrants are listed in the market. The warrants can be settled by either cash or delivery of securities at MS' discretion. Details of the stock warrants outstanding as of December 31, 2007 and 2006 are set forth below.

December 31, 2007

Warrants	Underlying Securities	Liability on stock warrants issued: Issue Amount	Variation Value	Fair Value	No. of Units (in thousands)
Mega54	Elite Semiconductor Memory Technology Inc., ESMT (Common shares)	$26,020	($25,820)	$200	20,000
Mega55	Fubon Financial (Common shares)	11,100	(10,850)	250	25,000
Mega56	Clevo Co. (Common shares)	16,835	(14,838)	1,997	20,000
Mega57	Micro-Star International Co., Ltd. (Common shares)	59,117	(49,131)	9,986	20,000
Mega58	China Petrochemical Development Corp. (Common shares)	24,620	(24,420)	200	20,000
Mega59	New Fibers Textile Corp. (Common shares)	38,540	(38,340)	200	20,000
Mega60	Phihong Technology Co., Ltd. (Common shares)	20,640	(20,440)	200	20,000
Mega61	Merida (Common shares)	23,440	(23,240)	200	20,000
Mega62	Giant Bicycles (Common shares)	24,420	(22,420)	2,000	20,000
Mega63	Formosa Taffeta Co., Ltd. (Common shares)	30,180	(29,980)	200	20,000
Mega64	SENAO International Co., Ltd. (Common shares)	13,260	(13,060)	200	20,000
Mega65	Chroma ATE Inc. (Common shares)	17,660	(17,460)	200	20,000
Mega66	Siliconware Precision Industries Co., Ltd. (Common shares)	17,260	(17,060)	200	20,000
Mega67	Taishin Financial Holding Co., Ltd. (Common shares)	9,080	(8,880)	200	20,000
Mega68	Forhouse Corporation (Common shares)	26,620	(26,420)	200	20,000
Mega69	Gemtek Technology Co., Ltd. (Common shares)	22,240	(22,040)	200	20,000
Mega70	Jess-Link Products Co., Ltd. (Common shares)	84,040	(83,840)	200	20,000
Mega71	Radium Life Tech. Co., Ltd. (Common shares)	34,360	(34,160)	200	20,000
Mega72	EVA Airways Corp. (Common shares)	24,420	(19,620)	4,800	20,000
Mega73	China Metal Products (Common shares)	17,260	(17,060)	200	20,000
Mega74	Holtek Semiconductor Inc. (Common shares)	20,240	(20,040)	200	20,000
Mega75	Hon Hai Technology (Common shares)	46,880	(46,480)	400	20,000
Mega76	China Man-made Fiber Corporation (Common shares)	14,060	(11,460)	2,600	20,000
Mega77	Chung Hsin Electric & Machinery Mfg. Corp. Ltd. (Common shares)	38,340	(38,140)	200	20,000
Mega78	Giga-Byte Technology Co., Ltd. (Common shares)	17,060	(16,660)	400	20,000
Mega79	Yulon Motor (Common shares)	16,060	(15,860)	200	20,000
Mega80	Lite-On IT Corp. (Common shares)	15,860	(13,860)	2,000	20,000
Mega81	China Life. (Common shares)	21,840	(18,440)	3,400	20,000
Mega82	Tong Yang Industry Co., Ltd. (Common shares)	18,660	(18,260)	400	20,000
Mega83	TXC Corporation (Common shares)	18,260	(18,060)	200	20,000
Mega84	China Man-made Fiber Corporation (Common shares)	26,220	(25,620)	600	20,000

(continued)

		Liability on stock warrants issued			
		Issue	Variation	Fair	No. of Units
Warrants	Underlying Securities	Amount	Value	Value	(in thousands)
Mega85	Evergreen Marine Co., Ltd. (Common shares)	$22,040	($1,640)	$20,400	20,000
Mega86	Lien Hwa Industrial Corp. (Common shares)	16,260	(12,460)	3,800	20,000
Mega87	Yien Phui Enterprise Co.(Common shares)	7,480	(7,080)	400	20,000
Mega88	ECS Elite Group (Common shares)	26,020	(25,620)	400	20,000
Mega89	Tyntek Corporation (Common shares)	30,780	(29,780)	1,000	20,000
Mega90	Advantech Co., Ltd.(Common shares)	23,820	(22,820)	1,000	20,000
Mega91	Thye Ming Industrial Co., Ltd. (Common shares)	19,460	(19,060)	400	20,000
Mega92	Novatech Microelectronics Corp. (Common shares)	39,340	(36,540)	2,800	20,000
Mega93	Shin Kong Financial Holdings Co., Ltd. (Common shares)	30,520	(29,720)	800	40,000
Mega94	UMC (Common shares)	31,980	(21,980)	10,000	20,000
Mega95	Cheng Loong Corp. (Common shares)	26,020	(21,820)	4,200	20,000
Mega96	Quanta Computer Inc.(Common shares)	24,820	(19,420)	5,400	20,000
Mega97	Walsin Lihwa (Common shares)	31,380	(28,180)	3,200	20,000
Mega98	AURORA (Common shares)	18,260	(14,460)	3,800	20,000
Mega99	ASE Inc.(Common shares)	18,260	(14,260)	4,000	20,000
MegaA1	TSMC Limited (Common shares)	19,460	(12,460)	7,000	20,000
MegaA2	Unitech Print Circuit Board Corp. (Common shares)	16,860	(11,260)	5,600	20,000
MegaA3	Oriental Union Chemical Corporation (Common shares)	23,040	(3,640)	19,400	20,000
MegaA4	Phoenix Precious Technology Corporation (Common shares)	18,460	(13,060)	5,400	20,000
MegaA5	AVerMedia (Common shares)	18,460	(7,260)	11,200	20,000
MegaA6	Yang Ming Marine Transport Corp. (Common shares)	11,860	7,140	19,000	20,000
MegaA7	Inventec Appliances Corp. (Common shares)	17,060	2,140	19,200	20,000
MegaA8	CMC Magnetics Corporation (Common shares)	6,280	(480)	5,800	20,000
MegaA9	Giantplus Technology Co., Ltd. (Common shares)	16,660	(2,460)	14,200	20,000
MegaB1	Nanya Technology Corporation (Common shares)	10,920	(1,320)	9,600	30,000
MegaB2	He Chun Tang (Common shares)	10,080	(1,880)	8,200	20,000
MegaB3	Delta Electronics Inc. (Common shares)	26,420	-	26,420	20,000
MegaB4	Solomon Group (Common shares)	29,400	-	29,400	20,000
MegaB5	Eternal (Common shares)	14,860	-	14,860	20,000
MegaB6	China Petrochemical Development Corporation (Common shares)	28,000	-	28,000	20,000
MegaB7	Altek Corporation (Common shares)	18,260	-	18,260	20,000
MegaR7	TECO Image Systems Co., Ltd. (Common shares)	12,210	(12,110)	100	10,000
MegaR8	Vanguard International Semiconductor Corporation (Common shares)	14,900	(14,800)	100	10,000
MegaR9	IBASE Technology Inc. (Common shares)	12,410	(12,310)	100	10,000

(continued)

Warrants	Underlying Securities	Liability on stock warrants issued: Issue Amount	Variation Value	Fair Value	No. of Units (in thousands)
MegaS1	WonTen Technology Co., Ltd. (Common shares)	$11,860	($11,660)	$200	20,000
MegaS2	Genesys Logic,Inc. (Common shares)	11,024	(10,944)	80	8,000
MegaS3	MJC Probe Inc. (Common shares)	14,768	(14,688)	80	8,000
MegaS4	Topoint Technology Co., Ltd. (Common shares)	9,862	(9,787)	75	7,466
MegaS5	Rich Development Inc. (Common shares)	14,060	(13,860)	200	20,000
MegaS6	Chaun Choung Technology Corp. (Common shares)	11,536	(11,466)	70	7,000
MegaS7	Asian Information Technology Group (Common shares)	13,010	(12,910)	100	10,000
MegaS8	Chenfull International Co., Ltd. (Common shares)	17,805	(17,505)	300	7,500
MegaS9	JIIN MING Industry Co., Ltd. (Common shares)	19,060	(18,860)	200	20,000
MegaT1	Etron Technology, Inc. (Common shares)	15,460	(15,260)	200	20,000
MegaT2	DynaColor, Inc. (Common shares)	19,470	(19,370)	100	10,000
MegaT3	Powerchip Semiconductor Corp. (Common shares)	16,460	(16,260)	200	20,000
MegaT4	Kenmos Technology Co., Ltd. (Common shares)	18,170	(18,070)	100	10,000
MegaT5	Advanced International Multitech Co., Ltd. (Common shares)	24,285	(24,135)	150	15,000
MegaT6	Everskill Technology Corp. (Common shares)	12,460	(12,060)	400	20,000
MegaT7	ITEQ Corporation (Common shares)	23,440	(21,640)	1,800	20,000
MegaT8	Yeh-Chiang Technology Corp. (Common shares)	20,240	(17,840)	2,400	20,000
MegaT9	Chipbond Technology Corp. (Common shares)	15,480	(10,830)	4,650	15,000
MegaU1	Vanguard International Semiconductor Corporation (Common shares)	7,410	(4,110)	3,300	15,000
MegaU2	IC Plus Corp. (Common shares)	20,700	(10,800)	9,900	15,000
MegaU3	Taiwan Oasis Technology Co., Ltd. (Common shares)	6,300	1,190	7,490	7,000
MegaU4	YoungTek Electronics Crop. (Common shares)	6,775	1,025	7,800	5,000
MegaU5	Sea Sonic Electronics Co., Ltd. (Common shares)	13,455	4,045	17,500	5,000
MegaU6	Powerchip Semiconductor Corp. (Common shares)	10,220	5,180	15,400	10,000
MegaU7	Etron Technology, Inc. (Common shares)	12,795	1,605	14,400	15,000
MegaU8	Ibase Technology Inc. (Common shares)	15,190	3,210	18,400	10,000
MegaU9	Chi Cheng Enterprise Co., Ltd (Common shares)	15,090	-	15,090	10,000
MegaV1	Taiwan Power Company, Ltd. (Common shares)	11,620	-	11,620	10,000
	Total	$1,894,637	($1,426,359)	$468,278	

The issuance of the abovementioned warrants B3~B7, Mega U9 and Mega V1 had been approved by the competent authorities, but the issuance units had not been raised yet. As of December 31, 2007, the outstanding amounted to $42,690 thousand (US$1,314 thousand-unaudited).

December 31, 2006

		Liability on stock warrants issued			
Warrants	Underlying Securities	Issue Amount	Variation Value	Fair Value	No. of Units (in thousands)
Mega10	Nankang Rubber Tire Co., Ltd (Common shares)	$20,460	($20,160)	$300	30,000
Mega11	Cheng Uei Precision Industry Co., Ltd. (Common shares)	28,760	(28,560)	200	20,000
Mega12	Yulon-Motor (Common shares)	15,990	(10,890)	5,100	30,000
Mega13	Winbond Electronics Corp. (Common shares)	15,440	14,760	30,200	20,000
Mega15	Yageo Corporation (Common shares)	19,020	19,980	39,000	20,000
Mega16	Inotera Memories, Inc. (Common shares)	17,360	(10,160)	7,200	40,000
Mega17	Giga-Byte Technology Co., Ltd. (Common shares)	28,560	(23,160)	5,400	20,000
Mega18	Altek Corporation (Common shares)	17,240	(5,840)	11,400	20,000
Mega19	Holy Stone Enterprise Co., Ltd. (Common shares)	16,590	(10,590)	6,000	30,000
Mega20	Chung Hung Steel (Common shares)	26,220	33,980	60,200	20,000
Mega21	TXT Corporation (Common shares)	14,300	(6,300)	8,000	20,000
Mega22	Lite-On Technology Corporation (Common shares)	13,560	(3,660)	9,900	30,000
Mega23	Wintek Corporation (Common shares)	11,190	810	12,000	30,000
Mega24	China Petroleum & Chemical Corporation (Common shares)	22,640	2,760	25,400	20,000
Mega25	Lite-On IT Corporation (Common shares)	10,320	2,280	12,600	30,000
Mega26	Kinpo Electronics, Inc. (Common shares)	25,420	(420)	25,000	20,000
Mega27	TECO Electric & Machinery Co., Ltd. (Common shares)	23,240	16,360	39,600	20,000
Mega28	Chia Hsin Cement Corp. (Common shares)	22,240	(2,840)	19,400	20,000
Mega29	Silicon Integrated Systems Corp. (Common shares)	24,400	7,600	32,000	20,000
Mega30	Eastern Multimedia Group (Common shares)	20,240	3,760	24,000	20,000
Mega31	CMC Magnetics Corporation (Common shares)	17,080	520	17,600	20,000
Mega32	Greatek Electronics Inc (Common shares)	12,180	120	12,300	30,000
Mega33	Transcend Information, Inc (Common shares)	11,001	-	11,001	20,000
Mega34	Taishin Financial Holdings Co., Ltd. (Common shares)	23,028	-	23,028	$20,000
Mega35	Inventec Appliances Corp. (Common shares)	15,905	-	15,905	20,000
Mega36	VIA Technologies, Inc. (Common shares)	12,504	-	12,504	30,000
MegaP3	Gallant Precision Machining Company (Common shares)	14,780	(12,580)	2,200	20,000
MegaP4	Phison Electronics Corporation (Common shares)	19,300	76,200	95,500	10,000
MegaP5	Gloria Material Technology Corporation (Common shares)	21,502	18,247	39,749	7,500
MegaP6	Powerchip Semiconductor Corp. (Common shares)	15,390	(1,390)	14,000	10,000
MegaP7	Coretronic Corp. (Common shares)	10,900	(1,100)	9,800	20,000
MegaP8	Motech Industries Inc. (Common shares)	33,005	(255)	32,750	5,000
	Total	$599,765	$59,472	$659,237	

8) Supplementary disclosures

Gain (loss) arising from "liability on stock warrants issued", "repurchase of stock warrants issued" and "securities held for risk hedging" for the years ended December 31, 2007 and 2006 are set forth below.

a) Valuation gain (loss)

	Valuation gain (loss)			
	For the Year Ended December 31, 2007		For the Year Ended December 31, 2006	Financial
	NT$	US$(Unaudited)	NT$	Statement Account
Gain on variation in value of liability on issuance of stock warrants	$2,126,874	$65,475	$254,925	Gain on issuance of stock warrants
Loss on variation in value of issuance of stock warrants issued	(529,037)	(16,286)	(1,012,912)	Loss on issuance of stock warrants
Valuation gain on repurchase of stock warrants issued	22,818	702	23,286	Gain on issuance of stock warrants
Valuation loss on repurchase of stock warrants issued	(804,789)	(24,775)	(44,557)	Loss on issuance of stock warrants
Securities held for risk hedging	(57,188)	(1,760)	65,369	Gain on price recovery of (loss on decline in market value of) securities held for operations

b) Gain (loss) on sale

	Valuation gain (loss)			
	For the Year Ended December 31, 2007		For the Year Ended December 31, 2006	Financial
	NT$	US$(Unaudited)	NT$	Statement Account
Gain on resell of the stock warrants repurchased	$496,569	$15,287	$920,626	Gain on issuance of stock warrants
Loss on resell of the stock warrants repurchased	(925,613)	(28,494)	(272,404)	Loss on issuance of stock warrants
Securities held for risk hedging	(347,978)	(10,712)	109,127	Gain (loss) on sale of securities-hedging

c) Gain (loss) at maturity

	Valuation gain (loss)			
	For the Year Ended December 31, 2007		For the Year Ended December 31, 2006	Financial
	NT$	US$(Unaudited)	NT$	Statement Account
Gain on early execution of stock warrants	$36,900	$1,136	$10,974	Gain on issuance of stock warrants
Gain on unexercised expired stock warrants	4,770	147	640	Gain on issuance of stock warrants
Maturity gains-repurchase of re-issued call warrants	392,475	12,082	-	Gain on issuance of stock warrants
Maturity loss-repurchase of issued call warrants	(214,135)	(6,592)	-	Loss on issuance of stock warrants

(b) Derivative financial instruments-futures and options

i. Futures

MS has been engaged in proprietary trading of futures contracts since December 2003. Details of the futures contracts outstanding as of December 31, 2007 and 2006 are set forth below:

Unit: In thousand of NT dollars

Item	Type of transaction	Buyer/ seller	Number of contracts	Contract amount or paid(collected) premium	Fair value	Note
	December 31, 2007	Uncover position				
Futures contract	Financial Futures	Buyer	128	$115,338	$120,294	Non-hedging
	Taiwan Index Futures Options	Buyer	20	33,124	33,932	Non-hedging
Option contract	Taiwan Index-Call option	Buyer	471	1,440	1,656	Non-hedging
	Taiwan Index-Call option	Seller	1,168	(3,367)	(4,266)	Non-hedging
	NPC-Call option	Buyer	2	280	30	Non-hedging
	MSCI-Put option	Buyer	10	49	22	Non-hedging
	MSCI-Put option	Seller	10	(66)	(140)	Non-hedging
	Taiwan Index-Put option	Buyer	165	584	298	Non-hedging
	Taiwan Index-Put option	Seller	294	(1,270)	(668)	Non-hedging

Unit: In thousand of US dollars (Unaudited)

Item	Type of transaction	Buyer/ seller	Number of contracts	Contract amount or paid(collected) premium	Fair value	Note
	December 31, 2007	Uncover position				
Futures contract	Financial Futures	Buyer	128	$3,551	$3,703	Non-hedging
	Taiwan Index Futures Options	Buyer	20	1,020	1,045	Non-hedging
Option contract	Taiwan Index-Call option	Buyer	471	44	51	Non-hedging
	Taiwan Index-Call option	Seller	1,168	(104)	(131)	Non-hedging
	NPC-Call option	Buyer	2	9	1	Non-hedging
	MSCI-Put option	Buyer	10	2	1	Non-hedging
	MSCI-Put option	Seller	10	(2)	(4)	Non-hedging
	Taiwan Index-Put option	Buyer	165	18	9	Non-hedging
	Taiwan Index-Put option	Seller	294	(39)	(21)	Non-hedging

Unit: In thousand of NT dollars

Item	Type of transaction	Buyer/ seller	Number of contracts	Contract amount or paid(collected) premium	Fair value	Note
	December 31, 2006	Uncover position				
Futures contract	Electron Futures Options	Seller	40	($51,221)	($53,168)	Non-hedging
	Taiwan Index Futures Options	Buyer	363	570,854	572,088	Non-hedging
	Taiwan Index Futures Options	Seller	66	(103,990)	(104,088)	Non-hedging
	Taiwan Index Futures Options	Seller	73	(114,327)	(115,136)	Non-hedging
Option contract	Taiwan Index Futures Options-call option	Buyer	3,516	17,013	23,784	Non-hedging
	Taiwan Index Futures Options-call option	Seller	6,367	(45,208)	(53,209)	Non-hedging
	CMO-call option	Seller	5	(35)	(3)	Non-hedging
	Financial Futures-call option	Buyer	10	128	300	Non-hedging
	Financial Futures-call option	Seller	10	(46)	(55)	Non-hedging
	EVA-call option	Buyer	5	30	34	Non-hedging
	EVA-call option	Seller	5	(13)	(11)	Non-hedging
	CATHAY-call option	Seller	1	(9)	(32)	Non-hedging
	Electron Futures Options-call option	Buyer	10	91	185	Non-hedging
	Electron Futures Options-call option	Seller	10	(745)	(1,110)	Non-hedging
	Taiwan Index Futures Options-put option	Buyer	776	2,374	1,600	Non-hedging
	Taiwan Index Futures Options-put option	Seller	5,976	(9,439)	(6,660)	Non-hedging
	Financial Futures-put option	Seller	3	(2)	(1)	Non-hedging
	NPC-put option	Buyer	5	-	-	Non-hedging
	NPC-put option	Seller	5	-	-	Non-hedging

For the years ended December 31, 2007 and 2006, gains and losses from subsidiaries' engaging in futures contracts and options are as follows:

	For the year ended December 31, 2007 (Unit: thousand of NT dollars)		
	Realized gains (losses)	Valuation gains (losses)	Total
Gains on futures contracts	$60,616	$-	$60,616
Losses on futures contracts	(95,039)	-	(95,039)
Gains on option trading	26,590	-	26,590
Losses on option trading	(49,616)	-	(49,616)
	($57,449)	$-	($57,449)

	For the year ended December 31, 2007 (Unit: thousand of US dollars)(Unaudited)		
	Realized gains (losses)	Valuation gains (losses)	Total
Gains on futures contracts	$1,866	$-	$1,866
Losses on futures contracts	(2,926)	-	(2,926)
Gains on option trading	819	-	819
Losses on option trading	(1,527)	-	(1,527)
	($1,768)	$-	($1,768)

	For the year ended December 31, 2006		
	Realized gains (losses)	Valuation gains (losses)	Total
Gains on futures contracts	$75,748	$-	$75,748
Losses on futures contracts	(39,107)	(3,112)	(42,219)
Gains on option trading	31,458	-	31,458
Losses on option trading	(50,287)	(232)	(50,519)
	$17,812	($3,344)	$14,468

ii. Bond options

1)MS has been engaged in trading of bond options since March 2005. Details of the bond option contracts outstanding as of December 31, 2007 and 2006 are set forth below:

December 31, 2007

Transaction	Contract Amount/ Premiums Paid		Fair Value	
	NT$	US$(Unaudited)	NT$	US$(Unaudited)
Purchase of 2007 Central Government Bond A-3 Call Options	408	13	422	13
Sale of 2007 Central Government Bond A-6 Call Options	(159)	(5)	(172)	5

December 31, 2006

Transaction	Contract Amount/ Premiums Paid	Fair Value
	NT$	NT$
Purchase of 2006 Central Government Bond A-6 Call Options	661	650
Purchase of 2006 Central Government Bond A-6 Put Options	1,353	1,040
Sale of 2006 Central Government Bond A-6 Call Options	($546)	($560)
Sale of 2006 Central Government Bond A-6 Put Options	(598)	(169)

2)The MS's profit (loss) arising from trading of bond options for the years ended December 31 2007 and 2006 were with gain of NT$752 thousand (US$23 thousand-unaudited) and loss of NT$550 thousand, respectively and is recorded under "Gain (Loss) on derivative financial instruments - OTC".

iii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. The option contracts entered into by MS are all exchange-traded and can be settled at expiration without default. Therefore, no significant credit risk is expected to arise.

iv. Market risk

The major risk associated with the futures and option trading undertaken by MS is the market risk arising from the fluctuations in the market prices of the underlying securities. Losses will be incurred if market index prices and the prices of the underlying securities move in opposite directions. To control the risk within a tolerable limit, a stop-loss mechanism has been established.

Pursuant to the Letter (87) Tai-Tsai-Tseng (2) No.01761 issued by the SFC, securities firms are allowed to undertake futures trading for risk hedging purpose with the approval from the SFC if risk hedging is deemed necessary for the marketable securities held for proprietary trading and underwriting. However, the total market value of the securities firm's position in the outstanding futures contracts cannot exceed the total market value of the spot securities held on hand nor can it exceed 20% of the securities firm's net worth. Hence, market risk is assessed to be remote.

v. Liquidity risk

As premiums are paid before futures and option contracts are bought, no funding requirement is expected. In addition, the options written and the outstanding futures contracts can be settled at reasonable prices. Therefore, liquidity risk is assessed to be remote.

vi. Amount and timing of future cash flows

To hedge the risk arising from proprietary trading of stocks, MS has entered into TAIEX Index Futures and TAIEX Index Option contracts. Margin deposits are paid before the transactions take effect. MS's position in the outstanding futures contracts is marked to market daily, and its working capital is assessed to be adequate to support the margin calls. Hence, no cash flow risk or significant cash requirements are expected.

(c) Derivative financial instruments-interest rate swaps

i. MS has been undertaking interest rate swap contracts for risk hedging and trading purposes. Details of the interest rate swap contracts outstanding as of December 31, 2007 and 2006 are set forth below:

December 31, 2007						
	Notional principal		Fair value			
Item	NT$	US$(Unaudited)	NT$	US$(Unaudited)	Nature	Risk hedging
Cross currency swap (assets)	$57,200,000	$1,760,867	$252,801	$7,782	For trading purpose	None
Cross currency swap (liabilities)	56,600,000	1,742,396	262,102	8,069	For trading purpose	None

December 31, 2006				
Item	Notional principal(NT$)	Fair value(NT$)	Nature	Risk hedging
Cross currency swap (assets)	$15,400,000	$105,337	For trading purpose	None
Cross currency swap (liabilities)	16,600,000	99,455	For trading purpose	None

ii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. The counterparties of MS are all well-known banks with good credit ratings. Thus, the credit risk is assessed to be remote.

iii. Market risk

The market risk arises from the fluctuations in interest rates. The interest rate swaps are undertaken by MS to hedge the interest rate risk arising from net assets. Thus, the market risk is offset against each other. MS mainly utilizes interest rate swaps when an increase in interest rates is expected. When the interest rate moves in an unfavorable direction, the loss can be controlled within a tolerable limit. As a result, no significant market risk is expected.

iv. Amount and timing of expected future cash flows

Upon settlement of the contracts, the amount of the notional principal multiplied by the interest rate differential is received or paid. As the amount settled is insignificant and the notional principal is not settled, no significant cash requirement is expected.

v. Gain (loss) on derivative financial instruments arising from interest rate swap is as follows:

For the year ended December 31, 2007:

	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	US$(Unaudited)
Interest rate swaps	($8,686)	($267)	($15,183)	($467)	($23,869)	($735)

For the year ended December 31, 2006:

	Realized Gain (Loss)	Valuation Gain (Loss)	Total
	NT$	NT$	NT$
Interest rate swaps	($596)	$9,888	$9,292

The MS's profit (loss) arising from interest rate swaps is recorded under " Gain (loss) on derivative financial instruments-OTC ".

(d) Derivative financial instruments - asset swaps

i. As MS has underwritten convertible bonds on a firm commitment basis, it has entered into convertible bond asset swap option contracts to enhance the liquidity of the remaining convertible bonds held on hand and thereby, reduce the risk of its position in the convertible bonds.

ii. Details of the asset swap-option contracts undertaken by MS as of December 31, 2007 and 2006 are as follows:

December 31, 2007

	Notional Principal / Contract Amount		Fair Value	
Financial Instrument	NT$	US$(Unaudited)	NT$	US$(Unaudited)
Sale of American call options	$ 164,681	$5,070	$110,604	$3,405

December 31, 2006

	Notional Principal / Contract Amount	Fair Value
Financial Instrument	NT$	NT$
Sale of American call options	$879,600	$193,661

iii. Details of the transactions on the asset swaps-fixed income securities as of December 31, 2007 and 2006 are set forth below:

December 31, 2007: None.

December 31, 2006

	Notional Principal / Contract Amount	Fair Value
Financial Instrument	NT$	NT$
IRS asset swaps (liabilities)	$15,000	($593)
Option written - asset swap	15,000	1,496

iv. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. The quantitative information of MS' right to buy or obligation to sell convertible bonds are entered into the information system of the GreTai Securities Market (the over-the-counter market) on the contract date and settlement of the asset swap option contracts is conducted through Taiwan Depository and clearing Corporation. Hence, no significant credit risk is expected.

v. Market price risk

When MS exercises its right to buy or perform its obligation to sell convertible bonds, the related prices are quoted in accordance with the rules specified in the contracts. Therefore, market risk is assessed to be remote.

vi. Amount and timing of expected future cash flows

MS's working capital is assessed to be adequate to support the periodic payment of the specified interest on the asset swap transaction during the contract period. Hence, no significant funding risk is expected.

vii. Gain (loss) on the convertible bond asset swaps are as follows:

For the year ended December 31, 2007:

	Realized Loss		Valuation Gain		Total	
	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	US$(Unaudited)
Asset swap-options	($305,684)	($9,410)	$214,528	$6,604	($91,156)	($2,806)
Asset swap-interest rate swaps contract value	4,400	135	(902)	(28)	3,498	108
	($301,284)	($9,275)	$213,626	$6,576	($87,658)	($2,698)

For the year ended December 31, 2006:

	Realized Loss	Valuation Gain	Total
	NT$	NT$	NT$
Asset swap-options	($168,673)	$237,618	$68,945
Asset swap-interest rate swaps contract value	(15,146)	(678)	(15,824)
	($183,819)	$236,940	$53,121

The MS's profit (loss) arising from trading of asset swaps is recorded under " Gain (loss) on derivative financial instruments-OTC ".

(e) Derivative financial instruments-structured financial instruments

i. MS obtained the approval from the governing authority in July 2003 to issue structured financial products denominated in New Taiwan dollars, which include equity-linked notes (ELN) and principal-guaranteed notes (PGN). Details of the outstanding contracts of the structured financial instruments as of December 31, 2007 and 2006 are set forth below:

December 31, 2007:

Transaction	Contract Principal	Cost of Fixed Income Securities	Market Price of Fixed Income Securities	Option Cost	Option Value
					(In Thousands of NT Dollars)
ELN	$71,764	$71,190	$70,205	$1,135	$661

Transaction	Contract Principal	Cost of Fixed Income Securities	Market Price of Fixed Income Securities	Option Cost	Option Value
					(In Thousands of US Dollars)
ELN	$ 2,209	$2,192	$2,161	$35	$20

December 31, 2006:

Transaction	Contract Principal	Cost of Fixed Income Securities	Market Price of Fixed Income Securities	Option Cost	Option Value
					(In Thousands of NT Dollars)
ELN	$2,776	$1,761	$1,428	$1,014	$756

ii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. As payments for the structured financial instruments are collected from the investors on the contract date and placed in an exclusive account at the custodian institution, no significant credit risk is expected.

iii. Market price risk

Payments received from the investors for the structured financial instruments on the contract date are utilized in accordance with the terms and conditions specified in the contract. As the prices of the underlying securities and the fixed income securities invested using the payments from the investors can be referred to the public quoted market prices, market risk is assessed to be remote.

iv. Amount and timing of expected cash flows

Payments received from the investors for the structured financial instruments on the contract date are placed in an exclusive account at the custodian institution, which are separated from MS's own assets. The terms and conditions on utilization of the investors' payments are specified in the contract, including the proportion to be invested in fixed income securities. Therefore, no significant cash requirements are expected at expiration of the contract.

v. Gains (losses) on the structured financial instruments for the years ended December 31, 2007 and 2006 are set forth below:

	For the Year ended December 31, 2007					
	Realized Loss		Valuation Gain		Total	
	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	US$(Unaudited)
PGN	$2,725	$84	$-	$-	$2,725	$84
ELN	(35)	(1)	(822)	(25)	(857)	(26)
	$2,690	$83	($822)	($25)	$1,868	$58

	For the Year ended December 31, 2006					
	Realized Loss		Valuation Gain		Total	
	NT$	US$(Unaudited)	NT$	US$(Unaudited)	NT$	US$(Unaudited)
PGN	$2,100	$65	$-	$-	$2,100	$65
ELN	-	-	(114)	(4)	(114)	(4)
	$2,100	$65	($114)	($4)	$1,986	$61

The MS's profit (loss) arising from trading of structured financial instruments is recorded under "Gain (loss) on derivative financial instruments-OTC".

vi. Subsidiaries engage in margin loans and stock loans business. Margin loans given to customers and are collateralized by the securities that the customers purchase and securities lent to customers to sell short as of December 31, 2007 and 2006 are as follows:

December 31, 2007:

	Number of financing shares (In thousand of shares)	Market price NT$	Market price US$(Unaudited)
Margin loans given to customers and are collateralized by the securities that the customers purchase	1,043,716	$29,717,747	$914,843
Securities lent to customer to sell short	21,086	1,122,484	34,555

December 31, 2006:

	Number of financing shares (In thousand of shares)	Market price NT$
Margin loans given to customers and are collateralized by the securities that the customers purchase	886,944	$20,087,706
Securities lent to customer to sell short	52,326	1,661,840

C. MBF

(a) Credit risk

i. One of the primary operations of MBF is providing guarantees for the issuance of commercial papers. Such guarantees agreement normally comes with a 1 year expiration period. The range of contract period for commercial papers is normally from 10 days to 180 days and the expiration dates are not concentrated on the same day.

ii. As of December 31, 2007 and 2006, the off-balance sheet contract amount for the guarantees of commercial papers subject to potential credit risks is NT$261,659 million (US$8,055million-unaudited) and NT$291,318 million respectively. (The contract amount which has been drawn upon amounted to NT$109,110 million (US$3,359million-unaudited) and NT$146,124 million.

iii. Since MBF is only subject to payments in the event of default on the issuer of commercial papers in such guarantee contracts, the contract amount for such financial instruments does not represent the expected future cash outflow. In fact, the demand for future cash flow is less than the contract amount. When the guaranteed amount had been drawn upon and the underlying collateral or other collaterals has completely lost its values, the amount of credit risk exposure will equal to the contract amount which is the maximum potential loss.

iv. In granting guarantees for the issuance of commercial papers, MBF undertakes strict credit assessment and also demands appropriate collaterals from the customers as necessary. As of December 31, 2007 and 2006, the percentage of guarantees with collaterals is 64% and 57% respectively. Collaterals provided normally include real estate properties, circulating securities or other properties, etc. In the event of customer defaults, the Company assumes rights on such collaterals.

v. The following information is disclosed in accordance with "Guidelines for Preparation of Financial Reports by Publicly Listed Bills Finance Companies".

1) Overview of main business

	December 31, 2007 NT$	December 31, 2007 US$(Unaudited)	December 31, 2006 NT$
Total guarantees and endorsement for short-term bills	$109,110,000	$3,358,884	$146,123,800
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	3.62	3.62	5.04
Total bills and bonds payable under repurchase agreements	203,409,282	6,261,830	246,101,509
Bills and bonds payable under repurchase agreements / Net amount (after deducting final accounts allotment)	6.75	6.75	8.49

Note:According to current laws and regulations, total guarantees and endorsement for short-term bills held by bills finance companies shall not exceed eight times of net amounts, and total liabilities shall not exceed fourteen times of net amounts. The abovementioned business engaged by subsidiaries is in compliance with regulations.

2) Profile of concentration of credit risk and credit extensions of related parties

(Expressed In Thousands of New Taiwan Dollars, %)

	December 31, 2007		December 31, 2006	
Amount of credit extensions to related parties	$90,000 (US$2,771-unaudited)		$507,000	
Ratio of credit extensions to related parties (%) (Note 1)	0.08		0.35	
Ratio of credit extensions secured by stocks (%) (Note 2)	18.86		17.13	
Industry concentration (%)	Industry	Ratio (%)	Industry	Ratio (%)
(Top 3 industries with highest ratio of	Financial & Insurance	32.91	Financial & Insurance	31.73
credit extension amount)	Manufacturing	26.68	Manufacturing	30.96
	Real estate & Leasing	19.36	Real estate and leasing	16.15

Note 1:The ratio of credit extensions to related parties = the amount of credit extensions to related parties / the total amount of all credit extensions.

Note 2:The ratio of credit extensions secured by stocks = the amount of credit extensions secured by stocks / the total amounts of all credit extensions.

Note 3:Total amount of credit extensions include loans, bills discounted, acceptances receivable, guarantees receivable, and advance accounts for factoring receivable.

3) Policy of reserve for losses and movements of allowance for credit losses

MBF had revalued the allowance and reserves for bills receivables, accounts receivables, overdue loans, and commercial papers by considering unrecoverable risks. Movements in allowance for credit losses for the years ended December 31, 2007 and 2006 are as follows:

	For the year ended December 31,2007		For the year ended December 31, 2006
	NT$	US$(Unaudited)	NT$
Beginning balance	$2,333,972	$71,850	$2,557,063
Provisions	74,252	2,286	118,731
Write-off	(556,253)	(17,124)	(341,822)
Ending balance	$1,851,971	$57,012	$2,333,972

4) Remarkable credit risk concentration for provision of guarantees for commercial papers are as follows:

	December 31, 2007			December 31, 2006	
	Amount			Amount	
	NT$	US$(Unaudited)	%	NT$	%
Financial & Insurance	$36,252	$1,116	32.91	$46,518	31.73
Manufacturing	29,397	905	26.68	45,381	30.96
Real estate & Leasing	21,333	657	19.36	23,679	16.15
Services	4,889	151	4.44	8,353	5.70
Wholesale & Retail	7,420	228	6.73	11,128	7.59
Others	10,880	335	9.88	11,536	7.87
Total	$110,171	$3,392	100.00	$146,595	100.00

(b)Market risk

Market risk is the risk of potential decrease in values due to changes in interest rate. Fluctuations in market interest rates results in changes in the fair value of debt investments. The market interest rate risks associated with financial instruments held by MBF is appropriately managed within specified quota and limit for potential losses.

(c) Liquidity risk

i. The operating capital of MBF is sufficient to meet cash flows for all contractual obligations; therefore, there is no liquidity risk regarding inability to raise capital to meet existing contractual obligations.

ii. Since the derivative financial instruments possessed by MBF are primarily associated with major foreign currency contracts, the liquidity risk is low for the possibility of inability to sell such instruments at reasonable price in the market.

iii. Source and utilization of capital

December 31, 2007

Unit: In Millions of NT dollars

		1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	48,777	26,878	7,273	3,751	-
	Bonds	10,249	500	2,963	8,848	126,524
	Time deposits	400	-	-	200	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resell agreements	-	-	-	-	-
	Total	59,426	27,378	10,236	12,799	126,524
Sources of Capital	Loans borrowed	5,390	-	4,500	500	-
	Bills and bonds sold under repurchased agreements	175,392	23,516	3,558	943	-
	Own capital	-	-	-	-	29,325
	Total	180,782	23,516	8,058	1,443	29,325
Net Flow of Capital		(121,356)	3,862	2,178	11,356	97,199
Accumulated Net Flow of Capital		(121,356)	(117,494)	(115,316)	(103,960)	(6,761)

December 31, 2007

Unit: In Millions of US dollars (Unaudited)

		1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	1,502	828	224	116	-
	Bonds	315	15	91	272	3,895
	Bank deposits	12	-	-	6	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resell agreements	-	-	-	-	-
	Total	1,829	843	315	394	3,895
Sources of Capital	Loans borrowed	166	-	138	15	-
	Bills and bonds sold under repurchased agreements	5,399	724	110	29	-
	Own capital	-	-	-	-	903
	Total	5,565	724	248	44	903
Net Flow of Capital		(3,736)	119	67	350	2,992
Accumulated Net Flow of Capital		(3,736)	(3,617)	(3,550)	(3,200)	(208)

December 31, 2006

Unit: In Millions of NT dollars

		1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	51,496	47,290	18,396	9,062	-
	Bonds	5,049	1,365	3,009	10,102	151,227
	Bank deposits	-	435	100	200	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resell agreements	-	-	-	-	-
	Total	56,545	49,090	21,505	19,364	151,227
Sources of Capital	Loans borrowed	15,900	-	-	-	5,000
	Bills and bonds sold under repurchased agreements	199,105	38,903	7,558	535	-
	Own capital	-	-	-	-	38,209
	Total	215,005	38,903	7,558	535	43,209
Net Flow of Capital		(158,460)	10,187	13,947	18,829	108,018
Accumulated Net Flow of Capital		(158,460)	(148,273)	(134,326)	(115,497)	(7,479)

iv. Cash flow risk and fair value risk associated with movements in interest rates

Subsidiary holds floating interest-earning assets and floating interest-bearing liabilities, future cash flow of such assets and liabilities may fluctuate and result in risk due to market interest rate.

1) As of December 31, 2007, the carrying amounts of financial assets and financial liabilities are classified according to their time-to-maturity as follows:

	December 31, 2007								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
Investment in bills	$49,704,881	$25,975,332	$10,998,885	$-	$-	$-	$-	$-	$86,679,098
Bond Investments-government bonds	-	-	-	-	-	-	-	-	-
Bond Investments-bank debentures	-	-	1,082,598	-	-	-	-	-	1,082,598
Bond Investments-convertible bonds	-	-	-	439,479	337,196	894,258	1,397,900	-	3,068,833
Derivatives-interest rate swaps	-	-	1,698	5,212	25,992	13,949	-	-	46,851
Available-for-sale financial assets									
Bond Investment -government bonds	10,080,377	-	2,981,945	10,966,761	15,097,695	11,494,685	22,047,828	43,820,263	116,489,554
Bond Investment-bank debentures	168,339	500,000	1,453,274	2,987,803	3,399,262	-	-	-	8,508,678
Bond Investments-corporate bonds	-	-	6,291,732	4,146,300	4,211,024	1,492,151	2,024,947	1,524,679	19,690,833
Held-to-maturity financial assets	-	-	-	-	200,000	-	-	-	200,000
Total assets	$59,953,597	$26,475,332	$22,810,132	$18,545,555	$23,271,169	$13,895,043	$25,470,675	$45,344,942	$235,766,445
Liabilities									
Bills and bonds payable under repurchase agreements	(175,392,052)	(23,515,555)	(4,501,675)	-	-	-	-	-	(203,409,282)
Corporate bonds payable	-	-	(5,000,000)	-	-	-	-	-	(5,000,000)
Total liabilities	(175,392,052)	(23,515,555)	(9,501,675)	-	-	-	-	-	(208,409,282)
Duration Gap	($115,438,455)	$2,959,777	$13,308,457	$18,545,555	$23,271,169	$13,895,043	$25,470,675	$45,344,942	$27,357,163

(In Thousand of US Dollars)(Unaudited)

	December 31, 2007								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
Investment in bills	$1,530,134	$799,635	$338,594	$-	$-	$-	$-	$-	$2,668,363
Bond Investments-government bonds	-	-	-	-	-	-	-	-	-
Bond Investments-bank debentures	-	-	33,327	-	-	-	-	-	33,327
Bond Investments-convertible bonds	-	-	-	13,529	10,381	27,529	43,033	-	94,472
Derivatives-interest rate swaps	-	-	52	161	800	429	-	-	1,442
Available-for-sale financial assets									
Bond Investment -government bonds	310,318	-	91,798	337,605	464,773	353,857	678,729	1,348,980	3,586,060
Bond Investment-bank debentures	5,182	15,392	44,738	91,978	104,644	-	-	-	261,934
Bond Investments-corporate bonds	-	-	193,687	127,641	129,634	45,935	62,337	46,936	606,170
Held-to-maturity financial assets	-	-	-	-	6,157	-	-	-	6,157
Total assets	$1,845,634	$815,027	$702,196	$570,914	$716,389	$427,750	$784,099	$1,395,916	$7,257,925
Liabilities									
Bills and bonds payable under repurchase agreements	(5,399,337)	(723,912)	(138,581)	-	-	-	-	-	(6,261,830)
Corporate bonds payable	-	-	(153,922)	-	-	-	-	-	(153,922)
Total liabilities	(5,399,337)	(723,912)	(292,503)	-	-	-	-	-	(6,415,752)
Duration Gap	($3,553,703)	$91,115	$409,693	$570,914	$716,389	$427,750	$784,099	$1,395,916	$842,173

(In Thousand of NT Dollars)

	December 31, 2006								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
Investment in bills	$54,219,359	$44,893,931	$27,131,456	$-	$-	$-	$-	$-	$126,244,746
Bond Investments-government bonds	49,996	-	-	-	-	-	-	2,591,155	2,641,151
Bond Investments-bank debentures	-	-	1,668,105	1,185,183	-	-	-	-	2,853,288
Bond Investments-Corporate bonds (including convertible bonds)	-	-	-	-	241,882	78,495	820,000	-	1,140,317
Derivatives-interest rate swaps	-	-	264	-	623	20,213	8,119	-	29,219
Available-for-sale financial assets									
Bond Investment -government bonds	5,760,371	604,015	9,545,569	12,054,756	11,352,810	15,699,044	11,948,418	69,548,578	136,513,561
Bond Investment-bank debentures	-	-	1,205,032	2,765,463	2,506,675	3,418,748	-	-	9,895,918
Bond Investments-corporate bonds	-	-	491,600	5,139,701	4,325,915	4,204,043	1,502,674	1,633,394	17,297,327
Held-to-maturity financial assets	-	-	200,000	-	-	200,000	-	-	400,000
Total assets	$60,029,726	$45,497,946	$40,242,026	$21,145,103	$18,427,845	$23,620,543	$14,279,211	$73,773,127	$297,015,527
Liabilities									
Bills and bonds payable under repurchase agreements	(199,105,065)	(38,902,807)	(8,093,637)	-	-	-	-	-	(246,101,509)
Corporate bonds payable	-	-	-	(5,000,000)	-	-	-	-	(5,000,000)
Total liabilities	(199,105,065)	(38,902,807)	(8,093,637)	(5,000,000)	-	-	-	-	(251,101,509)
Duration Gap	($139,075,339)	$6,595,139	$32,148,389	$16,145,103	$18,427,845	$23,620,543	$14,279,211	$73,773,127	$45,914,018

2) Market interest rate (Excluding financial assets held for trading)

Items of financial assets	December 31, 2007	December 31, 2006
Available-for-sale financial assets		
Bond Investments-government bonds	1.8521%-2.9726%	1.6942%-2.4500%
Bond Investments -financial bonds	2.0000%-3.0500%	2.0000%-3.0500%
Bond Investments-corporate bonds	1.8500%-3.3500%	1.8500%-2.6300%
Held-to-maturity financial assets		
Bond Investments-financial bonds	3.2500%-3.6500%	2.0579%-3.3300%

D. CKI

CKI holds various types of financial instruments. The goal of risk management of CKI is to achieve optimal asset allocation position, maintain proper liquidity position, and manage all market risk centralized by considering the economic environment, competition condition and impact on market value risk. In order to achieve this goal as well as effectively control and measure market risk, credit risk and liquidity risk, CKI's financial risks and control strategies are as follows:

(a) Interest rate risk:

The interest-rate-linked financial products held by CKI are mainly fixed interest rate products and they have no significant interest rate risks. However, the fair value of bonds would be differed due to changes in market interest rate.

(b) Foreign exchange rate risks:

CKI observes and researches factors affecting trends of exchange rates including both domestic and international economic environment and interests on a periodic basis. CKI analyzes the variability of New Taiwan dollars in response to foreign exchange rates. The foreign currency quotas of CKI's utilization of operating capital primarily include time deposits and funds denominated in foreign currencies with strong international influence. In addition, CKI also adopts the method of maintaining a basket of various foreign currencies in order to hedge foreign exchange rate risks. As a result, changes in foreign exchange rates have no significant influence on CKI.

(c) Price risks:

CKI sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its market risk. CKI is exposed to equity securities price risk because of investments held by CKI, but CKI sets stop-loss amount of derivatives to reduce its market risk.

(d) Credit risks:

Financial instruments held by CKI are exposed to potential loss due to failure of counterparties in meeting obligations when they come due. CKI utilizes capital in compliance to Insurance Law No.146 and related regulations, companies with equivalent credit ratings or issuance and guarantees from reputable financial institutions must be obtained and confirmed prior to entering every transaction for investments. In addition, the amounts of transactions cumulated by each counterparties are bound to strict restrictions established by laws. As a result, CKI should have no significant credit risks.

(e) Liquidity risks:

CKI's operating capital is adequate in meeting demand for cash outflows, thus there is no liquidity risk regarding inability to raise capital for meeting contractual obligations. CKI's investments in bonds are traded in active markets; therefore, these financial assets are expected to be sold in the market at prices relevant to their fair values.

(f) Details of calculation of gross premiums are as follows:

Expressed in thousand of NT dollars

	For the year ended December 31, 2007			
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)
Compulsory insurance	$369,600	$113,804	$126,745	$356,659
Non-compulsory insurance	6,117,486	905,678	3,937,659	3,085,505
Total	$6,487,086	$1,019,482	$4,064,404	$3,442,164

Expressed in thousand of US dollars(Unaudited)

	For the year ended December 31, 2007			
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)
Compulsory insurance	$11,378	$3,503	$3,901	$10,980
Non-compulsory insurance	188,323	27,881	121,219	94,985
Total	$199,701	$31,384	$125,120	$105,965

Expressed in thousand of NT dollars

	For the year ended December 31, 2007		
Type	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	$171,424	$171,662	$356,897
Non-compulsory insurance	1,698,582	1,733,546	3,120,469
Total	$1,870,006	$1,905,208	$3,477,366

Expressed in thousand of US dollars(Unaudited)

	For the year ended December 31, 2007		
Type	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	$5,277	$5,284	$10,987
Non-compulsory insurance	52,289	53,366	96,062
Total	$57,566	$58,650	$107,049

Expressed in thousand of NT dollars

	For the year ended December 31, 2006			
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)
Compulsory insurance	$374,275	$113,212	$127,864	$359,623
Non-compulsory insurance	6,223,732	1,103,946	4,040,109	3,287,569
Total	$6,598,007	$1,217,158	$4,167,973	$3,647,192

Expressed in thousand of NT dollars

Type	For the year ended December 31, 2006		
	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	$171,662	$166,752	$354,713
Non-compulsory insurance	1,729,961	1,767,440	3,325,048
Total	$1,901,623	$1,934,192	$3,679,761

(g) Details of calculation of net claims are as follows:

Expressed in thousand of NT dollars

Type	For the year ended December 31, 2007			
	Claims incurred	Reinsurance claims incurred	Claims recovered from reinsurers	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	$268,258	$115,961	$112,035	$272,184
Non-compulsory insurance	3,195,125	471,315	1,741,898	1,924,542
Total	$3,463,383	$587,276	$1,853,933	$2,196,726

Expressed in thousand of US dollars(Unaudited)

Type	For the year ended December 31, 2007			
	Claims incurred	Reinsurance claims incurred	Claims recovered from reinsurers	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	$8,258	$3,570	$3,449	$8,379
Non-compulsory insurance	98,360	14,509	53,623	59,246
Total	$106,618	$18,079	$57,072	$67,625

Expressed in thousand of NT dollars

Type	For the year ended December 31, 2006			
	Claims incurred	Reinsurance claims incurred	Claims recovered from reinsurers	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	$292,343	$107,201	$101,796	$297,748
Non-compulsory insurance	2,051,327	373,581	559,842	1,865,066
Total	$2,343,670	$480,782	$661,638	$2,162,814

(h) Details of balance, provisions and reserve released for unearned premiums are as follows:

Expressed in thousand of NT dollars

Compulsory automobile liability insurance for car	For the year ended December 31, 2007			
	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$124,822	$123,955	$124,822	$123,955
Reserve for catastrophic losses	156,689	18,382	8,375	166,696
Reserve for outstanding losses	45,346	59,130	45,346	59,130
Total	$326,857	$201,467	$178,543	$349,781

Compulsory automobile liability insurance for motorcycle	For the year ended December 31, 2007			
	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$46,841	$47,468	$46,841	$47,468
Reserve for catastrophic losses	146,252	29,218	-	175,470
Reserve for outstanding losses	8,415	554	8,415	554
Total	$201,508	$77,240	$55,256	$223,492

Expressed in thousand of US dollars(Unaudited)

Compulsory automobile liability insurance for car	For the year ended December 31, 2007			
	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$3,842	$3,816	$3,842	$3,816
Reserve for catastrophic losses	4,824	566	258	5,132
Reserve for outstanding losses	1,396	1,820	1,396	1,820
Total	$10,062	$6,202	$5,496	$10,768

Compulsory automobile liability insurance for motorcycle	For the year ended December 31, 2007 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$1,442	$1,461	$1,442	$1,461
Reserve for catastrophic losses	4,502	900	-	5,402
Reserve for outstanding losses	259	17	259	17
Total	$6,203	$2,378	$1,701	$6,880

Compulsory automobile liability insurance for car	For the year ended December 31, 2006 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$120,847	$124,822	$120,847	$124,822
Reserve for outstanding losses	181,398	-	24,708	156,690
Reserve for catastrophic losses	55,397	45,346	55,397	45,346
Total	$357,642	$170,168	$200,952	$326,858

Compulsory automobile liability insurance for motorcycle	For the year ended December 31, 2006 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$45,906	$46,841	$45,906	$46,841
Reserve for catastrophic losses	112,693	33,559	-	146,252
Reserve for outstanding losses	9,063	8,415	9,063	8,415
Total	$167,662	$88,815	$54,969	$201,508

(i) Retention limits:

For the years ended December 31, 2007 and 2006, net premiums of the respective insurances are as follows:

	For the year ended December 31		
	2007		2006
	NT$	US$(Unaudited)	NT$
General fire insurance	$700,000	$21,549	$680,000
Fire & allied perils insurance	700,000	21,549	680,000
Marine cargo insurance	200,000	6,157	150,000
Marine hull insurance	USD7,000	7,000	USD5,000
Fishing vessel insurance	60,000	1,847	35,000
Aviation insurance	USD10,000	10,000	USD10,000
Engineering insurance	620,000	19,086	620,000
Money insurance	120,000	3,694	120,000
Motor Physical Damage Insurance	6,000	185	6,000
Motor third party liability insurance	60,000	1,847	60,000
Motor passengers liability insurance	75,000	2,309	75,000
Compulsory automobile liability insurance for car and motorcycle	All retained	All retained	All retained
Driver injury insurance	All retained	All retained	All retained
Liability insurance	200,000	6,157	200,000
Fidelity bond insurance	20,000	616	20,000
Engineering bond insurance	200,000	6,157	200,000
Bankers' bond insurance	500,000	15,392	500,000
Other insurance	200,000	6,157	200,000
Other credit and bond insurance	120,000	3,694	120,000
Nuclear energy insurance	200,000	6,157	200,000
Alien labor broker's loan bond insurance	60,000	1,847	60,000
Personal accident insurance	65,000	2,001	20,000

(3) Risk management and hedging strategy

A. The Company

Non-derivative financial instruments held by the Company mainly includes cash and cash equivalents, bonds and bills sold under repurchase agreements, short-term loans, commercial papers payable and bank payable, etc. The Company takes advantage of such financial instruments to adjust for the demand for operating capitals. In addition, the Company also holds other financial assets and liabilities, such as receivables and payables incurred as a result of operating activities.

The primary risks of the Company's financial instruments are cash flow risk associated with interest rates variations, credit risks and liquidity risks. The risk management policies approved by the Board of Directors are as follows:

Cash flow risks associated with interest rate variations

The Company's major exposure to cash flow risk associated with interest rate variations comes primarily from corporate bonds payable with floating interest. The Company adopts a combination of fixed interest and floating interest rates methods in issuance of loans to manage such interest rate risks. In addition, the Company also engages in interest rate swaps to enhance the effectiveness of interest rate management.

Foreign exchange risk

The Company holds financial assets denominated in foreign currencies, values of these investments fluctuate due to changes in foreign exchange rate. The Company controls the market risk by limit management and a stop loss mechanism on the positions undertaken.

Credit risk

The financial instruments acquired or issued by the Company are subject to risk of financial loss resulting from the failure of a customer or counterparty to settle their contractual obligations when they fall due.

Liquidity risk

The Company achieves the objectives of effective use of capital and stabilization of capital by adjusting capital through the use of cash and cash equivalents, commercial paper payable, bank loans and bonds payable, etc. The operating capital of the Company is sufficient in meeting capital on demand; therefore, no significant liquidity risk is expected to incur.

B. The subsidiaries

(a) MICB

The risk management policies and practices and major exposure of risk conditions of the credit risk, market risk, business risk, and liquidity risk are as follows:

The Bank's Board of Directors has the ultimate approval right in risk management and has ultimate responsibility for the Bank's risk strategies and ensures the function works while maximizing the Bank's earnings and stockholders' profits. The policies of the risk management by functions are as follows:

i. Credit risk

1) Organization principles

The loan committee, problem loan committee, and investment committee are responsible for making policies and supervises the Bank's credit business, investment business, and other financial instruments of credit risk. The Bank also formed a corporate banking department, retail banking department, treasury department, investment banking department, direct investment department, and other operating units to serve as credit risk units. Moreover, the risk management department coordinates and supervises units in order to establish credit management institutions, progress development of internal control systems, assists in managing risk credit, and provides credit management reports to the Board of Directors periodically.

2) Procedure of risk management

The promotion of credit and investment business of the Bank is done in accordance with the bank laws and other related regulations; moreover, risk management targets identified by each business supervisor units are sent to the risk management department and reported to the risk management committee of Mega Financial Holdings and Board of Directors for approval. In addition, the credit risk management organizations and standards are designed in accordance with internal regulations.

As a result of the implementation of Basel II, the Bank is developing various credit risk component models and valuation systems, adopting Internal Ratings Based Approach which links to probability of default, and using quantifiable analysis tools to predict customers' probability of default, loss given default and so on. This also enhances the current credit rating system and then strengthens monitoring of credit risk.

The Bank established the loan committee and investment committee which are specifically responsible for setting credit of investment policy and individual risk, and also designates credit amount, provides responsibilities according to levels, sets limitation by industry, group, countries, and counterparty in order to avoid risk concentration.
The Bank should ensure that credit checking and examination have been done before engaging loan and investment business and require periodic monitoring while engaging the business. The Bank also should set up a reporting system and have timely reports if any unusual event or significant accident occurs.
Establishment of a unit mainly responsible for the overdue loan management in order to solve credit management problems and to seek the recovery of obligations. In order to execute this strategy, the Bank sets regulations for credit cards, procedures to evaluate asset rewards for dealing with recovery of non-performing loans, outsourcing of loans receivable as a base for managing doubtful credits and overdue loans.

3) Principles of measuring and controlling

The Bank's goals of credit risk management are set from downward sloping to upward sloping annually and then presented to the Board of Directors for approval. In order to strengthen the risk management, the evaluation of conducting circumstances is in accordance with the economic and financial conditions. Moreover, in accordance with regulatory institutions, the Bank is required to disclose the information of credit risk through its financial reports and website.
In order to control the group and industry risk and avoid excess concentration risk, the Bank will separately set the credit limit of the group and industry and report to the management unit monthly, based on the industry condition, perspective and credit risk.
To comply with applicable laws, regulations and internal guidelines, the bank sets credit limits, monitors its outstanding balance and reports to the management and board meeting accordingly.
In order to strengthen the understanding of the client's credit, reviews should be conducted periodically. For those that have high risk or abnormalities, reviews will be made with increasing frequency. Analysis and reviews will be made annually and the reports will be sent to the management.
Abnormal notification system: When operating units determine that a client's operations are abnormal, facing financial difficulties, or experience some unexpected events, the business supervisor will report this to the management, and information will be sent to the Mega Financial Holdings by the risk management department, in order for them to understand the circumstances so that they are able to take proper actions.
Appraisal of assets: Accrue possible losses or impairment of assets, investments, other assets, or contingent assets based on the experience of bad debts, reserves, other historical loses, the current overdue loan rate, recovery conditions, supervisory regulations and so on.

ii. Market risk

1) Organization principles

The Board of Directors approve related policies of market risk, supervises the structure of market risk management, develops strategies and understands the condition of the exposure to risk. Management is responsible for supervising the market risk and its conditions; moreover, if over the limit, comments will be given. Treasury department is responsible for controlloing the trade market risk, credit exposure and periodically produces management reports for management review. Risk Management Department is responsible for supervising the Bank's market risk departments and establishing market risk management mechanisms, monitoring the Bank's total market risk exposure amounts and analyzing the Bank's market risk statistics.

2) Procedure of risk management

Regarding the foreign exchange market, foreign currency market, capital market and derivative transactions and so on, the Bank sets regulations on the transaction range and amount, assesses the limitation of the position and estimation of management risk index. Also, sets limitations on daily amount, overnight amount, counter parties amount and stop loss points for the dealing room and dealers. The foreign branches sets limitation for foreign exchange which is controlled daily, and monthly reports are presented to the management for reference. The transactions have set limitations and are periodically accrued as unrealized profit or loss, and reports are prepared for management and Board of Directors review.

3) Principles in measuring and controlling

To measure the risk weighted assets in accordance with the standards set by the authorities. The interest rate risk is measured based on the "Interest-rate sensitivity gap" and the "Interest rate sensitivity asset and liabilities ratio" and so on, so that the interest rate risk can be maintained within the suitable range. As for the exchange rate and investments in quoted securities exposure amount, the daily estimation of profit or loss is based on the market price and the stop loss point in order to make sure it is within the range, acceptable for risk control. Derivatives on trading book with hedge or non-hedge transaction characteristic are evaluated on a semi-monthly and weekly basis.

iii. Operation risk

1) Organization principles

The control of operating risks in the entity is controlled by the policies made by the relevant department. The daily operating activities should follow relevant policies and monitored by the management to prevent the occurrence of operational risk. The information on loss incurred due to the defects in operating risk controls is collected by risk management department and reported to the Board of Directors regularly. The operating risk controls are audited by the auditing office supervised by the Board of Directors.

2) Procedure of risk management

The daily activities should follow the given controls. Procedures and guidance should be reviewed monthly. If any defects are found, it should be modified and the modification should be reviewed by the auditing office. New financial products, systems developments and new contracts drawn are reviewed by the auditing office or legal affairs department. The Bank provides training and opportunities for staff to obtain relevant professional licenses to meet the relevant regulation and to improve and maintain high quality professional service.

3) Principles in measuring and controlling

To control the operating risks, the operating unit must prepare the "Operation Risk Control Occurrence Form" for the risk management department. Also, it should make a self-assessment and report to the auditing office. For every half year, operating units need to report the compliance issues to the legal affairs department. The head office of management department is required to follow up any internal control deficiencies.

iv. Liquidity risk

1) Organization principles

The liquidity risk control is controlled by the fund management committee. The treasury department is in charge of daily operating activities and reports to the Board of Directors regularly.

2) Procedure of risk management

There is an upper limit to control the amount of cash flow shortage for daily NTD and foreign currency. Also, weekly reports are submitted to the fund managenent committee in order to the control the liquidity risk. The risk management department reports to the Board of Directors periodically.

3) Principles of measuring and controlling

The Bank sets up limits of liquidity gap by periods and periodically prepares liquidity gap tables for monitoring liquidity risk and considers seasonal and short-term factors in order to effectively control capital flows.

The capital performs in accordance with the regulations of deposit amounts and reserves amounts. The major investments consists of government bonds, negotiable certificates of deposit, treasury bills, financial bonds, government bonds under repurchase agreement, corporation bonds, commercial paper, bank acceptance, and beneficiary certificates; varieties of investments, instead of emphasizing on the credit of investment security, in order to lower the liquidity risk, secondary market liquidity is also taken into major consideration.

(b) MS

i. Market risk

MS's investments in fixed income and equity securities are measured at the fair value of the quoted market price. Market price risks arise from variation in market prices that correspond to changes in market risk factors, such as stock prices, interest rates, exchange rates, etc. The management functions in place dealing with market risk not only include establishing limits on positions, notional principal, stop-loss, risk tolerance, but also include adopting quantification model and other sensitivity indices to assess market risk. The validity of such models has been verified on a periodic basis and the risk limits has been monitored and analyzed on a daily basis.

ii. Credit risk

MS's potential credit risk mainly arises from financial instruments including cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivables, and receivables from margin trading of securities. MS's cash is placed with different financial institutions in order to minimize exposure to risk of cash deficit in each financial institution (to diversify and avoid concentration risks). In addition, the financial institutions selected by MS to place cash with are all publicly listed companies in excellent business positions. Regarding the counterparties in which corporate bonds and short-term bills, also categorized as cash equivalents, are invested, their excellent credit standings have been previously assured in order to minimize the credit risk.

MS assesses the credit standing of the counterparty before entering into transactions and such assessment is to be held on a periodic basis thereafter for minimizing credit risk. A trading limit is assigned for each counterparty according to internal assessments on their relative credit standings prior to the trading. Generally speaking, with the effort MS puts into continuously monitoring credit risk control measures and assessing the credit standings, there should be no contingency regarding concentration of credit risk.

iii. Liquidity risk

The operating capital of MS is sufficient to meet cash flows for all contractual obligations; therefore, there is no liquidity risk regarding inability to raise capital to meet existing contractual obligations. In order to control liquidity risk effectively, MS performs capital maturity gap on a daily basis to avoid the occurrence of emergency situations.

All investments in equity securities, such as outstanding or unsettled futures contracts and options, equity certificates, etc. held by MS are subject to prompt delivery of cash at reasonable prices in the market; therefore, the liquidity risk is assessed to be minimum.

Cash flows associated with investments in fixed income securities, such as convertible corporate bond swaps and interest rate swaps, etc., are interest receipts or payments calculated by the product of notional principal and the difference in the interest rates. Since amounts of such interest receipts or payments are not material and there are no cash inflows or outflows of notional principal, the liquidity risk undertaken is also minimized.

iv. Cash flow risk associated with interest rate variations

MS's short-term and long-term loans are fixed interest obligations; therefore, changes in market interest will neither affect the effective interest rate on such loans nor will it result in fluctuations in the expected future cash flows.

Most of MS's bond investments are also denominated in fixed interest; therefore, changes in market interest will not result in fluctuations in the expected future cash flows. The effects on cash flows for other non-fixed interest investments are considered relatively immaterial.

v. Risk management organization structure and policy

In order to effectively manage MS's risk as a whole, MS established specialized risk management committee primarily responsible for the allocation of MS's assets, standard setting for risk management targets, re-adjusting and early warning procedures, monitoring the implementation of risk management system on a continuing basis, examining the proposals from various departments regarding MS's management standards as well as the management of other operating risks.

MS's risk management organization structure includes the Board of Directors and risk management section. The Board of Directors is the highest instruction unit of MS's risk management organization structure and is responsible for authorizing MS's level of acceptance for risks as well as ensuring the management team's awareness of risks and its mutual integration to operating decisions resolved. The risk management section, authorized by the risk management committee, is responsible for the comprehensive programming, implementing and tracking of various risk management system.

MS's risk management policy is established in order to manage the risk of the Company as a whole effectively and to pursue the optimum balance of risk compensation for ensuring that MS's administrator is seeking for business development with the comprehension of MS's risk as a priority.

vi. Concentration of credit risk information

The concentration of credit risk exist when the counterparties in the trading of financial instruments are concentrated in a small number of counterparties; or when the counterparties in the trading of financial instruments are not concentrated in a small number of counterparties, but a majority of counterparties do engage in similar business activities and possess similar economic characteristics which will result in economic factors or other circumstances having similar influence on the counterparties' ability to meet obligations. The counterparties in the trading of financial instruments are not concentrated.

(c) MBF

Other than complying with the laws and regulations, the purpose of risk management for MBF is to ensure operating risks are under control and maintaining proper capital adequacy ratio, pursuant to sustainable development. In order to achieve this goal, MBF's risk management mechanism is set up via a system and culture followed by the Board of Directors, management and all staff, to safeguard MBF's assets and ensure asset and financial quality. The effective mechanism is also to identify, measure, monitor, report and respond to the levels of risk, setting up a controlling and organized manner of risk management and allocation of responsibility.

MBF's Board of Directors has the ultimate approval right in risk management. Major management risk items that include the company-wide risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors. Under the Board of Directors, there is a risk management committee, which is responsible to supervise market risk, credit risk and operating risk. Besides, Auditing Department supervises and controls the implementation status of operating risk management policy. In order to effectively manage overall risks and integrate associated information of risk, define risk evaluation techniques and sum up risk positions, business segment is responsible for implementing the risk management strategy of MBF.

MBF's risk management procedures are divided into establishment of risk policy and process of implementation status, setting up proper internal control system and management procedures against potential risks, building up limits of authority toward the entry of electronic files and evaluate potential negative impacts arising from associated risks.

Financial instruments held by MBF have high level of risk-factor (interest rate, foreign exchange rate and price changes). MBF reduces or avoids liquidity risk or risk of changes in fair value by using individual or combination hedging tools. MBF also reviews and adjusts limits of trading risks according to the changes of economic and financial situations and operating perspectives, to ensure data measured from associated risks and procedures conform to established policies, internal control and operating process.

(d) CKI

Non-derivative financial instruments held by the CKI mainly include cash and cash equivalents, financial assets-both current & non-current. CKI utilizes the advantages of such financial instruments to adjust for the flow of operating capitals. In addition, CKI also holds other financial assets , such as notes receivable and premiums receivables, reinsurance premiums receivable and due from reinsurers and ceding companies as a result of operating activities.

The primary risks of CKI's financial instruments are cash flow risk associated with interest rates variations, foreign exchange rate risk, commodity price risk, credit risk and liquidity risks.

(4) Capital adequacy ratio

A. Capital adequacy ratio of the Company

Mega Financial Holding Co., Ltd. And Its Subsidiaries							
Capital Adequacy Ratio							
December 31, 2007							
	Ownership percentage held by the Company		Eligible capital			Minimum capital	
			NT$	US$(Unaudited)		NT$	US$(Unaudited)
The Company	100%		$193,910,412	$5,969,413		$216,829,905	$6,674,975
MICB	100%		149,572,529	4,604,498		113,505,086	3,494,184
MS	100%		10,891,975	335,302		5,728,577	176,351
MBF	100%		24,624,172	758,040		16,805,554	517,349
CKI	100%		5,530,398	170,250		1,192,460	36,709
MITC	63.52%		507,947	15,637		340,914	10,495
MAM	100%		2,388,441	73,527		4,709,961	144,993
Mega Life Insurance Agency	100%		52,166	1,606		46,540	1,433
Mega CTB Venture Capital	100%		1,018,528	31,355		514,686	15,844
Deduction item			(222,314,746)	(6,843,823)		(207,202,317)	(6,378,596)
Subtotal		(A)	$166,181,822	$5,115,805	(B)	$152,471,366	$4,693,737
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)					(C)		108.99%

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Mega Financial Holding Co., Ltd. And Its Subsidiaries					
Capital Adequacy Ratio					
December 31, 2006					
	Ownership percentage held by the Company		Eligible capital NT$		Minimum capital NT$
The Company	100%		$199,604,789		$223,241,882
MICB	100%		129,583,036		100,248,154
MS	100%		10,331,577		5,929,577
MBF	100%		30,972,257		20,088,655
CKI	100%		5,669,990		1,049,576
MITC	93.96%		314,057		174,432
MAM	100%		2,463,520		3,297,587
Mega Life Insurance Agency	100%		40,130		47,901
Mega CTB Venture Capital	100%		1,011,330		506,720
IIT	95.22%		198,932		154,259
Deduction item			(224,931,953)		(214,318,647)
Subtotal		(A)	$155,257,665	(B)	$140,420,096
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)				(C)	110.57%

B. As of December 31, 2007, the financial holding's net eligible capital

Mega Financial Holding Co., Ltd. And Its Subsidiaries		
Financial Holding's Net Eligible Capital		
December 31, 2007		
	NT$	US$(Unaudited)
Common stocks	$110,594,262	$3,404,577
Unaccumulated preferred stocks which meet 1 tier capital requirement and unaccumulated subordinated debts with no maturity date	-	-
Other preferred stocks and subordinated debts	-	-
Capital collected in advance	-	-
Additional paid-in capital	45,182,901	1,390,928
Legal reserve	13,618,148	419,226
Special reserve	354,967	10,927
Accumulated earnings (losses)	20,066,193	617,725
Equity adjustments	4,151,275	127,795
Less: goodwill	-	-
deferred assets	57,334	1,765
treasury stocks	-	-
Total net eligible capital	$193,910,412	$5,969,413

Mega Financial Holding Co., Ltd. And Its Subsidiaries	
Financial Holding's Net Eligible Capital	
December 31, 2006	
	NT$
Common stocks	$111,694,492
Unaccumulated preferred stocks which meet 1 tier capital requirement and unaccumulated subordinated debts with no maturity date	
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Additional paid-in capital	45,631,626
Legal reserve	11,964,622
Special reserve	354,967
Accumulated earnings (losses)	22,291,780
Equity adjustments	10,193,003
Less: goodwill	-
deferred assets	94,346
treasury stocks	2,431,355
Total net eligible capital	$199,604,789

(5) Credit extensions, guarantees, or other transactions undertaken by the financial holding company and its subsidiaries for the same individual, the same related individual, or the same affiliated enterprises in accordance with Article 46 of the "Financial Holding Company Act"

	December 31, 2007		Unit:NT$ million
Name	Relationship (Note 5)	Credit, guarantees, or other transactions	Percentage of net worth of the Company (%)
Taiwan High Speed Rail Corporation	1	$72,504	36.31
Formosa Petrochemical Corporation	1	29,540	14.79
CPC Corporation, Taiwan	1	16,939	8.48
AU Optronics Corp.	1	15,602	7.81
Chi Mei Optoelectronics Corp.	1	13,394	6.71
Taiwan Power Company	1	12,269	6.14
China Airlines, Ltd.	1	11,495	5.76
Yu Feng P/L & Yuan Chien P/L	1	9,582	4.80
Taiwan Shin Kong Commercial Bank	1	9,163	4.59
TPG Newbridge Taishin Holdings Ⅲ, Ltd.	1	9,000	4.51
E. SUN Commercial Bank Ltd.	1	8,243	4.13
Formosa Chemicals & Fibre Corporation	1	7,191	3.60
TPG Newbridge Taishin Holdings Ⅵ, Ltd.	1	7,000	3.51
Nanya Technology Corporation	1	6,910	3.46
Yang Ming (Liberia) Corp.	1	6,526	3.27
Nan Ya Plastics Corporation	1	6,471	3.24
Formosa Plastics Corporation	1	6,336	3.17
Powerchip Semiconductor Corp.	1	5,981	2.99
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	1	5,865	2.94
Asia Cement Corp.	1	5,708	2.86
AWI Finance (B.V.I.) Co., Ltd.	1	5,489	2.75

Name	Relationship (Note 5)	Credit, endorsements, or other transactions	Percentage of net worth of the Company (%)
Far Eastern Textile Ltd.	1	5,359	2.68
Components Investment Holdings Ltd.	1	5,332	2.67
Inotera Memories, Inc.	1	5,175	2.59
The Republic of Paraguay	1	5,063	2.54
TPO Displays Corp.	1	4,924	2.47
RSEA Engineering Corp.	1	4,883	2.45
Taiwan Water Corporation	1	4,688	2.35
Central Bank of Republic of China (Taiwan)	1	4,661	2.33
Chinatrust Bills Finance Corporation	1	4,586	2.30
Chunghwa Picture Tubes, Ltd.	1	4,328	2.17
Qisda Corporation	1	4,244	2.13
Chi Mei Corporation	1	4,186	2.10
Calyon, Taipei Branch 2005-1 bonds	1	4,182	2.09
Farglory Land Development Co., Ltd.	1	3,961	1.98
CSBC Corporation, Taiwan	1	3,822	1.91
China Petrochemical Development Corporation	1	3,727	1.87
MiTAC International Corp.	1	3,587	1.80
Tatung Co., Ltd.	1	3,326	1.67
Taipei Fubon Bank Co., Ltd.	1	3,323	1.66
Freddie Mac	1	3,113	1.56
Kaohsiung Rapid Transit Corporation	1	3,088	1.55
Lien Jade Construction Co., Ltd.	1	3,067	1.54
Mr./ Miss Zhao and his/her related party	6	84,105	42.12
Mr./ Miss Xu and his/her related party	6	80,060	40.09
Mr./ Miss Cai and his/her related party	6	78,732	39.43
Mr./ Miss Xu and his/her related party	6	16,946	8.49
Mr./ Miss Zhuang and his/her related party	6	16,939	8.48
Mr./ Miss Wu and his/her related party	6	13,496	6.76
Mr./ Miss Ge and his/her related party	6	11,496	5.76
Mr./ Miss Li and his/her related party	6	11,496	5.76
Mr./ Miss Li and his/her related party	6	11,114	5.57
Mr./ Miss Lin and his/her related party	6	9,750	4.88
Mr./ Miss Huang and his/her related party	6	8,637	4.32
Mr./ Miss Xu and his/her related party	6	6,308	3.16
Mr./ Miss Sun and his/her related party	6	6,155	3.08
Mr./ Miss Zhong and his/her related party	6	5,903	2.96
Mr./ Miss Jiang and his/her related party	6	5,895	2.95
Mr./ Miss Li and his/her related party	6	5,838	2.92
Mr./ Miss Wu and his/her related party	6	5,823	2.92
Mr./ Miss Zhao and his/her related party	6	5,731	2.87
Mr./ Miss Lin and his/her related party	6	5,431	2.72
Mr./ Miss Zhao and his/her related party	6	5,002	2.50
Mr./ Miss Chen and his/her related party	6	4,489	2.25
Mr./ Miss Gu and his/her related party	6	4,258	2.13
Mr./ Miss Lin and his/her related party	6	3,971	1.99
Mr./ Miss Huang and his/her related party	6	3,958	1.98
Mr./ Miss Pan and his/her related party	6	3,827	1.92
Mr./ Miss Gong and his/her related party	6	3,822	1.91
Mr./ Miss Xu and his/her related party	6	3,805	1.91

Name	Relationship (Note 5)	Credit, endorsements, or other transactions	Percentage of net worth of the Company (%)
Mr./ Miss Lin and his/her related party	6	3,614	1.81
Mr./ Miss Guo and his/her related party	6	3,590	1.80
Mr./ Miss Chen and his/her related party	6	3,518	1.76
Mr./ Miss Ruan and his/her related party	6	3,270	1.64
Mr./ Miss You and his/her related party	6	3,231	1.62
Mr./ Miss Xie and his/her related party	6	3,230	1.62
Mr./ Miss Qiu and his/her related party	6	3,225	1.61
Mr./ Miss Zheng and his/her related party	6	3,078	1.54
Mr./ Miss Lai and his/her related party	6	3,020	1.51
Formosa Petrochemical Corporation and its related parties	6	65,988	33.04
Asia Cement Corp. and its related parties	6	32,075	16.06
Uni-President Enterprises Corp. and its related parties	6	26,323	13.18
AU Optronics Corp. and its related parties	6	24,931	12.48
CPC Corporation, Taiwan and its related parties	6	22,427	11.23
Chi Mei Optoelectronics Corp. and its related parties	6	18,992	9.51
TPG Newbridge Taishin Holdings Ⅲ, Ltd. and its related parties	6	16,000	8.01
Taiwan Cement Corporation and its related parties	6	15,790	7.91
China Airlines and its related parties	6	12,203	6.11
Shin Kong Financial Holdings Co., Ltd. and its related parties	6	11,101	5.56
China Steel Corporation and its related parties	6	11,027	5.52
AWI Finance Co., Ltd and its related parties	6	10,068	5.04
Optimax Technology Corporation and its related parties	6	9,046	4.53
Yieh United Steel Corp. (YUSCO) and its related parties	6	8,882	4.45
Yang Ming Marine Transport Corporation and its related parties	6	8,697	4.36
Tatung Co., Ltd. and its related parties	6	8,490	4.25
Central Investment Holding Co., Ltd. and its related parties	6	8,068	4.04
Pou Chen Corporation and its related parties	6	7,402	3.71
Chinatrust Commercial Bank and its related parties	6	6,998	3.50
Farglory Land Development Co., Ltd. and its related parties	6	6,551	3.28
MiTAC International Corp. and its related parties	6	5,682	2.85
Sincere Navigation Corporation and its related parties	6	5,623	2.82
Evergreen Marine Corp. and its related parties	6	5,578	2.79
China Petrochemical Development Corp. and its related parties	6	5,390	2.70
Hon Hai Precision Industry Co., Ltd. and its related parties	6	4,912	2.46
Ever Power IPP Co., Ltd. and its related parties	6	4,381	2.19
Yuen Foong Yu Paper Mfg. Co., Ltd. and its related parties	6	4,261	2.13
ASUSTeK Computer Inc. and its related parties	6	3,957	1.98
Eastern Media International Corp. and its related parties	6	3,866	1.94
Rich Development Co., Ltd. and its related parties	6	3,863	1.93
HannStar Display Corp. and its related parties	6	3,859	1.93
Fubon Financial Holding Company and its related parties	6	3,835	1.92
Siliconware Precision Industries Co., Ltd. and its related parties	6	3,549	1.78
Sunrise Golf and Country Club and its related parties	6	3,458	1.73
AMASS Int'l Ltd. and its related parties	6	3,255	1.63
Jih Sun Financial Holding Co., Ltd. and its related parties	6	3,124	1.56

Note 1: The above table represents the financial holding company's subsidiaries' provision of business credit or endorsements to, or other transactions with, the same individual, the same related party, or the same affiliated company. It discloses transactions that reached the lower of 5% of the net value of the financial holding company or three billion New Taiwan dollars.

Note 2: Credit refers to loans, discounts, overdrafts, acceptances, guarantees and other business activities certified by the government authorities.

Note 3: Endorsement refers to a bills company's endorsement or guarantee.

Note 4: Other transactions mean the following transactions with the same individual, the same related party, or the same affiliated company:

(1) Investing in marketable security issued by related parties.

(2) Purchasing real estate or other assets from related parties.

(3) Selling marketable securities, real estate or other assets to related parties.

(4) Entering into contracts to pay money or provide services.

(5) Being agents, brokers or other that would receive commissions or service charges from the financial holding company or its subsidiaries.

(6) Making the aforementioned transactions with a third party which has a conflict of interest with related parties, or transactions with a third party involving related parties.

(7) The scope of calculation of the transaction amount does not include transferable time deposits issued by subsidiaries.

Note 5: Relationship and code

(1) A person (The Company)

(2) Individuals with the second degree

(3) A person is enterprise's superintendent

(4) A person's spouse is enterprise's superintendent

(5) Former company's affiliated enterprises (including controlling company, subsidiary company and investee company)

(6) Other (other company) "the same individual, the same related party, or the same affiliated company."

(6) Significant impact arising from changes in government laws and regulations:

None.

(7) Information for discontinued operations:

None.

(8) Major operating assets or liabilities transferred from (or to) other financial institutions:

In July 2007, MS entered into contracts with King's Town Commercial Bank Co., Ltd. (non-related party) for the purchase of the operating rights of securities brokerage business and related properties amounting to $15,848 thousand. The payment was made and the assignment was also completed on September 11, 2006.

A. Brief introduction of transferor

King's Town Commercial Bank Co., Ltd. is formerly known as Tainan Business Bank whose securities segment was established in November 1990 and Bo Ai Branch was established in July 1996. Main business of securities segment is brokerage of marketable securities, futures contract business and margin loans and stock loans of marketable securities trading at the securities exchange market.

B. Reason for assignment of operating rights

In order to expand operating scale, strengthen brokerage business and promote the competitiveness of brokerage business.

C. Reference

(a) Operating rights and property shall transfer ownership in accordance with the "Procedures for Merger or Assignment of Operations of Securities Firms" stipulated by Taiwan Stock Exchange.

(b) Once the contract is effective, both parties shall conduct all related assignment procedures to relevant authorities in accordance with the "Securities and Exchange Act", "Company Act", "Business Mergers and Acquisitions Law" and "Business Tax Act".

D. Effective date

Both parties agreed that this assignment will be effective from August 21, 2006. The assignment had been approved by Financial Supervisory Commission, Executive Yuan on August 31, 2006.

(9) Information on the apportionment of the revenues, costs, expenses, gains and losses arising from the transactions between the Company and its subsidiaries, joint promotion of businesses, and sharing of information, operating facilities or premises.

A. Transactions between the Company and its subsidiaries

Please refer to Note 5.

B. Joint promotion of businesses

In order to create synergies within the group and provide customers financial services in all aspects, the Company has continuously established other financial consulting service centers (including banking services, securities trading services, and insurance services) in its subsidiaries and simultaneously promoted service business in banking, securities and insurances areas.

C. Sharing of information

Under the Financial Holding Company Act, Computer-Process Personal Data Protection Law and the related regulations stipulated by the Ministry of Finance, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the group or exchanged between the subsidiaries for the purpose of cross-selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are bound to use the information for the specified purposes only. In addition, the Company is required to publish its "Measures for Protection of Customers' Information" at its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

D. Sharing of operating facilities or premises

To provide one-stop-shopping services, MICB set up a securities desk and an insurance desk within its financial consulting center on April 2, 2003, which is engaged in the cross-selling of MS and CKI's products, respectively. In addition, the Company had obtained the authorization to set up industry specialized desk in its business premises, and the set up had been taking place in the Company's subsidiaries one after another.

E. Apportionment of revenues, costs, expenses, gains and losses

(a) For the year ended December 31, 2007:

The promotion bonus paid to other subsidiaries by MITC (surviving company after the merger of IIT and MITC on September 17, 2007) and MBF and MICB amounted to $17,440 thousand (US$537 thousand-unaudited) and $1,450 thousand (US$45 thousand-unaudited) and $0.4 thousand (US$0-unaudited), respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by $269,410 thousand (US$8,294 thousand-unaudited) for CKI; $9,400 thousand (US$289 thousand-unaudited) for MICB; $63,320 thousand (US$1,949 thousand-unaudited) for MITC; and $5,500 thousand (US$169 thousand-unaudited) for MBF.

(b) For the year ended December 31, 2006:

The promotion bonus paid to other subsidiaries by MITC, IIT and MBF amounted to NT$15,180 thousand, NT$4,570 thousand and NT$1,900 thousand, respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by $254,010 thousand for CKI; $27,160 thousand for MICB ; $50,590 thousand for MITC and $18,290 thousand for IIT.

(10) Information for private placement securities:

None.

(11) Financial information by business segments

Financial information by business segments
For the Year Ended December 31, 2007
(Expressed in Thousands of NT Dollars)

Items \ Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Other divisions	Consolidation
Interest income, net	$23,137,412	$168,491	$2,525,065	$972,221	($507,453)	$26,295,736
Revenues other than interest, net	14,364,801	594,493	729,549	3,657,548	1,292,194	20,638,585
Net revenue	37,502,213	762,984	3,254,614	4,629,769	784,741	46,934,321
Bad debt expense on loans	(6,526,550)	-	(74,251)	-	-	(6,600,801)
Provisions for the reserve for insurance	-	(67,376)	-	-	-	(67,376)
Operational expenses	(14,701,580)	(772,669)	(609,595)	(3,012,487)	(1,137,624)	(20,233,955)
Income before Income Tax from Continuing Operations	16,274,083	(77,061)	2,570,768	1,617,282	(352,883)	20,032,189
Income tax expense	(2,409,425)	38,556	(444,648)	(254,344)	152,230	(2,917,631)
Consolidated Net Income from Continuing Operations	$13,864,658	($38,505)	$2,126,120	$1,362,938	($200,653)	$17,114,558

Note: Amounts eliminated in the consolidated financial statements among the Company and its subsidiaries

Financial information by business segments
For the Year Ended December 31, 2007
(Expressed in Thousands of US Dollars)(Unaudited)

Items \ Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Other divisions	Consolidation
Interest income, net	$712,271	$5,187	$77,732	$29,930	($15,622)	$809,498
Revenues other than interest, net	442,212	18,301	22,459	112,595	39,779	635,346
Net revenue	1,154,483	23,488	100,191	142,525	24,157	1,444,844
Bad debt expense on loans	(200,916)	-	(2,286)	-	-	(203,202)
Provisions for the reserve for insurance	-	(2,074)	-	-	-	(2,074)
Operational expenses	(452,579)	(23,786)	(18,766)	(92,738)	(35,021)	(622,890)
Income before Income Tax from Continuing Operations	500,988	(2,372)	79,139	49,787	(10,864)	616,678
Income tax expense	(74,173)	1,187	(13,688)	(7,830)	4,687	(89,817)
Consolidated Net Income from Continuing Operations	$426,815	($1,185)	$65,451	$41,957	($6,177)	$526,861

Note: Amounts eliminated in the consolidated financial statements among the Company and its subsidiaries

Financial information by business segments
For the Year Ended December 31, 2006
(Expressed in Thousands of NT Dollars)

Items \ Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Other divisions	Consolidation
Interest income, net	$20,359,067	$128,788	$3,010,879	$656,453	($385,268)	$23,769,919
Revenues other than interest, net	16,275,873	1,159,282	1,054,412	3,704,873	1,118,107	23,312,547
Net revenue	36,634,940	1,288,070	4,065,291	4,361,326	732,839	47,082,466
Bad debt expense on loans	(9,404,261)	-	(46,830)	-	-	(9,451,091)
Provisions for the reserve for insurance	-	(155,636)	-	-	-	(155,636)
Operational expenses	(15,445,592)	(864,742)	(780,361)	(2,726,452)	(660,517)	(20,477,664)
Income before Income Tax from Continuing Operations	11,785,087	267,692	3,238,100	1,634,874	72,322	16,998,075
Income tax expense	(2,051,418)	(58,452)	(450,626)	(54,966)	554,387	(2,061,075)
Consolidated Net Income from Continuing Operations	$9,733,669	$209,240	$2,787,474	$1,579,908	$626,709	$14,937,000

Note: Amounts eliminated in the consolidated financial statements among the Company and its subsidiaries.

(12) Financial statements of the Company and condensed financial statements of its subsidiaries:

MEGA FINANCIAL HOLDING CO., LTD.
BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

ASSETS	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Assets			
Cash and cash equivalents	$146,610	$4,513	$236,113
Receivables, net	4,976,822	153,209	4,041,817
Available-for-sale financial assets, net	5,195,972	159,955	5,414,640
Equity investments accounted for by the equity method, net	207,202,317	6,378,596	214,318,647
Financial assets carried at cost	762,046	23,459	762,046
Property and equipment, net	910,589	28,032	909,084
Other assets, net	59,732	1,839	95,329
Deferred tax assets, net	4,255	131	16,612
TOTAL ASSETS	$219,258,343	$6,749,734	$225,794,288

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Liabilities			
Commercial paper payable, net	$3,946,220	$121,482	$4,518,981
Financial liabilities at fair value through profit or loss	-	-	49,366
Payables	9,259,187	285,038	6,725,915
Bonds payable	4,000,000	123,138	12,900,000
Short-term loans	8,050,000	247,814	1,860,000
Accrued pension liability	27,413	844	26,160
Other liabilities	7,777	240	14,731
Total Liabilities	25,290,597	778,556	26,095,153
Stockholders Equity			
Capital stock			
Common stock	110,594,262	3,404,577	111,694,492
Capital surplus	45,182,901	1,390,928	45,631,626
Retained earnings			
Legal reserve	13,618,148	419,226	11,964,622
Special reserve	354,967	10,927	354,967
Unappropriated retained earnings	20,066,193	617,725	22,291,780
Equity adjustments			
Land revaluation incrernat	447,960	13,790	447,960
Cumulative translation adjustments	1,473,232	45,353	779,965
Unrealized gains on financial instruments	2,250,169	69,270	8,999,935
Treasury stock	-	-	(2,431,355)
Net loss not recognized as pension cost	(20,086)	(618)	(34,857)
Total Stockholders' Equity	193,967,746	5,971,178	199,699,135
TOTAL LIABILITIES AND STOCKHOLDERS'EQUITY	$219,258,343	$6,749,734	$225,794,288

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF INCOME
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Revenues			
Interest income	$62,011	$1,909	$73,199
Gains from financial liabilities at fair value through profit or loss	49,366	1,520	26,016
Investment income from equity investments accounted for by the equity method	17,395,529	535,511	16,472,132
Foreign exchange gain	537	17	-
Other revenue except for interest income	12,618	388	9,066
Total revenue	17,520,061	539,345	16,580,413
Expenses and losses			
Interest expense	(436,093)	(13,425)	(400,462)
Service fee expense	(2,130)	(66)	(2,836)
Foreign exchange loss	-	-	(854)

(continued)

Losses from Financial assets carried at cost	-	-	(376)
Personnel expenses	(128,443)	(3,954)	(128,348)
Depreciation and amortization	(71,407)	(2,198)	(64,350)
Other business and administrative expenses	(123,207)	(3,793)	(133,196)
Total expenses and losses	(761,280)	(23,436)	(730,422)
Income before Income Tax from Continuing Operations	16,758,781	515,909	15,849,991
Income Tax Benefit	311,610	9,593	741,803
Net Income from Continuing Operations	17,070,391	525,502	16,591,794
Cumulative Effect of Changes in accounting Principles			
(Net of income taxes of $18,845)	-	-	(56,537)
Net Income	$17,070,391	$525,502	$16,535,257

Basic Earnings Per Share (in dollars)	Before Taxes	After Taxes	Before Taxes	After Taxes
Net Income from Continuing Operations	$1.52	$1.54	$1.43	$1.51
Cumulative Effect of Changes in Accounting Principles	-	-	(0.01)	(0.01)
Net Income	$1.52	$1.54	$1.42	$1.50

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$	Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Assets				Liabilities			
Cash and cash equivalents	$89,718,998	$2,761,944	$42,638,615	Due to the Central Bank and financial institutions	$363,190,298	$11,180,590	$354,921,989
Due from the Central Bank and call loans to banks	249,394,299	7,677,451	255,842,259	Payables	47,576,485	1,464,613	54,166,290
Financial assets at fair value through profit or loss, net	84,905,748	2,613,771	70,639,090	Deposits and remittances	1,224,295,833	37,689,196	1,063,630,443
Bills and bonds purchased under resell agreements	1,729,123	53,230	1,502,553	Financial liabilities at fair value through profit or loss	52,226,998	1,607,776	49,453,352
Available-for-sale financial assets, net	103,132,834	3,174,881	102,576,675	Bills and bonds sold under repurchase agreements	14,452,936	444,925	36,094,287
Receivables, net	82,462,038	2,538,543	71,730,605	Funds borrowed from the Central Bank and other banks	42,997,399	1,323,648	56,438,426
Loans and advances to customers, net	1,194,304,385	36,765,928	1,113,888,899	Bank debentures payable	19,215,871	591,549	18,627,895
				Accrued pension liabilities	1,204,178	37,070	1,209,032
Held-to-maturity financial assets, net	89,413,152	2,752,529	95,740,790	Other financial liabilities	18,650,884	574,156	18,779,486
				Other liabilities	11,192,909	344,567	9,033,407
Equity investments accounted for by the equity method, net	9,298,635	286,253	8,605,588	Total Liabilities	1,795,003,791	55,258,090	1,662,354,607
				Stockholders' equity			
Property and equipment, net	14,887,155	458,292	15,530,403	Capital stock	64,109,878	1,973,583	64,109,878
Other financial assets, net	23,956,245	737,478	29,027,921	Capital surplus	33,070,660	1,018,060	33,066,755
Other assets, net	4,258,721	131,102	4,651,887	Retained earnings	49,946,398	1,537,569	45,470,884
				Equity adjustments	5,330,606	164,100	7,373,161
				Total Stockholders' Equity	152,457,542	4,693,312	150,020,678
TOTAL ASSETS	$1,947,461,333	$59,951,402	$1,812,375,285	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,947,461,333	$59,951,402	$1,812,375,285

MEGA SECURITIES CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

	December 31, 2007		December 31, 2006		December 31, 2007		December 31, 2006
Items	NT$	US$ (Unaudited)	NT$	Items	NT$	US$ (Unaudited)	NT$
Assets				Liabilities			
Current assets	$58,534,129	$1,801,937	$65,933,988	Current liabilities	$44,447,092	$1,368,277	$55,100,803
Fund and investments	2,758,430	84,917	3,096,637	Long-term liabilities	5,000,000	153,922	2,000,000
Property and equipment, net	3,159,591	97,266	3,261,695	Other liabilities	281,844	8,676	390,106
Intangible assets	14,660	451	8,568	Total liabilities	49,728,936	1,530,875	57,490,909
Other assets	1,653,585	50,905	1,935,679	Stockholders' equity			
Credit items for securities				Capital stock	13,200,000	406,354	13,200,000
consignment trading	367,654	11,318	62,356	Capital surplus	906,255	27,898	906,255
				Retained earnings	2,688,150	82,753	2,719,505
				Equity adjustments	(35,292)	(1,086)	(17,746)
				Total Stockholders' Equity	16,759,113	515,919	16,808,014
				TOTAL LIABILITIES AND			
TOTAL ASSETS	$66,488,049	$2,046,794	$74,298,923	STOCKHOLDERS' EQUITY	$66,488,049	$2,046,794	$74,298,923

MEGA BILLS FINANCE CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

	December 31, 2007		December 31, 2006		December 31, 2007		December 31, 2006
Items	NT$	US$ (Unaudited)	NT$	Items	NT$	US$ (Unaudited)	NT$
Assets				Liabilities			
Cash and cash equivalents	$386,602	$11,901	$586,316	Due to the Central Bank and	$5,390,000	$165,928	$15,900,000
Financial assets at fair value				financial institutions			
through profit or loss	90,953,726	2,799,955	133,635,701	Financial liabilities at fair value			
Available-for-sale financial				through profit or loss	162,165	4,992	76,714
assets, net	144,689,065	4,454,164	163,792,748	Bills and bonds sold under			
Receivables, net	4,767,886	146,776	4,771,270	repurchase agreements	203,409,282	6,261,830	246,101,509
Held-to-maturity financial				Bonds payable	5,000,000	153,922	5,000,000
assets, net	200,000	6,157	400,000	Payables	654,725	20,155	386,458
Property and equipment, net	3,024,870	93,119	3,049,498	Other liabilities	2,072,928	63,814	2,626,505
Other financial assets, net	1,900,045	58,492	1,916,687	Accrued pension liability	167,321	5,151	162,114
Other assets, net	259,401	7,985	309,923	Total Liabilities	216,856,421	6,675,792	270,253,300
				Stockholders' equity			
				Capital stock	15,114,411	465,288	20,114,411
				Capital surplus	312,823	9,630	312,823
				Retained earnings	12,408,658	381,993	12,585,664
				Equity adjustments	1,489,282	45,846	5,195,945
				Total Stockholders' Equity	29,325,174	902,757	38,208,843
				TOTAL LIABILITIES AND			
TOTAL ASSETS	$246,181,595	$7,578,549	$308,462,143	STOCKHOLDERS' EQUITY	$246,181,595	$7,578,549	$308,462,143

CHUNG KUO INSURANCE CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$	Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Assets				Liabilities			
Current assets	$8,245,177	$253,823	$8,895,090	Current liabilities	$1,231,548	$37,912	$1,503,666
Fund and investments	686,979	21,148	634,908	Long-term liabilities	159,192	4,901	145,887
Property and equipment, net	907,297	27,931	905,030	Operation and liabilities reserve	4,592,497	141,377	4,530,343
Intangible assets	15,896	489	5,199	Other liabilities	21,502	662	20,333
Other assets	1,231,851	37,922	1,140,450	Total liabilities	6,004,739	184,852	6,200,229
				Stockholders' equity			
				Capital stock	3,000,000	92,353	3,000,000
				Capital surplus	1,058,461	32,584	1,058,461
				Retained earnings	997,303	30,702	1,271,370
				Equity adjustments	26,697	822	50,617
				Total Stockholders' Equity	5,082,461	156,461	5,380,448
TOTAL ASSETS	$11,087,200	$341,313	$11,580,677	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$11,087,200	$341,313	$11,580,677

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$	Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Assets				Liabilities			
Current assets	$518,140	$15,951	$548,363	Current liabilities	$254,386	$7,831	$202,025
Property and equipment, net	132,050	4,065	127,097	Other liabilities	38,318	1,180	80,564
				Total liabilities	292,704	9,011	282,589
Other assets	442,177	13,612	387,110	Stockholders' equity			
				Capital stock	591,415	18,206	577,740
				Capital surplus	108,551	3,342	102,717
				Retained earnings	104,952	3,231	78,296
				Equity adjustments	(5,255)	(162)	1,040
				Minority interest	-	-	20,188
				Total Stockholders' Equity	799,663	24,617	779,981
TOTAL ASSETS	$1,092,367	$33,628	$1,062,570	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,092,367	$33,628	$1,062,570

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$	Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Assets				Liabilities			
Current assets	$9,242,613	$284,528	$6,264,912	Current liabilities	$5,429,930	$167,157	$1,493,573
Property and equipment, net	64,099	1,974	219,428	Long-term liabilities	1,483,000	45,653	2,599,636
Intangible assets	2,693	83	7,220	Other liabilities	118,551	3,650	38,446
Other assets	110,517	3,402	103,615	Total liabilities	7,031,481	216,460	4,131,655
				Stockholders' equity			
				Capital stock	2,000,000	61,569	2,000,000
				Retained earnings	388,441	11,958	463,520
				Total Stockholders' Equity	2,388,441	73,527	2,463,520
TOTAL ASSETS	$9,419,922	$289,987	$6,595,175	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$9,419,922	$289,987	$6,595,175

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$	Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Assets				Liabilities			
Current assets	$88,242	$2,717	$93,321	Current liabilities	$40,913	$1,259	$55,671
Property and equipment, net	1,315	40	1,656	Total liabilities	40,913	1,259	55,671
Other assets	3,522	108	824	Stockholders' equity			
				Capital stock	20,000	616	20,000
				Retained earnings	32,166	990	20,130
				Total Stockholders' Equity	52,166	1,606	40,130
TOTAL ASSETS	$93,079	$2,865	$95,801	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$93,079	$2,865	$95,801

MEGA CTB VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$	Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Assets				Liabilities			
Current assets	$614,431	$18,915	$817,479	Current liabilities	$10,843	$334	$2,109
Fund and investments	414,940	12,774	195,960	Total liabilities	10,843	334	2,109
				Stockholders' equity			
				Capital stock	1,000,000	30,785	1,000,000
				Retained earnings	32,389	997	(1,093)
				Equity adjustments	(13,861)	(427)	12,423
				Total Stockholders' Equity	1,018,528	31,355	1,011,330
TOTAL ASSETS	$1,029,371	$31,689	$1,013,439	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,029,371	$31,689	$1,013,439

CTB I VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of Dollars)

Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$	Items	December 31, 2007 NT$	December 31, 2007 US$ (Unaudited)	December 31, 2006 NT$
Assets				Liabilities			
Current assets	$676,661	$20,831	$770,642	Current liabilities	$19,485	$600	$43,014
Fund and investments	426,004	13,114	458,160	Total liabilities	19,485	600	43,014
				Stockholders' equity			
				Capital stock	1,000,000	30,784	1,000,000
				Retained earnings	84,535	2,603	142,790
				Equity adjustments	(1,355)	(42)	42,998
				Total Stockholders' Equity	1,083,180	33,345	1,185,788
TOTAL ASSETS	$1,102,665	$33,945	$1,228,802	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,102,665	$33,945	$1,228,802

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Interest income, net	$22,431,529	$690,541	$19,726,768
Revenues other than interest, net	14,932,552	459,690	17,309,131
Net revenue	37,364,081	1,150,231	37,035,899
Bad debts expense on loans	(6,452,134)	(198,625)	(9,243,197)
Operating Expenses	(14,606,707)	(449,659)	(14,642,026)
Income before Income Tax	$16,305,240	$501,947	$13,150,676
Net Income	$14,030,952	$431,934	$11,683,589
Earnings Per Share (pre-tax)	$2.54	$0.0782	$2.16
Earnings Per Share (after-tax)	$2.19	$0.0674	$1.82

MEGA SECURITIES CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Revenues	$10,009,492	$308,136	$7,847,694
Expenses	(8,350,715)	(252,072)	(6,180,474)
Income before Income Tax	$1,658,777	$51,064	$1,667,220
Net Income	$1,408,709	$43,366	$2,066,352
Earnings Per Share (pre-tax)	$1.26	$0.0388	$1.60
Earnings Per Share (after-tax)	$1.07	$0.0329	$1.56

MEGA BILLS FINANCE CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Interest income, net	$2,524,662	$77,720	$2,995,349
Revenues other than interest, net	776,002	23,889	1,448,768
Net revenue	3,300,664	101,609	4,444,117
Provision for various reserve	(74,252)	(2,286)	(118,731)
Operating Expenses	(661,380)	(20,360)	(670,328)
Income before Income Tax	$2,565,032	$78,963	$3,655,058
Net Income	$2,120,384	$65,275	$3,225,230
Earnings Per Share (pre-tax)	$1.46	$0.0449	$1.83
Earnings Per Share (after-tax)	$1.20	$0.0369	$1.60

CHUNG KUO INSURANCE CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Operating Revenues	$12,700,426	$390,975	$11,808,975
Operating Costs	(11,936,218)	(367,449)	(10,588,765)
Operating Margin	764,208	23,526	1,220,210
Operating Expenses	(806,013)	(24,813)	(863,429)
Non-Operating Revenues and Gains	45,239	1,393	21,144
Non-Operating Expenses and Losses	(7,017)	(216)	(551)
Income before Income Tax	($3,583)	($110)	$377,374
Net Income	$34,973	$1,077	$334,779
Earnings Per Share (pre-tax)	($0.01)	($0.0003)	$1.26
Earnings Per Share (after-tax)	$0.12	$0.0037	$1.12

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Operating Revenues	$347,335	$10,692	$345,708
Operating Costs	-	-	-
Operating Margin	347,335	10,692	345,708
Operating Expenses	(244,595)	(7,530)	(262,838)
Non-Operating Revenues and Gains	19,163	590	33,879
Non-Operating Expenses and Losses	(51,665)	(1,590)	(2,222,054)
Income before Income Tax	$70,238	$2,162	($2,105,305)
Net Income	$25,256	$777	($1,885,209)
Earnings Per Share (pre-tax)	$1.19	$0.0366	($35.60)
Earnings Per Share (after-tax)	$0.43	$0.0132	($31.88)

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Operating Revenues	$724,414	$22,300	$920,904
Operating Expenses	(229,637)	(7,069)	(294,684)
Operating Margin	494,777	15,231	626,220
Non-Operating Revenues and Gains	60,877	1,874	9,768
Non-Operating Expenses and Losses	(140,796)	(4,334)	(45,001)
Income before Income Tax	$414,858	$12,771	$590,987
Net Income	$309,444	$9,526	$423,072
Earnings Per Share (pre-tax)	$2.07	$0.0637	$2.95
Earnings Per Share (after-tax)	$1.55	$0.0477	$2.12

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Operating Revenues	$420,083	$12,932	$310,086
Operating Costs	(360,396)	(11,094)	(265,706)
Operating Margin	59,687	1,838	44,380
Operating Expenses	(24,396)	(751)	(24,990)
Non-Operating Revenues and Gains	885	27	3,213
Non-Operating Expenses and Losses	-	-	(442)
Income before Income Tax	$36,176	$1,114	$22,161
Net Income	$27,142	$836	$16,785
Earnings Per Share (pre-tax)	$18.09	$0.5569	$11.08
Earnings Per Share (after-tax)	$13.57	$0.4177	$8.39

MEGA CTB VENTURE CAPITAL CO., LTD.
CONDENSED INCOME STATEMENT
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Operating Revenues	$98,892	$3,044	$42,984
Operating Costs	(44,630)	(1,374)	(31,100)
Operating Margin	54,262	1,670	11,884
Operating Expenses	(29,821)	(918)	(21,499)
Non-Operating Revenues and Gains	12,077	372	13,370
Income before Income Tax	$36,518	$1,124	$3,755
Net Income	$33,481	$1,031	$975
Earnings Per Share (pre-tax)	$0.37	$0.0114	$0.04
Earnings Per Share (after-tax)	$0.33	$0.0102	$0.01

Financial Reports

CTB I VENTURE CAPITAL CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of Dollars, Except Earnings Per Share)

Items	For the Year Ended December 31, 2007 NT$	For the Year Ended December 31, 2007 US$(Unaudited)	For the Year Ended December 31, 2006 NT$
Operating Revenue	$228,005	$7,019	$266,396
Operating Costs	(131,352)	(4,043)	(52,047)
Operating Profits	96,653	2,976	214,349
Operating Expense	(34,196)	(1,053)	(47,277)
Non-operating revenue and income	13,969	430	4,785
Income before Income Tax	$76,426	$2,353	$171,857
Net Income	$69,758	$2,147	$155,136
Earnings Per Share (pre-tax)	$0.76	$0.0234	$1.72
Earnings Per Share (after-tax)	$0.70	$0.0215	$1.55

(13) Profitability, asset quality, management information, and liquidity and market risk sensitivity of the company and subsidiaries:

A. Profitability

(a) The Company:

Unit: %

Items		MEGA FINANCIAL HOLDING CO., LTD December 31, 2007	MEGA FINANCIAL HOLDING CO., LTD December 31, 2006
Return on assets	Pre-tax	7.53	7.27
	After tax	7.67	7.58
Return on equity	Pre-tax	8.51	8.11
	After tax	8.67	8.46
Net profit margin		97.43	99.73

Unit: %

Items		MEGA FINANCIAL HOLDING CO., LTD AND ITS SUBSIDIARIES December 31, 2007	MEGA FINANCIAL HOLDING CO., LTD AND ITS SUBSIDIARIES December 31, 2006
Return on assets	Pre-tax	0.88	0.77
	After tax	0.75	0.67
Return on equity	Pre-tax	10.14	8.66
	After tax	8.66	7.61
Net profit margin		36.46	31.73

(b) Subsidiaries:

Unit: %

Items		MICB December 31, 2007	MICB December 31, 2006
Return on assets	Pre-tax	0.87	0.70
	After tax	0.75	0.64
Return on equity	Pre-tax	10.78	9.46
	After tax	9.28	7.97
Net profit margin		37.55	31.55

Unit: %

Items		MBF December 31, 2007	MBF December 31, 2006
Return on assets	Pre-tax	0.92	1.23
	After tax	0.76	1.08
Return on equity	Pre-tax	7.60	10.30
	After tax	6.28	9.09
Net profit margin		64.24	72.57

Unit: %

Items		MS	
		December 31, 2007	December 31, 2006
Return on assets	Pre-tax	2.36	2.69
	After tax	2.00	3.34
Return on equity	Pre-tax	9.88	10.43
	After tax	8.39	12.93
Net profit margin		14.07	26.33

Unit: %

Items		CKI	
		December 31, 2007	December 31, 2006
Return on assets	Pre-tax	(0.03)	3.34
	After tax	0.31	2.96
Return on equity	Pre-tax	(0.07)	7.13
	After tax	0.67	6.32
Net profit margin		0.28	2.83

Note：(1)Return on assets ＝ Income (loss) before income tax ÷ Average total assets
(2)Return on equity ＝ Income (loss) before income tax ÷ Average stockholders' equity
(3)Net profit margin ＝ Net income (loss) after income tax ÷ Operating revenues
(4)Net income (loss) pre-tax / after-tax refers to the income (loss) for the years ended December 31, 2007 and 2006.

B. Asset quality

(a) MICB

Non-performing loans and overdue accounts

Unit: thousands of New Taiwan dollars, %

Month / Year			December 31, 2007				
Business / Items			Amount of non-performing loans (Note1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$5,807,568	$396,109,874	1.47%	$-	-
	Unsecured loans		3,065,759	555,199,102	0.55%	-	-
Consumer banking	Residential mortgage loans (Note 4)		2,913,814	211,872,508	1.38%	-	-
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		177,425	10,764,783	1.65%	-	-
	Others (Note 6)	Secured loans	112,175	29,629,493	0.38%	-	-
		Unsecured loans	4,054	341,013	1.19%	-	-
Gross loan business			12,080,795	1,203,916,773	1.00%	8,668,115	71.75%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$103,919	$5,597,759	1.86%	$219,087	210.82%
Without recourse factoring (Note 7)			7,150	51,381,729	0.01%	162,631	2,274.56%

Note 1: The amount recognized as non-performing loans is in compliance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in compliance with the Banking Bureau (4) Letter No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouse's) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 094000494 dated July 19, 2005, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

Expressed In Thousands of New Taiwan Dollars, %

December 31, 2006		
Items	Amount	Non-performing loans/gross loans (%)
Non-performing loans A	$ 8,051,613	0.72
Non-performing loans B	1,832,991	0.16
Gross non-performing loans	9,884,604	0.88

(b) MBF

Unit: In Thousands of Dollars, %

Items	December 31, 2007		December 31, 2006
	NT$	US$(Unaudited)	NT$
Operating Revenues	$98,892	$3,044	$42,984
Guarantees in arrear and guaranteed credits overdue for longer than three months	$390,000	$12,006	$-
Overdue credits	671,238	20,664	470,920
Loans under surveillance	1,237,100	38,083	192,700
Overdue receivables	663,538	20,427	470,920
Ratio of overdue credits	0.61	0.02	0.32
Ratio of overdue credits plus ratio of loans under surveillance	1.73	0.05	0.45
Provision for bad debts and guarantees as required by regulation	1,711,200	52,678	2,311,409
Provision for bad debts and guarantees actually reserved	1,851,971	57,012	2,333,972

Note:Ratio of overdue credits = overdue credits ÷（outstanding guaranteed credits + payments for guarantee credits）.

C. Structure analysis of time to maturity

MICB

Structure analysis NTD time to maturity

December 31, 2007

Unit: In Thousands of NT Dollars, %

	Total	Remaining Balance before Maturity				
		1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major cash inflow from capital upon maturity	$1,270,255,816	$244,482,643	$65,233,399	$123,979,833	$142,837,793	$693,722,148
Major cash outflow due to capital upon maturity	1,374,729,955	193,547,060	188,040,206	333,703,960	358,979,606	300,459,123
Duration gap	(104,474,139)	50,935,583	(122,806,807)	(209,724,127)	(216,141,813)	393,263,025

The amount in the above table only includes New Taiwan dollar denominated assets and liabilities of the head office and domestic branch office.

Structure analysis USD time to maturity

December 31, 2007

Unit: In Thousands of US Dollars, %

	Total	Remaining Balance before Maturity				
		1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major cash inflow from capital upon maturity	$8,698,676	$3,461,673	$439,421	$597,058	$1,100,115	$3,100,409
Cash outflow due to capital upon maturity	11,909,276	5,547,235	1,703,823	1,604,774	2,014,085	1,039,359
Duration gap	(3,210,600)	(2,085,562)	(1,264,402)	(1,007,716)	(913,970)	2,061,050

Notes:1. The above amounts included only US dollars amounts by the head office, domestic and foreign branches, and the OBU branch.

2. Non-financial information disclosed above had not been reviewed by independent auditors.

Structure analysis NTD time to maturity

December 31, 2006

Unit: In Thousands of NT Dollars, %

	Total	Remaining Balance before Maturity				
		1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major cash inflow from capital upon maturity	$1,349,515,000	$185,770,000	$57,643,000	$124,537,000	$125,281,000	$856,284,000
Major cash outflow due to capital upon maturity	1,311,081,000	461,321,000	101,291,000	199,150,000	214,590,000	334,729,000
Duration gap	38,434,000	(275,551,000)	(43,648,000)	(74,613,000)	(89,309,000)	521,555,000

The amount in the above table only includes New Taiwan dollar denominated assets and liabilities of the head office and domestic branch office.

Structure analysis USD time to maturity

December 31, 2006

Unit: In Thousands of US Dollars, %

	Total	Remaining Balance before Maturity				
		1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major cash inflow from capital upon maturity	$25,261,000	$11,374,000	$2,199,000	$3,771,000	$1,358,000	$6,559,000
Cash outflow due to capital upon maturity	24,162,000	15,742,000	2,688,000	4,344,000	917,000	471,000
Duration gap	1,099,000	(4,368,000)	(489,000)	(573,000)	441,000	6,088,000

Notes: 1. The above amounts included only US dollars amounts by the head office, domestic and foreign branches, and the OBU branch.

2. Non-financial information disclosed above had not been reviewed by independent auditors.

D. Interest rate sensitivity analysis on assets and liabilities

(a) MICB

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2007

Unit: In Thousands of NT Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$915,637,014	$36,847,002	$15,954,111	$88,494,626	$1,056,932,753
Interest rate sensitive liabilities	458,470,394	336,803,135	42,368,177	30,404,275	868,045,981
Interest rate sensitivity gap	457,166,620	(299,956,133)	(26,414,066)	58,090,351	188,886,772
Net worth					152,461,108
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					121.76%
Ratio of interest rate sensitivity gap to net worth					123.89%

Notes:1. The above amounts included only New Taiwan dollar amounts by the onshore branches of the Company (i.e. excluding foreign currency).
2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
3. Interest rate sensitivity gap = Interest rate sensitive assets－Interest rate sensitive liabilities
4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in New Taiwan dollars)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2007

Unit: In Thousands of US Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$15,323,632	$457,964	$902,752	$2,527,980	$19,212,328
Interest rate sensitive liabilities	15,136,056	4,725,152	859,014	468,706	21,188,928
Interest rate sensitivity gap	187,576	(4,267,188)	43,738	2,059,274	(1,976,600)
Net worth					4,693,422
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					90.67%
Ratio of interest rate sensitivity gap to net worth					-42.11%

Notes:1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch. Contingent assets and liabilities are excluded.
2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
3. Interest rate sensitivity gap = Interest rate sensitive assets － Interest rate sensitive liabilities
4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in US dollars).
5.Non-financial information disclosed above had not been reviewed by independent auditors.

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2006

Unit: In Thousands of NT Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$726,889,000	$33,139,000	$42,925,000	$235,922,000	$1,038,875,000
Interest rate sensitive liabilities	203,079,000	358,683,000	145,290,000	102,260,000	809,312,000
Interest rate sensitivity gap	523,810,000	(325,544,000)	(102,365,000)	133,662,000	229,563,000
Net worth					138,337,000
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					128.37%
Ratio of interest rate sensitivity gap to net worth					165.94%

Notes:1. The above amounts included only New Taiwan dollar amounts by the onshore branches of the company (i.e.., excluding foreign currency).
2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
3. Interest rate sensitivity gap = Interest rate sensitive assets － Interest rate sensitive liabilities
4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in New Taiwan dollars)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2006

Unit: In Thousands of US Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$15,538,000	$3,262,000	$1,145,000	$4,687,000	$24,632,000
Interest rate sensitive liabilities	18,270,000	4,438,000	1,250,000	45,000	24,003,000
Interest rate sensitivity gap	(2,732,000)	(1,176,000)	(105,000)	4,642,000	629,000
Net worth					4,595,000
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					102.62%
Ratio of interest rate sensitivity gap to net worth					13.69%

Notes:1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch. Contingent assets and liabilities are excluded.
2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
3. Interest rate sensitivity gap = Interest rate sensitive assets－Interest rate sensitive liabilities
4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in US dollars).
5.Non-financial information disclosed above had not been reviewed by independent auditors.

(b) MBF

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)
December 31, 2007

Unit: In Thousands of NT Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$86,804	$10,236	$12,799	$126,524	$236,363
Interest rate sensitive liabilities	204,298	8,058	1,443	29,325	243,124
Interest rate sensitivity gap	(117,494)	2,178	11,356	97,199	(6,761)
Net worth					29,325
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					97.22%
Ratio of interest rate sensitive gap to net worth					-23.06%

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)
December 31, 2006

Unit: In Thousands of NT Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$105,635	$21,505	$19,364	$151,227	$297,731
Interest rate sensitive liabilities	253,908	7,558	535	43,209	305,210
Interest rate sensitivity gap	(148,273)	13,947	18,829	108,018	(7,479)
Net worth					38,209
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					97.55%
Ratio of interest rate sensitivity gap to net worth					-19.57%

Notes:1. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
2. Interest rate sensitivity gap = Interest rate sensitive assets－Interest rate sensitive liabilities
3. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in NT dollars).

E. Average amount and average interest rates of interest-earning assets and interest-bearing liabilities

(a) MICB

	For the years ended December 31, 2007			For the years ended December 31, 2006	
	Average amount (NT$)	Average amount (US$) (Unaudited)	Average interest rate (%)	Average amount(NT$)	Average interest rate (%)
Assets					
Due from banks (including call loans to banks)	$143,281,518	$4,410,834	5.11	$133,911,366	2.13
Due from the Central Bank	35,755,360	1,100,707	1.07	25,078,181	2.10
Financial assets held for trading purposes	1,170,625	36,037	7.29	2,839,669	1.26
Financial assets at fair value through profit or loss	59,535,757	1,832,772	2.67	60,746,988	2.29
Bonds and bills investments under resale agreements	2,268,499	69,834	4.49	1,620,454	2.08

(continued)

	For the years ended December 31, 2007			For the years ended December 31, 2006	
	Average amount (NT$)	Average amount (US$) (Unaudited)	Average interest rate (%)	Average amount(NT$)	Average interest rate (%)
Available-for-sale financial assets	98,449,830	3,030,718	3.28	80,587,720	3.01
Receivables-credit card transaction with circulating interests	3,811,806	117,344	16.22	6,243,205	18.75
Receivables on factoring	25,229,739	776,682	3.96	19,754,648	4.40
Bills discounts and loans	1,167,270,500	35,933,706	3.89	989,657,472	3.95
Held-to-maturity financial assets	68,284,386	2,102,093	2.56	144,164,707	1.93
Other debt investments	4,696,402	144,576	3.83	4,034,018	1.77
Exchange bills negotiated	76,555	2,357	6.01	83,932	5.67
Liabilities					
Due to the Central Bank	111,250,157	3,424,768	4.53	106,630,975	4.73
Due to other banks	108,652,610	3,344,804	2.63	143,007,228	2.97
Demand deposits	260,462,926	8,018,191	0.96	228,765,370	1.08
Demand saving deposits	201,686,746	6,208,803	0.77	169,382,637	0.90
Time deposits	463,142,806	14,257,567	3.80	403,262,035	3.61
Time saving deposits	193,337,475	5,951,775	2.42	174,537,185	2.27
Negotiable certificate of deposits	3,244,399	99,877	1.30	4,568,620	1.37
Financial liabilities at fair value through profit or loss	48,151,918	1,482,327	1.24	44,154,842	1.13
Bonds and bills payable under repurchase agreements	31,247,261	961,928	1.68	29,372,363	1.52
Funds borrowed from the Central Bank and other banks	43,824,502	1,349,110	5.26	56,203,871	4.19
Bank notes payable	17,756,595	546,626	2.31	25,669,811	2.66
Commercial paper payable-net	9,680,043	297,994	6.70	8,201,165	6.61

(b) MBF

	For the years ended December 31, 2007			For the years ended December 31, 2006	
	Average amount (NT$)	Average amount (US$) (Unaudited)	Average interest rate (%)	Average amount(NT$)	Average interest rate (%)
Assets					
Cash and cash equivalents	$1,023,177	$31,498	1.19	$1,140,545	1.06
Call loans to banks	90,055	2,772	1.78	419,589	1.49
Financial assets at fair value through profit or loss	113,582,129	3,496,556	1.94	123,869,109	1.56
Bonds and bills investments under resale agreements	16,480,632	507,346	1.81	16,738,145	1.56
Available-for-sale financial assets	147,621,357	4,544,433	2.81	153,212,618	2.93
Held-to-maturity financial assets	315,616	9,716	2.97	398,904	2.91
Liabilities					
Due to banks	7,001,118	215,525	2.10	4,339,721	1.92
Bonds and bills payable under repurchase agreements	243,285,644	7,489,399	1.64	260,424,991	1.38
Corporate bonds payable	5,000,000	153,922	1.48	5,000,000	1.48

F. Net position for major foreign currency transactions

MICB

	December 31, 2007		December 31, 2006	
	Currency	NT$(in thousands)	Currency	NT$(in thousands)
Net position for major foreign currency transactions (Market Risk)	THB	$4,262,279	USD	$5,163,478
	USD	3,661,686	THB	3,854,728
	EUR	2,263,241	EUR	1,844,853
	AUD	1,004,898	AUD	770,914
	CAD	778,809	CAD	503,989

11. Disclosure of financial information by segments

(1) Financial information by business segments:

Items	2007 Bank Department	Securities Department	Bills Department	Insurance Department	Other Department	Total
Revenues from non-affiliated parties	$76,798,938	$5,803,594	$7,152,841	$755,960	$1,336,618	$91,847,951
General expense						(26,902,132)
Interest expense						(44,913,630)
Income from continuing operations before income taxes						$20,032,189
Asset attributable to specific departments	$1,958,595,527	$73,658,863	$244,451,047	$10,733,854	$20,812,544	$2,308,251,835
Long-term equity investments accounted for under the equity method						2,582,607
Total assets						$2,310,834,442

(2) Financial information by geographic area

	Domestic (including OBU)	North America	Other overseas operating Departments	Adjustment and write-off	Total
Revenue from customers outside the Bank	$72,989,905	$8,474,713	$10,383,333	$-	$91,847,951
Revenue from customers in the Bank	62,969,080	68,472	1,667,546	(64,705,098)	-
Total revenue	$135,958,985	$8,543,185	$12,050,879	($64,705,098)	$91,847,951
Profit or loss	$16,946,690	$582,597	$2,502,902	$-	$20,032,189
Asset attributable to specific departments	$1,816,869,435	$291,521,088	$199,861,312	$-	$2,308,251,835

(3) Export sales by geographic area

The Company and its subsidiaries have no export sales.

(4) Information on major customers

The Company and its subsidiaries have no customer accounting for more than 10% of the Company's operating revenues for the year ended December 31, 2007.

Mega Financial Holding Co., Ltd.

Chairman Joseph Lyu