

Polaris MF Global Futures Co., Ltd
Financial Statements for the six months ended
June 30, 2007 and 2006
Independent Auditors' Report

Readers are advised that the original version of these financial statements is in Chinese. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Polaris MF Global Futures Co., Ltd

CONTENTS

1. COVER PAGE.....	1
2. CONTENTS OF FINANCIAL STATEMENTS.....	2
3. INDEPENDENT AUDITORS' REPORT	3
4. BALANCE SHEETS	5
5. STATEMENTS OF INCOME.....	6
6. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	7
7. STATEMENTS OF CASH FLOWS	8
8. NOTES TO FINANCIAL STATEMENTS	10

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Polaris MF Global Futures Co., Ltd.

We have audited the accompanying balance sheets of Polaris MF Global Futures Co., Ltd. as of June 30, 2007, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Polaris MF Global Futures Co., Ltd. as of June 30, 2006 were audited by CPA M.L. Lin and CPA P. Kao ,who issued modified unqualified opinion on August 7, 2006.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polaris MF Global Futures Co., Ltd. as of June 30, 2007, and the results of its operations and its cash flows for the six months then ended in conformity with Criteria Governing the Preparation of Financial Reports by Futures Firms and generally accepted accounting principles in the Republic of China.

As stated in Note III to the financial statements, effective January 1, 2007, the Company adopted the Republic of China Statement of Financial Accounting Standards (SFAS) No.37 "Accounting for Intangible Assets". Effective January 1, 2006, the Company adopted SFAS No. 34 "Accounting for Financial Instruments" and SFAS No.36 "Disclosure and Presentation of Financial Instruments", and newly amended articles in related SFAS.

First Horwath & Company, CPAs
Taipei, Taiwan
Republic of China
July 25, 2007

Notice to Readers

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

POLARIS MF GLOBAL FUTURES CO., LTD.

Balance Sheets

June 30, 2007 and 2006

(In Thousands of New Taiwan Dollars)

ASSETS	Note	June 30, 2007		June 30, 2006		LIABILITIES AND SHAREHOLDERS' EQUITY	Note	June 30, 2007		June 30, 2006	
		Amount	%	Amount	%			Amount	%	Amount	%
CURRENT ASSETS		\$ 12,274,713	95	\$ 9,153,882	94	CURRENT LIABILITIES		\$ 11,157,865	86	\$ 8,165,008	84
Cash and cash equivalents	II-1, IV-1	356,559	3	529,567	5	Financial liabilities at fair value through profit or loss	II-2, IX	379,728	3	28,200	-
Financial assets at fair value through profit or loss	II-2, IV-2	1,333,376	10	640,393	7	Futures tradrs' equity	II-9, IV-3, V	10,551,262	81	7,931,210	82
Margin deposits	II-4, IV-3, V	10,568,119	82	7,959,111	82	Notes payable		36	-	4,898	-
Futures trading margin receivable		55	-	660	-	Accounts payable-non-related parties		30,860	-	28,912	-
Accounts Receivable-non-related parties		3,391	-	76	-	Accounts payable-related parties	V	18,110	-	27,868	-
Accounts Receivable-related parties	V	122	-	-	-	Other payables	IV-7	173,499	2	139,775	2
Other current assets		13,091	-	24,075	-	Other current liabilities		4,370	-	4,145	-
FUNDS AND LONG-TERM INVESTMENTS	II-3, IV-4	35,510	-	35,510	-	OTHER LIABILITIES		202,593	2	198,335	2
Available for sale financial assets-noncurrent		35,510	-	35,510	-	Reserve for breach of contract losses	II-10	117,452	1	92,305	1
FIXED ASSETS	II-5, IV-5	182,013	2	196,500	2	Reserve for trading losses	II-11	-	-	27,434	-
Land		69,313	1	69,313	1	Guarantee deposit received		1,759	-	-	-
Buildings		38,034	-	38,034	-	Accrued pension liabilities	II-12, IV-8	20,778	-	15,992	-
Equipments		223,013	2	206,855	2	Reserve for bad debts losses	II-13	62,604	1	62,604	1
Prepayment for equipments		829	-	4,213	-	TOTAL LIABILITIES		11,360,458	88	8,363,343	86
Leasehold improvements		26,036	-	24,529	1	Capital stock	IV-9	974,826	8	801,864	8
Less : accumulated depreciation		(175,212)	(1)	(146,444)	(2)	Common stock		801,864	6	722,400	7
INTANGIBLE ASSETS	II-6	25,196	-	27,733	-	Stock dividends to be distributed		172,962	2	79,464	1
Deferred pension costs		6,581	-	5,391	-	Capital surplus		46,333	-	46,333	1
Other intangible assets		18,615	-	22,342	-	Capital surplus from business merger		46,333	-	46,333	1
OTHER ASSETS	II-7,8, IV-6	462,004	3	321,598	4	Retained earnings		597,819	4	523,683	5
Operations guarantee deposits		110,000	1	110,000	1	Legal reserve		141,013	1	107,792	1
Clearing and settlement funds		150,000	1	141,000	2	Special reserve	IV-10	282,027	2	215,585	2
Refundable deposits		4,459	-	11,488	-	Unappropriated retained earnings	IV-11	174,779	1	200,306	2
Deferred charges		8,107	-	10,570	-	SHAREHOLDERS' EQUITY		1,618,978	12	1,371,880	14
Lease assets		140,557	1	-	-	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 12,979,436	100	\$ 9,735,223	100
Deferred income tax assets - noncurrent		48,881	-	48,540	1						
TOTAL ASSETS		\$ 12,979,436	100	\$ 9,735,223	100						

Note: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Lin, C.L. and Chiu, C.S. in First Horwath & Company, CPAs.

POLARIS MF GLOBAL FUTURES CO., LTD.

Statements of Income

For the six months ended June 30, 2007 and 2006

(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

Descriptions	Note	2007		2006	
		Amount	%	Amount	%
REVENUES	II-15				
Brokerage		\$ 624,816	33	\$ 733,817	63
Clearance fee from consignment		4,447	-	1,224	-
Gain on disposal of derivative financial instruments		1,100,361	59	354,949	31
Futures advisory revenues		6	-	11	-
Other operating revenues		34,995	2	218	-
Nonoperating revenues		119,149	6	68,772	6
Total Revenues		<u>1,883,774</u>	<u>100</u>	<u>1,158,991</u>	<u>100</u>
EXPENSES	II-15				
Brokerage		(62,970)	(4)	(81,257)	(7)
Dealer handling fee		(3,704)	-	(3,027)	-
Futures commission		(177,884)	(9)	(202,432)	(17)
Clearance fee		(48,155)	(3)	(57,588)	(5)
Loss on disposal of derivative financial instruments		(1,000,727)	(53)	(204,157)	(18)
Operating expenses		(339,586)	(18)	(369,330)	(32)
Nonoperating expenses and losses		(24,807)	(1)	(6,680)	(1)
Total Expenses		<u>(1,657,833)</u>	<u>(88)</u>	<u>(924,471)</u>	<u>(80)</u>
Net income before income tax		225,941	12	234,520	20
Income tax expenses	II-14, IV-12	(51,594)	(3)	(40,323)	(3)
Net income before cumulative effect of changes in accounting principles		174,347	9	194,197	17
Cumulative effect of changes in accounting principles, net of tax expense		-	-	72	-
Net income		<u>\$ 174,347</u>	<u>9</u>	<u>\$ 194,269</u>	<u>17</u>
Earnings per share	II-18, IV-13				
Earnings per share before cumulative effect of changes in accounting principles		\$ 2.17		\$ 2.42	
Earnings per share for cumulative effect of changes in accounting principles		-		-	
Earnings per share (net of tax)		<u>\$ 2.17</u>		<u>\$ 2.42</u>	

Note: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Lin, C.L. and Chiu, C.S. in First Horwath & Company, CPAs.

POLARIS MF GLOBAL FUTURES CO., LTD.
 Statements of Changes in Shareholders' Equity
 For the six months ended June 30, 2007 and 2006
 (In Thousands of New Taiwan Dollars)

Item	Capital stock	Capital surplus	Retained Earnings			Total
			Legal reserve	Special reserve	Unappropriated retained earnings	
Balance, Jan 1, 2006	\$ 722,400	\$ 46,333	\$ 84,354	\$ 168,709	\$ 235,597	\$ 1,257,393
Legal reserve	-	-	23,438	-	(23,438)	-
Special reserve	-	-	-	46,876	(46,876)	-
Employees' profit sharing - in cash	-	-	-	-	(159)	(159)
Bonus to directors and supervisors	-	-	-	-	(159)	(159)
Cash dividends to shareholders	-	-	-	-	(79,464)	(79,464)
Stock dividends to shareholders	79,464	-	-	-	(79,464)	-
Net Income for the six months ended June 30, 2006	-	-	-	-	194,269	194,269
Balance, June 30, 2006	<u>801,864</u>	<u>46,333</u>	<u>107,792</u>	<u>215,585</u>	<u>200,306</u>	<u>1,371,880</u>
Balance, Jan. 1, 2007	801,864	46,333	107,792	215,585	338,246	1,509,820
Legal reserve	-	-	33,221	-	(33,221)	-
Special reserve	-	-	-	66,442	(66,442)	-
Bonus to directors and supervisors	-	-	-	-	(238)	(238)
Cash dividends to shareholders	-	-	-	-	(64,951)	(64,951)
Employees' profit sharing - in stock	23,815	-	-	-	(23,815)	-
Stock dividends to shareholders	149,147	-	-	-	(149,147)	-
Net Income for the six months ended June 30, 2007	-	-	-	-	174,347	174,347
Balance, June 30, 2007	<u>\$ 974,826</u>	<u>\$ 46,333</u>	<u>\$ 141,013</u>	<u>\$ 282,027</u>	<u>\$ 174,779</u>	<u>\$ 1,618,978</u>

Note: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Lin, C.L. and Chiu, C.S. in First Horwath & Company, CPAs.

POLARIS MF GLOBAL FUTURES CO., LTD.

Statements of Cash Flows

For the six months ended June 30, 2007 and 2006

(In Thousands of New Taiwan Dollars)

	2007	2006
Cash flows from operating activities		
Net income	\$ 174,347	\$ 194,269
Cumulative effect of changes in accounting principles	-	(72)
Depreciation	14,822	15,231
Depreciation of lease assets	571	-
Depletion and amortization	9,282	8,186
Valuation (gain) loss on financial assets	(7,613)	194
Loss on disposal of short term investments	946	16
Reserve for breach of contract losses	12,585	14,701
Reserve for trading losses	-	15,846
Gain on reversal of trading losses	(34,632)	-
Increase in call options	(45,968)	(8,259)
Increase in future trading margin-house funds	(553,662)	(184,869)
Increase in margin deposits	(1,876,745)	(1,445,564)
Decrease in futures trading margin receivable	165	275
(Increase) decrease in accounts receivable	(3,397)	68
(Increase) decrease in other receivables	5,543	(1,367)
(Increase) decrease in prepayments	2,519	(8,586)
(Increase) decrease in deferred income tax assets	4,927	(8,097)
Increase in other current assets	(83)	(7)
Increase (decrease) in put option liabilities	267,921	(4,824)
Increase in payables to customers	1,885,899	1,429,342
Increase in notes payable	36	4,327
Increase (decrease) in accounts payable-non-related party	8,423	(6,309)
Increase in accounts payable-related party	2,107	12,774
Increase (decrease) in income tax payables	(15,411)	39,737
Increase (decrease) in other accounts payable	(20,860)	10,564
Increase (decrease) in other current liabilities	(3,596)	1,591
Decrease in advance receipts	302	-
Increase in accrued pension liabilities	1,673	1,815
Net cash provided by (used in)operating activities	<u>(169,899)</u>	<u>80,982</u>

(Continued from preceding page)

Cash flows from investing activities

(Increase) decrease in open fund and monetary market tools	(92,060)	50,056
Acquisition of fixed assets	(146,701)	(13,195)
Increase in intangible assets	(3,975)	-
Increase in operations guarantee deposits	-	(10,000)
Decrease (increase) in clearing and settlement funds	(10,000)	4,000
Decrease (increase) in refundable deposits	7,125	(638)
Decrease (increase) in deferred charges	(135)	(1,490)
Net cash provided by (used in) investing activities	<u>(245,746)</u>	<u>28,733</u>

Cash flows from financing activities

Guarantee deposit received	1,758	-
Employees bonus paid	-	(159)
Directors remuneration paid	(238)	(159)
Cash dividend paid	-	(63,570)
Net cash provided by (used in) financing activities	<u>1,520</u>	<u>(63,888)</u>

Net increase (decrease) in cash and cash equivalents	(414,125)	45,827
Cash and cash equivalents at the beginning of the year	770,684	483,740
Cash and cash equivalents at the end of the year	<u>\$ 356,559</u>	<u>\$ 529,567</u>

Supplemental Disclosures of cash flow information

Interest paid	<u>\$ 19,101</u>	<u>\$ 6,065</u>
Income tax paid	<u>\$ 67,004</u>	<u>\$ 8,743</u>
Cash dividends distributed to the stockholders	\$64,951	\$79,464
Distribution of bonus to employees	-	\$159
Distribution of remuneration of directors	238	\$159
Less: other payable	(65,189)	(15,894)
Current payment of cash	<u>\$ -</u>	<u>\$ 63,888</u>

Note: Please refer to the accompanying notes of the financial statements and the audit report signed by
CPA Lin, C.L. and Chiu, C.S. in First Horwath & Company, CPAs.

POLARIS MF GLOBAL FUTURES CO., LTD.

Notes to Financial Statements

June 30, 2007 and 2006

(Amounts expressed in thousands of New Taiwan dollars,
except where otherwise specified, per share, and par value)

I. History and Organization

Polaris MF Global Futures Co., Ltd. (hereinafter referred to as “the Company”) was officially incorporated on April 9, 1997 under the Company Law and other relevant regulations in the Republic of China (“R.O.C.”). The Company was formerly known as “Polaris Futures Co., Ltd.”. In order to expand its business scale and upgrade its operating efficiency, the Company merged with “Refco Taiwan Co., Ltd.” on September 1, 2003 and was renamed as “Polaris Refco Futures Co., Ltd.”. In the end of 2005, in the account of the changes of foreign shareholders, the Extraordinary shareholders’ meeting was held on February 15, 2006, and resolved to change its name to “Polaris Man Financial Futures Co., Ltd.” approved by the Ministry of Economics. As of June 30, 2007, the Company has established four branches.

The Company is a futures dealer primarily engaging in the following business:

1. Futures commission merchant;
2. Futures advisory enterprise.

As of June 30, 2007 and 2006, the Company had 263 and 273 employees, respectively.

II. Summary of Significant Accounting Policies

The financial statements are presented in conformity with the Criteria Governing the Preparation of Financial Reports by Futures Firms and accounting principles generally accepted in R.O.C.

The significant accounting policies are summarized as follows:

1. Cash and cash equivalents

Cash and cash equivalents shall include cash on hand, demand deposit, revolving funds and short-term investment and highly current investment that simultaneously possess the following attributes:

- (1) They can be converted into a certain amount of cash at any time.
- (2) They will become due soon (normally due within three months from the day of investment) while change in the interest rate will have little influence on the value.

2. Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial assets/ liabilities held for trading and those at the time initially recognized at fair value through profit or loss. When initially recognized, financial instruments are initially measured by the fair value and transaction cost (or measured by the fair value and transaction cost incurred as expenses), and subsequently measured at fair value and changes in fair value are recognized in profit or loss.

A regular way purchase or sale of financial assets is accounted for using trade date accounting.

The Company's financial instruments and important accounting policies are summarized as follows:

- (1) Financial assets at fair value through profit or loss - current: which consist of one of the following:
 - A. financial assets for trading.
 - B. financial assets except for those that designated as hedged items in hedge accounting, which at the time of initial recognition were designated as assets to be measured at fair value through profit or loss.

The following financial instruments shall be classified as financial assets held for trading:

- A. instruments acquired primarily for the purpose of sale in the near term.
- B. assets that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
- C. derivative financial assets, except those that are designated and effective hedging instruments.

Financial assets for trading shall be stated under their respective categories, according to trading purpose, as securities, open-end funds, or monetary-market instruments held through a brokerage, or as call option contracts or future trading margins-house funds.

Future trading margins-house funds refer to the guarantee deposits and premiums collected from futures dealer merchants and the spread calculated based on the market prices every day.

Call options refer to a futures commission merchant paying a premium for purchasing option contracts or futures option contracts.

(2) Financial liabilities at fair value through profit or loss - current: which consist of one of the following:

- A. financial liabilities for trading.
- B. financial liabilities, except for those designated as hedged items in hedge accounting, which at the time of initial recognition were designated as assets to be measured at fair value through profit or loss.

The following financial instruments shall be classified as financial liabilities held for trading:

- A. Liabilities incurred primarily for the purpose of repurchase in the near term.
- B. Liabilities that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
- C. Derivative financial liabilities, except for those that are designated and effective hedging instruments.

Put option liabilities means a futures commission merchant collects a premium for selling option contracts or futures option contracts at fair value.

(3) Financial assets or liabilities at fair value through profit of loss are measured at fair value with the changes in fair value recognized in current income. Except for that the emerging stocks are measured at cost, the publicly traded stocks are measured by the closing price on balance-sheet date. The open-end funds are measured by the net assets value on balance-sheet date.

(4) Financial instruments at fair value through profit or loss shall be classified according to liquidity as current or non-current. Those that are non-current shall be reclassified as "financial assets at fair value through profit or loss – non-current" under "funds and the investment" and "financial liabilities at fair value through profit or loss – non-current" under "long-term liabilities".

(5) Financial instruments initially recognized with those at fair value through profit or loss cannot be reclassified into other categories; the financial instruments not initially recognized as those at fair value through profit or loss cannot be reclassified into that category neither.

3. Available-for-sale financial assets

Regulations required otherwise, available-for-sale financial assets shall be measured at fair value, and the changes of gain or loss are recognized in equity. Fair values for beneficiary certificates of open-end funds and publicly traded stocks are determined using the net assets value and the closing-price at the balance sheet date, respectively. OTC stocks with immaterial influence are valued at the cost.

4. Margin deposits

Margin deposits refers to the guarantee deposits and premiums collected from the futures customer and the spread calculated based on the market prices every day. Under Article 71 of the Futures Trading Law, a futures commission merchant shall not withdraw any funds from the segregated customer margin account, unless one of the following situations occurs:

- (1) instructions from the futures customer to deliver the excess margins or premiums;
- (2) payment for the futures customer of the margins/premiums due and/or settlement balance to foreign futures trading houses;
- (3) payment for the futures customer of brokerage commissions, interests, or other transaction fees payable to the futures commission merchant; or
- (4) other items being approved by the competent authorities.

Margin deposits consist of

- (1) Cash in bank: which is the balance of the margin deposit account that a futures commission merchant opens as exclusive customer margin/premium account in a banking institution, and deposits its futures customers' margins or premiums into such an exclusive account.
- (2) Closing balance in the clearinghouse: which is the clearing balance that a futures commission merchant with qualified clearing membership transfers its customers' margins or premiums to the clearinghouse.
- (3) Closing balance in other qualified futures commission merchants: which is the clearing balance that a futures commission merchant with unqualified clearing membership transfers its customers' margins or premiums to qualified futures commission merchants.

5. Fixed assets

Fixed assets are stated at cost. The major improvement, renewal and addition, which can prolong the service life of fixed assets, are counted as capital expenditures and recorded as fixed assets. Expenditures on regular repairs and maintenance are recorded as expenses.

Fixed assets are depreciated according to the service life set forth in the “Fixed Asset Service Life Span” promulgated by the Executive Yuan (the Cabinet), using the average method, with one-year residual value. Renewal and addition is amortized according to the fixed assets’ service life. Major improvement is depreciated based on the remaining service lives of fixed assets. While assets are continually in use after the expiration of its service lives, the residual values and service lives are estimated and depreciated accordingly and continually. The gain (loss) in disposal of assets is recognized as non-operating revenue (expenditure) in the period of sale or disposal.

6. Other intangible assets

Acquired from the dissolved Company Refco Taiwan’s business rights due to business merger. It is amortized using the straight-line method for three to five years.

The operation right from merging the expired company Refco Taiwan Co., Ltd. is amortized using the straight-line method.

7. Operations guarantee deposits

Under Article 14 of Rules Governing Futures Commission Merchants, a futures broker shall, after completing incorporation registration, lodge NT\$50 million in a financial institution designated by the competent authority. An additional of NT\$10 million shall be lodged for each branch established. The Company has so far set up four branches. Under the same article, a futures proprietary merchant shall lodge NT\$10 million in the said financial institution. And, under Article 11 of Rules Governing Futures Consultation Enterprise shall lodge NT\$10 million.

8. Clearing and settlement funds

Under Article 4, Paragraph 3 of Taiwan Futures Exchange Corporation Criteria for Clearing Membership, before carrying out clearing and settlement operations, the clearing member shall make a deposit to the clearing and settlement fund equal to 20% of its paid-in capital or designated operating funds, but of an amount no more than NT\$40 million. To carry out clearing and settlement operations, the clearing member shall make deposits to the clearing and settlement fund by the method and in the amount prescribed by the Taiwan Futures Exchange Corporation constantly. Each time the clearing member consigns an introducing broker or each time such an introducing broker establishes an additional branch, the clearing member shall make an additional clearing and settlement fund deposit of NT\$1 million with the Taiwan Futures Exchange Corporation.

9. Futures traders’ equity

Futures traders’ equity are margins and premiums received by the Company from customers. The balances of futures traders’ equity accounts are adjusted daily by

marking the closing positions to market for each customer. A negative margin account balance is recognized as a receivable and the loss is offset only against the balance of his/her own margin deposits.

10. Reserve for breach of contract losses

Under Rules Governing Futures Commission Merchants, the Company engages in futures brokerage business, shall on a monthly basis set aside 2% of the futures brokerage commission income as reserve for breach of contract losses. The reserve shall not be used except for the purpose of covering the losses arising from customers' futures trading or for the purposes approved by the competent authority. When the accumulated reserve for breach of contract losses reaches the amount of minimum paid-in capital, operation funds or working capital required by law, no additional reserve for each breach of contract losses is required to be set aside.

11. Reserve for trading losses

Under Rules Governing Futures Commission Merchants, the Company engaging in futures proprietary business shall on a monthly basis set aside 10% from the realized net profit of each month as the reserve for trading losses. The reserve for trading losses shall not be used for purposes other than covering the trading loss amount in excess of the trading profit amount. When the accumulated trading loss reserve reaches the amount of minimum paid-in capital, operation funds, or working capital required by law, no additional reserve for trading losses is required to be set aside.

12. Pension

The Company complies with SFAS No.18 "Accounting for pensions" to conduct the actuarial calculation. The Company commenced to recognize the pension cost effective from January 1, 1999, and since October 1998, the Company has made monthly contributions, 2% of salaries, to a pension fund in accordance with the Labor Law. The fund is administered by a pension plan committee and under its name in the Central Trust of China.

Labor Pension Act has been enforced as of July 1, 2005 and applied the defined-contribution scheme. Upon enforcement of the Act, employees may choose to apply the retirement plan referred to in the "Labor Standard Law", or to apply the pension system referred to in the Act and retain the seniority record. To the applicable employees, the Company shall make monthly contributions to the employees' individual pension accounts on a basis no less than 6% of the employees' monthly wages.

13. Reserve for bad debts losses

According to the related regulations prescribed by the competent authority, futures commission merchants shall make appropriate provisions, within 4 years starting from July 1, 1999 for bad debt at 3% of sales turnover of the principal lines on a monthly basis. In

the event of no bad debt available for offset in a month, the sum shall be converted into “reserve for loss in bad debts” at the end of the month. The Company has not needed to appropriate allowance for bad debts since July 1, 2003.

In case of debit balance occurred by payables to customers (i.e., payables to customers appear to be negative, with excessive loss), it shall be entered as “receivables from deposits with other futures brokers” and the reserve for bad debts shall be amortized in full. In the event a customer defaults and the futures dealer completes the procedures required under “Guidelines for Futures commission Merchants in Reporting Default by Principals”, the allowance shall be taken to directly offset the reserve for bad debts after the case is referred to the board of directors and informed to the supervisors. In the event the offset dead credit is retrieved after being entered as loss, the retrieved amount shall be entered as gain in the year of retrieval.

14. Income Tax

In accordance with SFAS No. 22 “Accounting for Income Taxes”, interperiod tax allocation is applied whereby a deferred tax liability is recognized for temporary differences that will result in taxable amounts in future years; a deferred tax asset is recognized for temporary differences that will result in deductible amounts in future years. Valuation allowance is provided based on the expected realizability of the deferred tax assets.

15. Revenue, cost and expense

Revenue is recognized when it is realized or realizable and it is earned; the relevant cost is matching with the revenue and recognized as occurred. Expense accounted by accrual basis shall be recognized as expense in the current period when it occurs.

16. Accounting estimate

Preparing the Company’s financial statements in conformity with the ROC generally accepted accounting principles requires the management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

17. Distinguish between current and non-current assets and liabilities

The Company only engages in futures business, Assets or liabilities are expected to be converted into cash or to be repaid within 12 months from the balance sheet date are classified as current and the others are non-current.

18. Earning per common share

The calculation of earnings per common share was based on the weighted-average number of the Company's common shares outstanding during the applicable periods. The shares increased by unallocated earnings or capital reserve is calculated through retroactive adjustment.

19. Impairment of assets

Effective from January 1, 2005, the Company adopted SFAS No.35 "Accounting for Asset Impairment". According to SFAS No.35, the Company assesses at each balance date whether there is any indications that an asset (individual asset or cash generation units) other than goodwill may have be impaired and estimates its recoverable amount. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount, and the reduction should be recognized as impairment loss.

The accumulated impairment loss of an asset (other than goodwill) recognized in prior years should be reversed if, subsequently, it may no longer exist or may have decreased. The carrying amount of an asset (other than goodwill) after the reversal of impairment loss should not exceed the carrying amount that would have been determined net of depreciation or amortization had no impairment loss been recognized for the asset in the prior year.

If the recoverable value of the unit where the goodwill belonging to, is less then the carrying value of the unit, on an annual test basis, the Company shall recognize an impairment loss.

III. Cause and impact of accounting principles change:

- (1) The Company has adopted SFAS No.37 "Intangible Assets" starting from January 1, 2007. The accounting changes has no material effect on the Company's financial statements as of and for the year ended June 30, 2007.
- (2) Effective from January 1, 2006, the Company adopted the SFAS No.34 "Accounting for Financial Instruments", and No.36 "Disclosure and Presentation of Financial Instruments". With the adoption of those financial statements, financial assets and liabilities (including derivatives) were classified appropriately. The adjustment of the carrying amounts of the financial instruments categorized as the financial assets or liabilities at fair value through profit or loss and the derivatives that meet the criteria for hedge accounting were included in the cumulative effect of changes in accounting principles; on the other hand, the adjustment of the carrying amounts of those categorized as financial assets carried at cost, available-for-sale financial assets were recognized under shareholders' equity. As of June 30, 2006, the cumulative effect of change in accounting principle amounted to

\$72 (net of tax).

IV. Explanations on major accounts

1. Cash and cash equivalents

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash	\$ 200	\$ 85
Checking account deposit	213	290
Demand deposit	67,034	86,543
Time deposit	136,200	433,411
Foreign currency deposit	3,989	9,238
Bill with repurchase terms	148,923	-
Total	<u>\$ 356,559</u>	<u>\$ 529,567</u>

(1) The bills with repurchase terms are valid from June 23, 2007 to July 6, 2007 at the interest rate of 1.80% ~ 1.90%.

(2) The aforementioned items have been free of any restriction in disbursement.

2. Financial assets at fair value through profit or loss-current

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Financial assets for trading		
Securities	\$ 93,724	\$ -
Open-end funds	5,002	4,806
Call option contracts	72,533	20,388
Futures trading margins - house funds	1,162,117	615,199
Total	<u>\$ 1,333,376</u>	<u>\$ 640,393</u>

(1) Future trading margins-house funds were the operating fund of futures dealer proprietary business.

(2) The above financial assets were provided to be free of any pledges or collateral.

3. Margin deposits

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Margin deposit-Cash in banks	\$ 7,520,857	\$ 6,192,067
Margin deposit-clearinghouse	2,411,231	1,277,101
Margin deposit-Other FCMs	636,031	489,943
Total	<u>\$ 10,568,119</u>	<u>\$ 7,959,111</u>

Differences between margin deposits and payables to customers are described as follows:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Balance of margin deposits	\$ 10,568,119	\$ 7,959,111
Minus:		
Accrued service charge and interest income	(10,944)	(22,889)
Accrued interest income	(429)	(3,358)
Futures trading tax	(2,512)	(1,654)
Incorrect deposits from customers	<u>(2,972)</u>	<u>-</u>
Balance of payables to customers	<u>\$ 10,551,262</u>	<u>\$ 7,931,210</u>

4. Available for sale financial assets-non-current

(1) As of June 30, 2007

Investees	Shares (in thousands)	Amount	Ownership	Remark
Taiwan Futures Exchange Corporation	3,401	<u>\$35,510</u>	1.7%	-

(2) As of June 30, 2006

Investees	Shares (in thousands)	Amount	Ownership	Remark
Taiwan Futures Exchange Corporation	3,401	<u>\$35,510</u>	1.7%	-

(3) The Company has no material influences on Taiwan Futures Exchange Corporation which is not a listed company and the carrying amount of the assets is valued at cost.

(4) As of June 30, 2007 and 2006, Available for sale financial assets were not pledged or mortgaged.

5. Fixed assets

(1) As of June 30, 2007

	Cost	Accumulated depreciation	Balance
Land	\$ 69,313	\$ -	\$ 69,313
Buildings	38,034	2,654	35,380
Computer communication equipments	200,950	149,581	51,369
Office equipments	12,489	6,969	5,520
Transportation equipments	9,574	3,193	6,381
Prepayment for equipments	829	-	829
Leasehold improvements	26,036	12,815	13,221
Total	<u>\$ 357,225</u>	<u>\$ 175,212</u>	<u>\$ 182,013</u>

(2) As of June 30, 2006

	Cost	Accumulated depreciation	Balance
Land	\$ 69,313	\$ -	\$ 69,313
Buildings	38,034	1,598	36,436
Computer communication equipments	189,187	128,621	60,566
Office equipments	10,844	5,168	5,676
Transportation equipments	6,824	1,676	5,148
Prepayment for equipments	4,213	-	4,213
Leasehold improvements	24,529	9,381	15,148
Total	<u>\$ 342,944</u>	<u>\$ 146,444</u>	<u>\$ 196,500</u>

(3) The Company provided land and buildings as collateral for the credit-line as of June 30, 2006 and cancelled all the registry of collateral as of June 30, 2007.

(4) Insurance

Insurance	June 30, 2007	June 30, 2006	Remark
Building	\$ 32,000	\$ 32,000	2007 fire insurance (including comprehensive insurance)
Computer and office equipment	91,200	88,500	2007 fire insurance (including comprehensive insurance) and 2006 fire insurance (including comprehensive insurance)
Leasehold improvement	28,300	24,500	2007 fire insurance (including comprehensive insurance) and 2006 fire insurance(including comprehensive insurance)
Total	<u>\$ 151,500</u>	<u>\$ 145,000</u>	

A. The comprehensive insurances as of June 30, 2007 and 2006 consisted of explosion insurance, earthquake insurance, flood insurance and suspended operation insurance, smoke insurance, automatic fire-fighting equipment leakage insurance and strike, riot, civil disturbance and intentional deterioration insurances.

B. The Company is covered by the public accidental liability insurance as of June 30 2007 and 2006.

6. Other assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operations guarantee deposits	\$ 110,000	\$ 110,000
Clearing and settlement funds	150,000	141,000
Refundable deposits	4,459	11,488
Deferred charges	8,107	10,570
Deferred income tax assets - noncurrent	48,881	48,540
Lease Assets-Land	91,733	-
Lease Assets-Building	49,395	-
Accumulated Depreciation-Lease Assets	<u>(571)</u>	<u>-</u>
Total	<u>\$ 462,004</u>	<u>\$ 321,598</u>

The Company acquired title of the building and the land on February 13, 2007 and leased them to the third party on February 16, 2007. The lease period is from February 16, 2007 to December 31, 2007. In the lease period, the lessee has the usage right. Unless the lessor agrees, the lessee cannot sub-lease, lend, or transfer the lease assets. The lease contract is effective unless it is reported to and approved by the competent authority.

7. Other payables

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Salary payable	\$ 10,598	\$ 10,181
Payroll payable	28,336	36,299
Interest payable	3,500	170
Labor and health insurance payable	2,556	2,657
Professional fees payable	5,479	3,815
Marketing expenses payables	10,549	8,852
Other expenses payable	8,375	8,559
Income tax payable	36,708	46,131
Stockholders' bonus payable	64,951	15,894
Other payables	2,447	7,217
Total	<u>\$ 173,499</u>	<u>\$ 139,775</u>

8. Accrued pension liabilities

- (1) The Company has recognized the pensions cost in accordance with the SFAS No.18 “Accounting for Pensions” since January 1, 1999. The recognized net pension costs as of June 30, 2007 and 2006 were \$2,132 and \$1,940, respectively. As of June 30, 2007 and 2006, the balance of pension benefits deposited with the Central Trust of China were \$10,907 and \$10,197, respectively.
- (2) Labor Pension Act (the “Act”) has been enforced on July 1, 2005 and adopts the defined-contribution scheme. The net pension costs contributed and recognized by the Company according to the Act as of June 30, 2007 and 2006 were \$6,076 and \$4,599. The accrued pension liability booked as of June 30, 2007 and 2006 were \$872 and \$776.

9. Capital

Date	Registered capital	Paid-in capital	Par value	Remarks
Apr. 9, 1997	\$200,000	\$200,000	\$10	Initial capital upon funding
Feb. 9, 1998	500,000	500,000	10	Capital increased in cash 30,000,000 shares
May 27, 1998	600,000	600,000	10	Capital increased in cash 10,000,000 shares
Jul. 22, 1999	615,000	615,000	10	Capital increased in cash 1,500,000 shares
Aug. 26, 2000	630,000	630,000	10	Capital increased in cash 1,500,000 shares
Sep. 1, 2003	1,095,800	1,095,800	10	Capital increased 46,580,000 shares due to business merger
Nov. 19, 2003	645,000	645,000	10	Retirement of stock capital 45,080,000 shares
Aug. 31, 2005	722,400	722,400	10	Earnings converted for capital increase by 7,740,000 shares
Sept. 11, 2006	801,864	801,864	10	Earnings converted for capital increase by 7,946,000 shares

On July 18, 2007, the Company was approved to issue the new stocks \$172,962 from the earnings by Financial Supervisory Commission, Executive Yuan. As of July 25, the board of directors has not set the ex-right date.

10. Special reserve

Under Article 18 of Rules Governing Futures Commission Merchants issued by FSC of the Financial Supervisory Commission, Executive Yuan, the futures commission merchants shall set aside an amount equal to 20% of its after-tax net income as special reserve, provided that this shall not be required if the accumulated amount reaches the paid-in capital amount. The special reserve shall not be used for purposes other than covering the losses of the Company or, when the special reserve reaches 50% of the amount of paid-in capital, half of it may be capitalized.

11. Distribution of retained earnings

- (1) According to the Company's Articles of Incorporation, the after-tax net income shall first be used to offset the accumulated deficits, then 10% is set aside as a legal reserve and 20% is set aside as a special reserve, the remaining amount after deducting the above from the current year's earnings with the prior years' unappropriated earnings shall be distributed in the following order :
 - A. Set aside 0.1%~2% as directors' and supervisors' remuneration; and
 - B. Set aside 0.1%~10% as employees' bonus; and
 - C. The remaining balance shall be distributed as dividends to shareholders.
- (2) The policy of the Company's dividend distribution, is to maintain the long-term financial planning and continuous development and steady operation growth as to maximize the profit of shareholders, complies with :
 - A. As least 50% of current year's unappropriated earnings shall be distributed as shareholders' dividends annually.
 - B. Dividends are distributed based on the current year's profitability and the future needs of the Company. This principle is applied for the stability of the Company's operations and financing requirements. At least 30% of the dividend distributed must be in the form of cash.
- (3) After the imputation system was enforced in 1998, when the Company's earnings are not distributed is subject to additional 10% income tax. There will be no more levy imposed if the earnings are not distributed in subsequent years.
- (4) The retained earnings for the year ended 2006 appropriated as employee's bonus and directors and supervisors' remuneration are disclosed as follows. Information relating to the appropriation of the Company's 2006 earnings as proposed by the Board of directors and resolved by the shareholders is published on the "Market Observation Post System" at the website of the Taiwan stock Exchange.

	The actual distribution of number of shares resolved by the meeting of stockholders	Distribution of number of shares determined by the Board of Directors	Difference	Reason of difference
1. Distribution	\$ -	\$ -		
(1) Employee bonus – cash dividend			-	-
(2) Employee bonus – stock dividend				
(a) Number of shares	2,381	2,381	-	-
(b) Amount	23,815	23,815	-	-
(c) Percentage of number of shares outstanding at the end of the current year	2.97%	2.97%	-	-
(3) Directors' and supervisors' remuneration	238	238	-	-
2. Earnings per share				
(1) Original earnings per share	\$ 4.14	\$ 4.14	-	-
(2) Imputed earnings per share	\$ 3.84	\$ 3.84	-	-

12. Income tax

- (1) The Company's income tax returns through 2004 have been assessed by the National Tax Administration (NTA). Additional income tax of \$1,025 were levied by the NTA for 1998 and 1999. The Company accrued appropriate tax provisions in 2005 and filed an appeal to the Taiwan High Court which is still under review.
- (2) The Company already filed its corporate income tax return for the year 2006 and 2005 on time, which is being reviewed by the NTA.

- (3) The income tax payables for six months ended June 30, 2007 and 2006 were estimated as follows:

Items	For six months ended June 30.	
	2007	2006
Net profit before tax, at tax rate according to income tax law, ROC	\$ 56,475	\$ 58,620
Cumulative effect of changes in Accounting principles	-	18
Permanent differences:		
Bill interest levied separately	(474)	(41)
Tax exempt of cash dividend	(116)	-
Valuation (profit) loss on financial asset	(1,903)	49
Gains or losses on Securities transaction exempted from tax under Article 4-1 of Income Tax Law, ROC	221	(14)
Gains on futures transaction exempted from tax under Article 4-2 of Income Tax Law, ROC	7,895	(17,362)
Gains on futures transaction which is unrealized in the prior year and closed in the current year	12,031	1,933
Losses on option contracts which is unrealized in the prior year and closed in the current year	(8,911)	(874)
Gains on opened futures transaction in the current year	(41,111)	(2,172)
Losses on opened option contracts in the current year	25,877	2,150
The adjustments by the tax law	7	-
Income tax expenses in the current period	49,991	42,307
Adjustment of income tax expenses in the prior period	1,603	(2,482)
10% tax on undistributed retained earning	-	498
Income tax expense	51,594	40,323
Adjustment of temporary differences:		
Unrealized losses on foreign exchange in the prior period	(188)	(413)
Unrealized gains on foreign exchange in the prior period	13	583
Unrealized losses on foreign exchange in the current year	328	14
Unrealized gains on foreign exchange in the current year	-	(124)
Unrealized trading losses (reversing profit)	(8,658)	3,962
Unrealized breach of contract losses	3,147	3,675
Differences in pension cost and appropriation	432	460
Adjustment of income tax expenses in the prior period	(1,603)	2,482
Income tax prepaid	(8,870)	(5,344)
Income tax payable (Note)	\$ 36,195	\$ 45,618

Note: It doesn't include the accrued payable \$513 thousands of administrative remedy in 2005.

(4) Effect of deferred income tax

A. Deferred income tax assets and liabilities were as follows:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
(A) Total deferred income tax assets	\$ 49,209	\$ 48,554
(B) Total deferred income tax liabilities	-	124
(C) Temporary differences arising from deferred income tax assets or liabilities	-	-
• Payable provisional difference incurred by recognition of unrealized gains in foreign exchange	-	(124)
• Deductible provisional difference incurred by recognition of unrealized losses in foreign exchange	328	14
• Deductible provisional differences incurred by recognition of unrealized trading losses	-	6,859
• Deductible provisional difference incurred by recognition of unrealized losses in breach of contract	29,363	23,076
• Deductible provisional differences incurred by recognition of unrealized bad debts losses	15,651	15,651
• Deductible provisional differences incurred by recognition of pension cost under ROC SFAS No. 18	3,867	2,954

B. Net deferred income assets

Items	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax assets	\$ 328	\$ 48,881	\$ 14	\$ 48,540
Deferred income tax liabilities	-	-	(124)	-
Net deferred income tax assets (liabilities)	<u>\$ 328</u>	<u>\$ 48,881</u>	<u>(\$ 110)</u>	<u>\$ 48,540</u>

(5) Information related to imputation credit account ("ICA")

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Expected (actual) available ICA	<u>\$ 114,944</u>	<u>\$ 97,534</u>
Expected (actual) ratio of ICA	<u>33.33%</u>	<u>33.70%</u>

(6) Information of unappropriated retained earnings:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Before 1997	\$ 432	\$ 1,021
After 1998	<u>174,347</u>	<u>199,285</u>
Total	<u>\$ 174,779</u>	<u>\$ 200,306</u>

13. Earnings per share

	June 30, 2007	June 30, 2006
Income before cumulative effect of changes in accounting principles	\$ 174,347	\$ 194,197
Cumulative effect of changes in accounting principles net of tax expense	-	72
Net income after tax	<u>\$ 174,347</u>	<u>\$ 194,269</u>
Weighted-average number of common shares outstanding (thousand shares)	<u>80,186</u>	<u>72,240</u>
Weighted-average number of common shares outstanding (thousand shares)- retroactive upon adjustment	<u>80,186</u>	<u>80,186</u>
EPS (in dollars)-retroactive upon adjustment		
Earnings per share before cumulative effect of changes in accounting principle	\$ 2.17	\$ 2.42
Earnings per share for cumulative effect of changes in accounting principle	-	-
Earnings per share after tax	<u>\$ 2.17</u>	<u>\$ 2.42</u>

14. Expenses relating to employment, depreciation, and amortization for the six months ended June 30, 2007 and 2006 disclosed by function were as follow:

Function Character	2007			2006		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employment						
Payroll	-	\$ 133,664	\$ 133,664	-	\$ 146,157	\$ 146,157
Labor and health insurance	-	7,148	7,148	-	6,335	6,335
Pension fund	-	8,208	8,208	-	6,539	6,539
Others	-	3,526	3,526	-	3,783	3,783
Depreciation	-	14,822	14,822	-	15,231	15,231
Amortization	-	9,282	9,282	-	8,186	8,186

15. Reclassifications

(1) Upon the adoption of SFAS No.37, certain accounts in the financial statements as of six months ended June 30, 2007 were reclassified to conform to the presentation of financial statements as of and for the six months ended June 30, 2006 for purpose of comparison.

(2) According to the new rules in Taiwan Futures Trading Co. on July 20, 2007, regarding the presentation and disclosure of derivative financial instruments of the future merchants, the Company prepared for the financial statements ended June 30, 2007 and the financial statements ended June 30, 2006 were reclassified.

V. Transactions with related parties

1. Names and relationships of related parties

Names of related parties	Relationship with the Company
Polaris Securities Co., Ltd.	The Company's parent company
Apex International Financial Engineering Res. & Tech. Co., Ltd.	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris Silicon Valley Fund (“Silicon Valley Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris Small Medium Cap Fund (“Small Medium Cap Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris Taiwan Top 50 Tracker Fund (“Top 50 Tracker Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris Taiwan Stock Exchange Capitalization Weighted Stock Index Fund (“TSE Capitalization Weighted Stock Index Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris Various strategic Fund (“Various strategic Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris Fu-Li Strategic Income Fund (“Fu-Li strategic Income Fund”)	Substantial related party
Kwong Fong Industries Corp.	The Company's chairman is a relative of this company's chairman
MF Global overseas Limited	Note 1
US. Refco Future Co. Taiwan Branch	Its general office in U.S. is the director of the Company; Note 2
Singapore Man Future Co. Taiwan Branch	Substantial related party
Polaris Public Relations Consultants Ltd.	Substantial related party
Polaris Securities (Hong Kong) Limited	100% shareholding held by Polaris Securities Co., Ltd.
Polaris-Propime Securities Investment Advisor Co., Ltd.	100% shareholding held by Polaris

Names of related parties	Relationship with the Company
Rosenthal Collins Group Ltd.	Securities Co., Ltd. The chairman is the same as the Company's
Apex Investment Co., Ltd.	Substantial related party
Yoing Investment Co., Ltd.	Substantial related party
Polaris Research Institute	The Company donated one-third of paid-in fund of the Institute
Chinese Taipei Skating Union	The Chairperson is the chairman of Board of the Company
Bank of Overseas Chinese	Substantial related party
Ho Ming-Yu	A relative of the Company's chairman
Pai Wen-Cheng	The Chairman of Polaris Securities Co., Ltd.
Pai Che-Yu	A relative of the parent Company's chairman
Pai Che-Ren	A relative of the parent Company's chairman
Ho Ming-Hong	The Chairman of the Company
Li, Wen-Hsing	The general manager of the Company

Note 1: The Company's stocks owned by Refco Global holding company were transferred to Man Financial Holdings Ltd. Due to the lost of share certificates by Refco, the ex-right sentence issued by Taiwan Taipei District Court was acquired on December 19, 2006. Both parties had completed the stock title transfer on March 7, 2007. Subsequently Man Financial Holdings had been re-named as MF Global Overseas Limited on July 19, 2007.

Note 2: Refco Global Holdings, LLC Taiwan Branch applied for dissolution on January 16, 2006 and the application was approved by the competent authority on February 6, 2006.

2. Transactions with the related parties
(1) Brokerage Revenue

Name of related party	June 30, 2007		June 30, 2006	
	Amount	%	Amount	%
Others	\$ 5,365	0.86%	\$ 5,894	0.80%

There is no significant difference between related parties and nonrelated parties on brokerage.

- (2) Futures introducing broker commissions and re-consigned foreign futures trading commissions paid by the Company to related parties as follows:

Name of related party	June 30,2007		June 30,2006	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 94,905	53.35%	\$ 119,825	59.19%
Polaris Securities (Hong Kong) Limited	2,950	1.66%	722	0.36%
MF Global Singapore Pte Ltd Taiwan Branch	60,284	33.89%	55,337	27.34%
Total	<u>\$ 158,139</u>	<u>88.90%</u>	<u>\$ 175,884</u>	<u>86.89%</u>

T

here is no significant difference between related parties and nonrelated parties on futures broker commissions and sub-agent futures trading commissions paid by the Company.

- (3) Error account revenues received by the Company from related parties as follows:

Items	Name of related party	June 30,2007		June 30,2006	
		Amount	%	Amount	%
Error account revenues	Polaris Securities Co., Ltd.	<u>\$ 7</u>	<u>-</u>	<u>\$ 21</u>	<u>9.71%</u>

- (4) Leasehold properties

Lessor	Premises in leasehold	Deposits	Rent expense for the six months ended	
			June 30,2007	June 30,2006
Polaris Securities Co., Ltd.	5F-1, 151, Chongcheng 4th Rd., Kaohsiun, and B1, No.69 Sec.2, Tunhua S.Rd., Taipei S.Rd., Taipei	\$ 100	\$ 420	\$ 372

On leasehold between the Company and associated parties, rentals have been set at general market rates and paid on a monthly basis. The transaction condition makes no difference from third parties.

(5) Credits and liabilities:

Items	Name of related party	June 30, 2007		June 30, 2006	
		Amount	%	Amount	%
Margin deposits - NTD	Bank of Overseas Chinese	\$ 747,766	7.09%	\$ 1,059,276	13.31%
Margin deposits - HKD	Polaris Securities (Hong Kong) Limited	14,035	0.13%	12,760	0.16%
Margin deposits - USD	MF Global Singapore Pte Ltd Taiwan Branch	438,218	4.15%	306,606	3.85%
Margin deposits - JPY	MF Global Singapore Pte Ltd Taiwan Branch	61,608	0.58%	25,951	0.33%
Margin deposits - GBP	MF Global Singapore Pte Ltd Taiwan Branch	518	-	3,042	0.04%
Margin deposits - EUR	MF Global Singapore Pte Ltd Taiwan Branch	783	-	245	-
		<u>\$ 1,262,928</u>	<u>11.95%</u>	<u>\$ 1,407,880</u>	<u>17.69%</u>
Futures trading margins- proprietary funds - HKD	Polaris Securities (Hong Kong) Limited	5,699	0.49%	3,965	0.64%
Futures trading margins proprietary-USD	MF Global Singapore Pte Ltd Taiwan Branch	60,780	5.23%	74,706	12.14%
Futures trading margins- proprietary funds - JPY	MF Global Singapore Pte Ltd Taiwan Branch	6,311	0.54%	6,618	1.08%
		<u>\$ 72,790</u>	<u>6.26%</u>	<u>\$ 85,289</u>	<u>13.86%</u>
Prepaid expenses	Polaris Securities Co., Ltd.	\$ -	-	\$ 300	2.82%
Accounts receivable	Polaris Securities Co., Ltd.	\$ 122	3.47%	\$ -	-
Interest receivable	MF Global Singapore Pte Ltd Taiwan Branch	\$ 1,999	24.92%	\$ -	-
Other receivable	MF Global Overseas Limited	\$ -	-	\$ 5,704	42.45%
		<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Payables to customers	TSE Capitalization Weighted Stock Index Fund	\$ 4,271	0.04%	\$ 3,381	0.04%
	Bank of Overseas Chinese	-	-	19,534	0.25%
	Apex International Financial	2,367	0.02%	2,588	0.03%
	Engineering Res. & Tech. Co., Ltd.				
	Polaris Securities Co., Ltd.	84,960	0.81%	973	0.01%
	Apex Investment Co., Ltd.	8,779	0.09%	8,284	0.10%
	Small Medium Cap Fund	1,026	0.01%	1,025	0.01%
	Silicon Valley Fund	2,004	0.02%	2,002	0.03%
	Various strategic Fund	-	-	8,228	0.10%
	Taiwan Top 50 Fund	41,389	0.39%	62,594	0.79%
	Yoing Investment Co., Ltd.	1,004	0.01%	5,393	0.07%
	Ho Ming - Hong	123,254	1.17%	128,564	1.62%
	Ho Ming - Yu	90,877	0.86%	106,520	1.34%
	Li Wen-Hsing	19,162	0.18%	16,058	0.21%
	Pai Wen - Cheng	5	-	46,924	0.59%
	Pai Che - Yu	1	-	2,823	0.04%
	Pai Che - Ren	511	-	182	-
		<u>\$ 379,610</u>	<u>3.60%</u>	<u>\$ 415,073</u>	<u>5.23%</u>

Items	Name of related party	June 30, 2007		June 30, 2006	
		Amount	%	Amount	%
Notes payable	Polaris Securities Co., Ltd.	-	-	\$ 360	7.35%
Accounts payable	Polaris Securities Co., Ltd.	\$ 17,905	36.56%	\$ 22,543	39.70%
	MF Global Singapore Pte Ltd Taiwan Branch	205	0.42%	5,325	9.38%
		\$ 18,110	36.98%	\$ 27,868	49.08%
Other payable	Polaris Securities Co., Ltd.	\$ 23	0.01%	\$ -	-

(6) Others

A. The handling fees paid by the Company for placing the order by the proprietary trading department with Polaris Securities Co., Ltd. as of June 30 in 2007 was \$80. The transaction condition makes no difference from third parties.

B. Others

Items	Name of related party	June 30, 2007		June 30, 2006	
		Amount	%	Amount	%
Computing information fee	Apex International Financial Engineering Res. & Tech. Co., Ltd.	\$ 448	1.48%	\$ 222	0.67%
Marketing fee	Polaris Public Relations Consultants Limited	2,400	17.88%	2,400	16.27%
Interest revenue	MF Global Singapore Pte Ltd Taiwan Branch	10,186	10.43%	498	0.82%
	Bank of Overseas Chinese	9,209	9.43%	8,007	13.13%
Professional fee	Polaris Securities Co., Ltd.	71	2.02%	59	0.95%
Donation	Polaris Research Institute	700	56.00%	700	97.22%
Bank deposits house fund	Bank of Overseas Chinese	28,719	13.84%	165,090	25.78%
Interest expenses	MF Global Singapore Pte Ltd Taiwan Branch	3	-		

VI. Pledge of Assets: Please refer to note IV-5.

VII. Significant Commitments and contingencies

According to the amended "Taiwan Future Trading Co., Ltd. Emergency Dealing With Insufficient Capital With Irrevocable Secured Letter of Credit Rules", the Company applied for the credit line of NT\$300 million with Chinatrust Commercial Bank, which has not been used as of July 25, 2007.

VIII. Significant losses due to major disasters: Nil.

IX. Disclosure of information as related to investment in derivative financial instruments

1. Derivative financial instruments

(1) As of June 30, 2007 and 2006 the open futures and option contracts are shown as follows:

A. As of June 30, 2007

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Futures contract (Domestic)	MiNi-TAIEX Futures	Buy	1,071	\$ 468,061	\$ 471,409
		Sell	162	70,970	70,977
	TAIEX Futures	Buy	5,587	9,667,643	9,838,800
		Sell	107	182,861	187,452
	Finance Sector Index Futures	Buy	1	1,044	1,029
		Sell	31	31,311	32,050
	Electronic Sector Index Futures	Sell	253	380,031	383,420
Futures contract (Abroad)	TAIFEX Gold Futures	Buy	9	19,319	19,277
	Index Futures	Buy	2	9,217	9,194
		Sell	36	60,024	60,286
	Precious metal Futures	Buy	373	292,685	293,546
		Sell	146	310,209	312,219
	Foreign exchange Futures	Buy	65	218,709	218,918
		Sell	4	13,454	13,497
	Soft merchandise Futures	Sell	7	2,421	2,348
	Agriculture Futures	Buy	12	7,984	7,871
		Sell	16	9,804	9,805
	Bond Futures	Buy	4	14,133	14,160
Option contract (Domestic)	TAIFEX MSCI Taiwan Index call options	Buy	30	144	70
		Sell	10	17	8
	TAIFEX MSCI Taiwan Index put options	Sell	20	72	51
		Buy	10	8	1
	Finance Sector Index call options	Sell	10	26	29
		Buy	1,379	7,903	9,403
	TAIEX call options	Sell	23,188	292,330	379,449
		Buy	22,554	81,406	63,059
TAIEX put options	Sell	661	702	191	

B As of June 30, 2006

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Futures contract (Domestic)	MiNi-TAIEX Futures	Buy	609	\$ 199,414	\$ 202,614
		Sell	90	28,770	29,385
	TAIEX Futures	Buy	405	529,381	538,947
		Sell	43	55,467	56,158
	Finance Sector Index Futures	Buy	4	3,758	3,815
		Sell	116	103,623	110,367
	Electronic Sector Index Futures	Sell	112	122,293	124,544
	TAIFEX Gold Futures	Buy	41	80,094	81,918
		Sell	13	25,880	25,984
	Futures contract (Abroad)	Index Futures	Buy	9	20,752
Precious metal Futures		Buy	129	225,611	241,453
		Sell	209	286,061	297,646
Foreign exchange Futures		Buy	2	7,067	7,165
Energy Futures		Buy	2	1,761	1,851
Soft merchandise Futures		Buy	2	873	868
Option contract (Domestic)		TAIEX call options	Buy	588	6,481
	Sell		2,216	15,719	20,649
	TAIEX put options	Buy	2,791	18,597	12,179
		Sell	763	8,675	7,500
	Equity call options	Buy	210	36	292
		Sell	4	21	40
	Equity put options	Buy	605	101	311
		Sell	2	12	11

2. Fair value of financial instruments

	June. 30, 2007		June 30, 2006	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	\$ 356,559	\$ 356,559	\$ 529,567	\$ 529,567
Financial assets at fair value through profit or loss-current				
Open-end funds	5,002	5,002	4,806	4,806
Marketable Equity	93,724	93,724	-	-
Derivative financial instruments	1,234,650	1,234,650	635,587	635,587
Available for sale financial assets- Noncurrent	35,510	35,510	35,510	35,510
Refundable Deposits	4,459	4,459	11,488	11,488
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instrument	379,728	379,728	28,200	28,200
Derivative financial instrument				
Futures trading margins-proprietary funds	1,162,117	1,162,117	615,199	615,199
Call Options-nonhedging	72,533	72,533	20,388	20,388
Put Option Liabilities	379,728	379,728	28,200	28,200

The methods and assumptions used to evaluate the fair value of each class of financial instruments are as follows:

(1) Short-term financial instruments are stated at their carrying value on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. Those in such category include cash and cash equivalents, notes and accounts receivable, margin deposits, other receivable operations guarantee deposits, clearing and settlement funds, refundable deposits, payables to customers, notes and accounts payable, income tax payable, other payables and accrued pension liabilities.

(2) Quoted market prices, if available, are utilized as estimates of the fair value of financial assets and liabilities. If no quoted market prices for the financial instruments, the fair value has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. The Company uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

3. As of June 30, 2007 and 2006, the fair value of the financial instruments, which were based on quoted market value in active market or pricing model, were as follows:

Financial assets	June 30, 2007		June 30, 2006	
	Quoted Market Value in active market	Pricing model	Quoted Market Value in active market	Pricing model
Financial assets at fair value through profit or loss-current				
Open-end funds	\$ 5,002	\$ -	\$ 4,806	\$ -
Marketable equities	93,724	-	-	-
Derivative financial instruments				
Call option-contracts	72,533	-	20,388	-
Future trading margins- house funds	-	1,162,117	-	615,199
Total	\$ 171,259	\$ 1,162,117	\$ 25,194	\$ 615,199
Financial liabilities				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instruments				
Put option liabilities	\$ 379,728	-	\$ 28,200	-

4. All the financial assets are not pledged as of June 30, 2007 and 2006.

5. Financial Risk Information

(1) Market risk

The major risk of the futures and options trading undertaken by the Company is the market risk arising from the fluctuations in the market prices of the underlying securities. All the proprietary trading are evaluated at the fair market price enhance with the hedging policy to reduce the risk exposures. In 95% of confidence intervals, VaR for one day is \$2.75 million on June 29, 2007. Average VaR for each trading day of the first half year in 2007 is \$3.45 million, the maximum \$6.78 million (April 27, 2007), the minimum \$1.05 million (March 9, 2007), and the standard variance \$1.13 million.

(2) Credit risk

All the Company's proprietary trading including futures, options and stocks were traded in the official exchanges through daily settlement mechanism. No significant credit risk is expected to arise.

(3) Liquidity risk

The Company is primary engaged in the public standardized transactions and the liquidity risk is assessed to be remote except for market making purpose.

As a market maker, cash settlement is usually adopted which permits the long and short to pay the net cash value of the position on the delivery date such as index option and avoid all risk by utilizing the put-call parity theory and hold up to the contract expiration.

If a physical delivery is required, the stop-loss mechanism has been established to control the risk at minimum level.

6. The significant information of credit risk

The Company's trading positions are widely diversify not only the counterparties but also the markets. Complied with the applicable regulations and strict self-disciplines to monitor the margin and control the risk on a daily basis.

X. Restrictions and enforcement of the Company's various financial ratios under ROC Futures Trading Law:

Art .	Calculation formula	Current period		Prior period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Shareholders' equity	1,618,978	234.04%	1,371,880	439.15%	≥ 100%	Satisfactory to requirements
	Total liabilities – Payables to customers – Reserve for trading losses – Reserve for breach of contract losses	11,360,458 – 10,551,262 – 0 – 117,452		8,363,343 – 7,931,210 – 27,434 – 92,305			
17	Current assets	12,274,713	110.01%	9,153,882	112.11%	≥ 100%	Satisfactory to requirements
	Current liabilities	11,157,865		8,165,008			
22	Shareholders' equity	1,618,978	245.30%	1,371,880	207.86%	≥ 60%	Satisfactory to requirements
	Minimum paid-in capital	660,000		660,000		≥ 40%	
22	Post-adjustment net capital	662,420	20.04%	1,048,589	91.72%	≥ 20%	Satisfactory to requirements
	Total customer margin deposits required for futures traders, not yet offset	3,305,650		1,143,235		≥ 15%	

XI. Unique risks to FCM's services:

1. Specific risk of futures brokerage business

The Company's business lines include brokerage business in acting as an agent for trading of futures contracts and futures option contracts. The Company, when consigned to proceed the futures trading, should collect the trading margin deposits from clients. When trading margin deposits is not enough to pay off the loss, the Company runs the risk of significant out-of-account financing risks. As a countermeasure, the Company, in line with trading of individual customers, is closely watchful of the margin deposits to maintain a certain level and, as necessary, requests that the customers pay additional margin deposits or reduce trading values so as to control such risks.

2. Specific risk of futures dealer business

The Company's futures dealer business is to deal with futures or option contracts by house fund. The major risk is the market risk for the open position. Supervising the leverage level, evaluating the open positions, and real-time electronic programming monitoring are implemented to control the risks under the tolerable limitation.

When dealing with foreign futures, the company shall face the exchange rate risk for the foreign currency security deposit. But the exchange rate risk is not significant compared to the return from the investment, the foreign currencies are held for the long run for trading. The foreign currencies are not exchanged physically every day. If the special condition make the rate change significantly, the company hedges with foreign futures.

XII. Segment information

1. Departmental information

(1) For the six months ended June 30, 2007

Items	Futures Brokerage Business		Futures Dealer Business		Total	
	Amount	%	Amount	%	Amount	%
Profit or loss contributed by segment						
Segment revenues						
Brokerage	\$ 624,816	85	\$ -	-	\$ 624,816	33
Clearance fee from consignment	4,447	-	-	-	4,447	-
Derivative financial instrument's profit	-	-	1,100,361	96	1,100,361	59
Futures advisory fees	6	-	-	-	6	-
Other operating revenues	323	-	34,632	3	34,955	2
Nonoperating revenues	108,625	15	10,496	1	119,121	6
Total	738,217	100	1,145,489	100	1,883,706	100
Segment expenses						
Brokerage	(62,970)	(8)	(3,704)	-	(66,674)	(4)
Futures commission	(175,323)	(24)	(2,561)	-	(177,884)	(10)
Clearance fee	(45,415)	(6)	(2,740)	-	(48,155)	(2)
Derivative financial instrument's loss	-	-	(1,000,727)	(87)	(1,000,727)	(53)
Payroll	(93,374)	(13)	(20,280)	(2)	(113,654)	(6)
Depreciation and amortization	(22,697)	(3)	(1,407)	-	(24,104)	(1)
Other operating expenses	(118,182)	(16)	(56,190)	(5)	(174,372)	(9)
Nonoperating expenses and losses	(21,521)	(3)	(3,286)	(1)	(24,807)	(1)
Total	(539,482)	(73)	(1,090,895)	(95)	(1,630,377)	(86)
Profit for each segment	198,735	27	54,594	5	253,329	14
Revenues and expenses were indirectly occurred by each segment						
Various revenues					68	-
Administrative expenses					(27,456)	(1)
Interest expenses					-	-
Other expenses					-	-
Total					(27,388)	(1)
Income before income tax					225,941	13
Income tax expense					(51,594)	(3)
Cumulative effect of changes in accounting principles					-	-
Net income					174,347	10

(2) For the six months ended June 30, 2006

Items	Futures Brokerage Business		Futures Dealer Business		Total	
	Amount	%	Amount	%	Amount	%
Profit or loss contributed by segment						
Segment revenues						
Brokerage	\$ 733,817	92	\$ -	-	\$ 733,817	63
Clearance fee from consignment	1,224	-	-	-	1,224	-
Derivative financial instrument profit	-	-	354,949	99	354,949	31
Futures advisory fees	11	-	-	-	11	-
Other operating revenues	218	-	-	-	218	-
Nonoperating revenues	65,093	8	3,237	1	68,330	6
Total	800,363	100	358,186	100	1,158,549	100
Segment expenses						
Brokerage	(81,257)	(10)	(3,027)	(1)	(84,284)	(7)
Futures commission	(200,914)	(25)	(1,518)	(1)	(202,432)	(17)
Clearance fee	(55,397)	(7)	(2,191)	(1)	(57,588)	(5)
Derivative financial instrument loss	-	-	(204,157)	(57)	(204,157)	(18)
Payroll	(129,739)	(16)	(22,560)	(6)	(152,299)	(13)
Depreciation and amortization	(23,051)	(3)	(366)	-	(23,417)	(2)
Other operating expenses	(65,642)	(8)	(22,426)	(6)	(88,068)	(8)
Nonoperating expenses and losses	(6,632)	(1)	(48)	-	(6,680)	(1)
Total	(562,632)	(70)	(256,293)	(72)	(818,925)	(71)
Profit for each segment	237,731	30	101,893	28	339,624	29
Revenues and expenses were indirectly occurred by each segment						
Various revenues					442	-
Administrative expenses					(105,546)	(9)
Interest expenses					-	-
Other expenses					-	-
Total					(105,104)	(9)
Income before income tax					234,520	20
Income tax expense					(40,323)	(3)
Cumulative effect of changes in accounting principles					72	-
Net income					\$ 194,269	17

2. Territorial information: nil.

XIII. Significant subsequent events.

On July 18, 2007, the Company was approved to issue the new stocks from the earnings by Financial Supervisory Commission, Executive Yuan. As of July 25, 2007 the board of directors has not set the ex-right date.

XIV. Related information with significant transaction

1. Loan to others: Nil.
2. Endorsement and guarantee for others: Nil.
3. Acquisition of real estates cost NT\$100 million or more than 20% of issued shares or more.

Acquiring company	Property	Transaction date or happening date	Amount	Payment	Trading party	Relationship	If the trading party is related party, the previous transferring data				Purpose and status	Others
							Owner	Relationship	Transferring Date	Amount		
The Company	Land	Feb. 15, 2007	\$91,733	Paid	Yuanta Core Pacific Securities	Nil						
	Buildings	Feb. 15, 2007	49,395	Paid	Yuanta Core Pacific Securities	Nil						

4. Disposal of real estates cost NT\$100 million or more than 20% of issued shares or more: Nil.
5. The allowance of dealing charge with related parties achieves NT\$5 million: Nil.
6. Related party receivable achieves NT\$100 million or 20% of issued capital or more: Nil.

XV. Related information with reinvestment: Nil.

XVI. Mainland China investment information: Nil

XVII. Others

1. 20% ownership of the Company held by Refco Global Holdings, LLC has been auctioned by U.S court in October, 2005 and acquired by Man Financial Holdings Ltd. Please refer to note V-1 Note. 1.
2. The Company entered into a commercial contract with Man Financial (S) Pte Ltd. on February 6, 2006. Man Financial (S) Pte Ltd. licensed the Company to use its trademark in the Company's name unconditionally. Therefore, the Company has renamed as "Polaris Man Financial Futures Co., Ltd." after obtaining approval from the competent authority. Man Financial (S) Pte Ltd. have the first priority for the settlement of the Company's foreign futures trading, and the Company also provide Man Group with the services related to futures trading in Taiwan.